

Summit County Children Services

Summit County, Ohio

Basic Financial Statements

For the Year Ended
December 31, 2012

SUMMIT COUNTY CHILDREN SERVICES

Summit County, Ohio

For The Year Ended December 31, 2012

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June 17, 2013

To the Board of Trustees
Summit County Children Services
Summit County, Ohio
264 South Arlington Street
Akron, OH 44306

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Summit County Children Services, Summit County, Ohio, (SCCS) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise SCCS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the SCCS as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department of Summit County Children Services, Summit County, Ohio, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of Summit County that is attributable to the transactions of the SCCS Department. They do not purport to, and do not, present fairly the financial position of Summit County as of December 31, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013 on our consideration of the SCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCCS' internal control over financial reporting and compliance.

Rea & Associates, Inc.

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Management's Discussion and Analysis

The management of Summit County Children Services (SCCS), a special revenue fund of the County of Summit, is presenting an overview of SCCS' financial activities for the year ended December 31, 2012, in addition to the audited financial statements. This additional information is being provided to meet certain disclosure requirements of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Independent Auditor's Report, the Basic Financial Statements, Notes to the Basic Financial Statements and Supplementary Information should be read in conjunction with the following discussion. Prior year information is provided when available and applicable.

Financial Highlights

- The primary source of revenues for SCCS is the 2.25 mill levy approved by Summit County residents in 2007 replacing a 2.56 mill levy originally approved in 1999
- 2012 reflects the fifth year of a six year levy collections
- The replacement levy provided \$21.7 million revenues (cash basis) in 2012
- In November 2012 Summit County residents approved the renewal of the 2.25 mill levy for the period 2014 through 2019
- Remaining revenues (cash basis) received in 2012: Federal \$11.5 million and State \$5.8 million
- During 2012, SCCS General Fund Balance decreased by \$1.8 million
- Total Net Position decreased during 2012 by \$2.2 million

Overview of the Basic Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to SCCS' basic financial statements. SCCS is a special revenue fund of the County of Summit; therefore, the statements and discussion focus on the portion of funds and transactions of SCCS and are intended to emphasize SCCS' overall financial status. The Basic Financial Statements are intended to provide a broad overview of SCCS' activities and offer short and long term financial information.

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Basic Financial Statements

The Statement of Net Position is based upon the principles of the Governmental Accounting Standards Board using accrual basis of accounting and these statements are similar to other governmental units. The Statement of Net Position provides information about all of SCCS' assets and liabilities as of December 31, 2012. Changes in net position will serve as a useful indicator of the financial health of SCCS. Tracking changes in net position will indicate improvement or deterioration when taking into account other non-financial factors, i.e. changes in real estate tax valuations, number of referrals made to SCCS, continued levy support, etc. Since SCCS is a special revenue fund of the County of Summit, all of its assets and liabilities are reported as Governmental Activities and are divided into the following categories:

- Assets
- Liabilities
- Net Position (Assets minus Liabilities)

The Statement of Activities illustrates how the services provided by SCCS were financed as well as what dollars remain for future spending. The Statement of Activities is divided into the following categories:

- Program Expenses
- Program Revenues
- General Revenues
- Change in Net Position
- Net Position at the Beginning of the Year
- Net Position at the End of the Year

SCCS' Balance Sheet as of December 31, 2012 reports all current assets and current liabilities for the Governmental Funds. The report is based upon modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash and therefore excludes fixed assets as well as long-term liabilities. The Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance SCCS' services and programs. The Balance Sheet is divided into the following categories:

- Assets
- Liabilities
- Fund Balances

Table 1 is a summary of the Total Net Position for SCCS. Total Net Position decreased by \$2,184,607 or 4.0 percent during 2012. The more significant changes from 2011 to 2012 and some items of interest during 2012 with a financial impact on the Net Position are listed:

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- Total Assets decreased \$2,262,635. The largest change in Assets is to Equity in Pooled Cash, Cash Equivalents and Investments which decreased \$1,790,024. This decrease is primarily due to the timing of the 4th quarter remittance for Title IV-E Administration receipt. \$1,683,069 was not received until early 2013. Taxes Receivable also decreased \$332,838. Capital Assets decreased due to Depreciation Expense of \$426,750, and increased due to building improvements/ renovations of \$460,085.
- Total Liabilities decreased \$78,028 due to a decrease in Accounts Payable of \$604,448, offset in part by increases in Compensated Absences Payable of \$203,795 and Accrued Wages Payable of \$236,555. The change in Net Position was primarily a decrease to Unrestricted Net Position as a result of Governmental Activities for the year of \$2,100,733.

SCCS has no long-term debt related to its capital asset holdings.

Table 1
Net Position
(In Thousands of Dollars)

	2012	2011	Governmental Activities Dollar Change	Percentage Change
Assets				
Current and Other Assets	\$70,635	\$72,931	(\$2,296)	(3.1%)
Capital Assets, Net	10,101	10,067	33	0.3%
Total Assets	\$80,736	\$82,998	(\$2,263)	(2.7%)
Liabilities				
Current and Other Liabilities	25,360	25,642	(282)	(1.1%)
Long-Term Liabilities	2,611	2,407	204	8.5%
Total Liabilities	\$27,971	\$28,049	(\$78)	(0.3%)
Net Position				
Net Investment in Capital Assets	10,101	10,067	33	0.3%
Restricted	1,990	2,107	(117)	(5.6%)
Unrestricted	40,674	42,775	(2,101)	(4.9%)
Total Net Position	\$52,765	\$54,949	(\$2,185)	(4.0%)

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Table 2 is a summary of the Changes in Net Position for SCCS. Total Revenues have decreased by \$5,893,748 or 12.2 percent from the prior year. SCCS is fortunate to be supported by the local community through the passage of the real estate tax levy. The larger changes in the revenue stream include:

- Program Revenues decreased \$1,818,994 from 2011 to 2012. Revenues for IV-E Administration decreased due to lower reimbursable expenses (primarily payroll) and a lower percent reimbursement on the cost pool. Also, revenues for Paid Placements decreased due to lower reimbursable expenditures.
- Property Tax Revenues decreased by \$2,972,949 or 12.2% during the fifth year of a levy passed in 2007. This stems from declining property values and decreased Tangible Personal Property Tax.
- Expenditures decreased from 2011 to 2012 by \$2,762,887 or 5.9%. The decrease is primarily the result of a reduction in paid placements.

Table 2
Change in Net Position
(In Thousands of Dollars)

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$4,623	\$5,413	(\$790)	(14.6%)
Operating Grants & Contributions	11,579	12,608	(1,029)	(8.2%)
Program Revenues	<u>16,202</u>	<u>18,021</u>	<u>(1,819)</u>	<u>(10.1%)</u>
General Revenues				
Property Taxes	21,455	24,428	(2,973)	(12.2%)
Grants & Entitlements, not Restricted	4,191	5,111	(920)	(18.0%)
Investment Earnings	6	25	(19)	(76.0%)
Miscellaneous	380	543	(162)	(29.8%)
Total Revenues	<u>\$42,234</u>	<u>\$48,128</u>	<u>(\$5,894)</u>	<u>(12.2%)</u>
Expenditures				
Human Services	44,419	47,182	(2,763)	(5.9%)
Increase (Decrease) in Net Position	<u>(\$2,185)</u>	<u>\$946</u>	<u>(\$3,131)</u>	<u>(331.0%)</u>

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SCCS' Funds

Governmental Funds

Information about the SCCS' governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$42,343,422 and expenditures of \$44,248,443.

The general fund's net change in fund balance for fiscal year 2012 was a decrease of \$1,787,813. Total revenues decreased \$7,559,680 while total expenditures decreased \$2,966,166 compared to 2011. The largest decrease in revenues was a \$4,429,761 decrease in Intergovernmental revenues. Revenues for IV-E Administration decreased due to lower reimbursable expenses (primarily payroll) and a lower percent reimbursement on the cost pool. Also, revenues for Paid Placements decreased due to lower reimbursable expenditures. Expenditures decreased as a result of payroll expense savings realized as a result of an early retirement incentive offered at the end of 2010 and severance paid in 2011. Contractual services expenditures also decreased as a result of a decrease in the number of paid placements.

Budgeting Highlights

As a special revenue fund of the County of Summit, the SCCS budget is included in the County of Summit budgeting and reporting. SCCS' internal budgeting process is detailed in the Notes to the Basic Financial Statements Number 2E, "Budgetary Data".

The 2012 budget includes projected revenues of \$44,490,238. A significant factor in the Actual Revenues (cash basis) being below Final Budgeted Revenues is the timing of the 4th quarter remittance for Title IV-E Administration receipt. \$1,683,069 was not received until early 2013. Revenues for IV-E Administration also decreased due to lower reimbursable expenses (primarily payroll) and a lower percent reimbursement on the cost pool. In addition, Intergovernmental Revenues for Paid Placements decreased due to lower reimbursable expenditures.

The budget continues a comprehensive spending reduction plan to best position the SCCS during the current levy period and beyond. The details of the plan thus far include:

- Completion of an early retirement incentive program (three year OPERS service credit buyout) between February 1, 2010 through January 31, 2011.
- Restructuring of Social Services that has strengthened the core/mandated service areas of Intake and Protective Services and enhanced family centered services.
- Social Service staff have been reassigned from non-mandated areas of Kinship Care and Foster Care to Intake and Protective Services. This reduced the ratio of supervisor/worker and reduced caseloads in both areas. Foster care licensing and re-certifications are being purchased from external providers.

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- Visitation Services (family interaction) was restructured in 2010 and outsourced. This function has since been encompassed into daily caseworker activity.
- The SCCS Medical and Dental Clinic services are no longer being directly provided by SCCS as of April 1, 2010. Service was transitioned to Akron Children's Hospital and various dental providers.

Budgeted FTE levels have declined to 335 from approximately 385 four years ago and have been operating at a level of 325 consistently.

Actual Expenditures (cash basis) of \$51,521,520 were less than Final Budgeted Expenditures of \$52,574,263 by \$1,052,743. In addition to the above mentioned spending reductions, placement costs also contributed to a favorable budget variance due to a decline in the number of children in placement. This trend, however, appears to be reversing as the number and level of intensity is increasing.

Capital Assets

At December 31, 2012, SCCS had \$10,100,739 net investment in capital assets as detailed in Table 3. There was a net increase of \$33,334 or 0.3% from December 31, 2011. Additions to Capital Assets in 2012 of \$483,754 were to Buildings for the renovation of a Family Interaction Center, and for improvements to the HVAC system. The Family Interaction Center renovation utilized no public funds and was completed through the use of donated funds.

Depreciation expense of \$426,751 substantially offset the additions. There were no disposals of capital assets in 2012. Construction in Progress costs prior to 2012 of \$23,669 for the Family Interaction Center were reclassified to Buildings when the Center was placed in service in 2012.

Table 3
Capital Assets at Year End
(Net of Depreciation)

	2012	2011	Dollar Change	Percentage Change
Capital Assets:				
Land	\$1,288,532	\$1,288,532	\$0	0%
Land Improvements	51,282	55,991	(4,709)	(8.4%)
Buildings	8,548,546	8,447,941	100,605	1.2%
Machinery and Equipment	29,505	52,972	(23,467)	(44.3%)
Vehicles	7,816	23,242	(15,426)	(66.4%)
Construction in Progress	175,058	198,727	(23,669)	(11.9%)
Total Capital Assets at Year End	<u>\$10,100,739</u>	<u>\$10,067,405</u>	<u>33,334</u>	0.3%

See Note 7 for additional information on Capital Assets.

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Economic Factors

Summit County Children Services continues to receive strong support from the residents of Summit County. SCCS relies considerably on its local property tax levy. 2012 revenues were generated from the levy passed in 2007 for the six year period 2008-2013. In November of 2012 the residents of Summit County passed a renewal of the levy for the six year period 2014-2019. The 2.25 mill levy generates \$25 million dollars per year and costs a homeowner with a residence of \$100,000 \$68.91 per year. Other federal and state revenue sources provide the additional support for SCCS services. Collections during this levy period have been hampered by the economic downturn resulting in high unemployment, increased foreclosure and delinquency rates, declining property values and the phase out of the tangible personal property tax. A modest turnaround in collections appear favorable as the economy begins a slow recovery.

A weak outlook in terms of state funding appears likely to continue during the current state budget cycle for 2013-2014. The current levy expires at the end of 2013. In reviewing budget projections consideration was given to considering projections through the end of the levy period, and the subsequent levy request necessary to support spending levels into the next levy period. It was concluded that continuing at current spending levels and transferring the State and other revenue cuts to the levy would require a request of the Summit County voters an increase to the original millage of 2.25 mills. Such a request is considered a very high risk especially when considering overall economic conditions, thus a renewal was requested and passed.

SCCS continues to seek funding alternatives. In 2012 SCCS was awarded a five (5) year \$2.5 million federal grant to coordinate a collaboration of agencies to improve the well-being of children at risk of removal from home due to trauma, alcohol & other substance abuse situations.

A new 3 year collective bargaining agreement with the Communication Workers of America Local 4546 was achieved through acceptance of a fact finder report by both the Board of Trustees and the membership of CWA Local 4546. The agreement runs through December 31, 2014.

A significant factor in demonstrating agency achievement is the national accreditation SCCS received from the Council On Accreditation (COA). This renewed accreditation through July 31, 2017 is an indication of the level of excellence SCCS strives for in all facets of its operations.

Contacting SCCS' Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of SCCS' finances and to show SCCS' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of Finance, Summit County Children Services, 264 South Arlington Street, Akron, OH 44306-1354.

Summit County Children Services
Summit County, Ohio
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments with Fiscal Agent	\$36,429,689
Cash, Cash Equivalents and Investments in Segregated Accounts	1,985,966
Receivables	
Taxes	25,592,420
Accrued Interest	3,674
Due from Other Governments	6,476,352
Prepaid Items	146,464
Non-Current Assets:	
Non-Depreciable Capital Assets	1,463,590
Depreciable Capital Assets, Net	<u>8,637,149</u>
<i>Total Assets</i>	<u>80,735,304</u>
Liabilities	
Current Liabilities:	
Accounts Payable	1,338,436
Accrued Wages Payable	928,619
Due to Other Governments	116,962
Deferred Revenue - Taxes	22,618,369
Due to County Funds	357,623
Non-Current Liabilities:	
Compensated Absences Payable	<u>2,610,868</u>
<i>Total Liabilities</i>	<u>27,970,877</u>
Net Position	
Net Investment in Capital Assets	10,100,739
Restricted	
Donated Funds	1,989,640
Unrestricted	<u>40,674,048</u>
<i>Total Net Position</i>	<u><u>\$52,764,427</u></u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County, Ohio
Statement of Activities
For the Year Ended December 31, 2012

Function / Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government				
Human Services	\$44,418,903	\$4,623,243	\$11,578,794	(\$28,216,866)
<i>Total Governmental Activities</i>	<u>\$44,418,903</u>	<u>\$4,623,243</u>	<u>\$11,578,794</u>	<u>(28,216,866)</u>
General Revenues				
Property Taxes Levied for General Purposes				21,455,370
Grants and Entitlements Not Restricted				4,190,728
Investment Earnings				5,722
Miscellaneous				380,439
<i>Total General Revenues</i>				<u>26,032,259</u>
Change in Net Position				(2,184,607)
Net Position Beginning of Year				<u>54,949,034</u>
Net Position End of Year				<u>\$52,764,427</u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	<u>Major Fund</u> General Fund	<u>Non-Major Fund</u> Donated Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments with Fiscal Agent	\$36,429,689	\$0	\$36,429,689
Cash, Cash Equivalents and Investments in Segregated Accounts	0	1,985,966	1,985,966
Receivables			
Taxes	25,592,420	0	25,592,420
Accrued Interest	0	3,674	3,674
Due from Other Governments	6,476,352	0	6,476,352
Prepaid Items	146,464	0	146,464
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$68,644,925</u>	<u>\$1,989,640</u>	<u>\$70,634,565</u>
Liabilities			
Accounts Payable	\$1,338,436	\$0	\$1,338,436
Accrued Wages Payable	928,619	0	928,619
Due to Other Governments	116,962	0	116,962
Deferred Revenue - Taxes	25,592,420	0	25,592,420
Deferred Revenue - Other	5,079,955	0	5,079,955
Due to County Funds	357,623	0	357,623
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>33,414,015</u>	<u>0</u>	<u>33,414,015</u>
Fund Balances			
Nonspendable	146,464	0	146,464
Restricted	0	1,989,640	1,989,640
Assigned	9,006,559	0	9,006,559
Unassigned	26,077,887	0	26,077,887
	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>35,230,910</u>	<u>1,989,640</u>	<u>37,220,550</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$68,644,925</u>	<u>\$1,989,640</u>	<u>\$70,634,565</u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2012

Total Governmental Funds Balances	\$37,220,550
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,100,739
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Other long-term liabilities are not available to pay for the current period expenditures and therefore are deferred in the fund:

Taxes	2,974,051
Intergovernmental	<u>5,079,955</u>

Total	8,054,006
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Compensated Absences	<u>(2,610,868)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$52,764,427</u></u>
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See accompanying notes to the basic financial statements.

**Summit County Children Services
Summit County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012**

	<u>Major Fund General Fund</u>	<u>Non-Major Fund Donated Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property and Other Taxes	\$21,783,307	\$0	\$21,783,307
Charges for Services	4,623,243	0	4,623,243
Intergovernmental	15,259,703	0	15,259,703
Interest	0	5,722	5,722
Donations and Contributions	0	291,007	291,007
Other	380,440	0	380,440
<i>Total Revenues</i>	<u>42,046,693</u>	<u>296,729</u>	<u>42,343,422</u>
Expenditures			
Human Services	43,834,506	413,937	44,248,443
<i>Total Expenditures</i>	<u>43,834,506</u>	<u>413,937</u>	<u>44,248,443</u>
<i>Net Change in Fund Balance</i>	(1,787,813)	(117,208)	(1,905,021)
<i>Fund Balance Beginning of Year</i>	<u>37,018,723</u>	<u>2,106,848</u>	<u>39,125,571</u>
<i>Fund Balance End of Year</i>	<u><u>\$35,230,910</u></u>	<u><u>\$1,989,640</u></u>	<u><u>\$37,220,550</u></u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Government Funds (\$1,905,021)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceed capital outlays in the current period.

Capital Asset Additions	798,984	
Construction In Progress placed in service	(338,899)	
Current Year Depreciation	<u>(426,751)</u>	
 Total		 33,334

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(327,937)	
Intergovernmental Revenue	<u>218,812</u>	
 Total		 (109,125)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>(203,795)</u>
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Change in Net Position of Governmental Activities (\$2,184,607)

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County, Ohio
Statement of Revenues, Expenditures and Changes In Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 24,604,237	\$ 24,604,237	\$ 24,813,183	\$ 208,946
Charges For Services	5,818,644	5,818,644	4,623,243	(1,195,401)
Intergovernmental	13,588,104	13,588,104	10,795,614	(2,792,490)
Other	479,253	479,253	380,440	(98,813)
<i>Total Revenues</i>	<u>44,490,238</u>	<u>44,490,238</u>	<u>40,612,480</u>	<u>(3,877,758)</u>
Expenditures				
Human Services	<u>52,574,263</u>	<u>52,574,263</u>	<u>51,521,520</u>	<u>1,052,743</u>
<i>Total Expenditures</i>	<u>52,574,263</u>	<u>52,574,263</u>	<u>51,521,520</u>	<u>1,052,743</u>
<i>Net Change in Fund Balance</i>	(8,084,025)	(8,084,025)	(10,909,040)	(2,825,015)
Fund Balance - Beginning	32,023,130	32,023,130	32,023,130	
Prior Year Encumbrance Appropriations	<u>4,892,730</u>	<u>4,892,730</u>	<u>4,892,730</u>	
<i>Fund Balance - Ending</i>	<u>\$ 28,831,835</u>	<u>\$ 28,831,835</u>	<u>\$ 26,006,820</u>	<u>\$ (2,825,015)</u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2012

	Agency Funds
Assets	
Cash and Cash Equivalents - Segregated Accounts	<u>\$79,245</u>
Total Assets	<u><u>\$79,245</u></u>
Liabilities	
Held in Trust for the Benefit of the Children	<u>\$79,245</u>
Total Liabilities	<u><u>\$79,245</u></u>

See accompanying notes to the basic financial statements.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – REPORTING ENTITY

The Summit County Children Services, Summit County, Ohio (SCCS) was created to represent the community's interest in the well being of its abused, neglected and dependent children. Pursuant to Section 5153 of the Ohio Revised Code, the Board is the single agency of county government mandated to investigate, care for and/or provide services to children from birth to age eighteen or twenty-one years and who are found to be in a potentially harmful situation. Such services are provided to the family and relatives of the children and may also extend to adults who have graduated from the care of SCCS. SCCS is located in Akron, County of Summit, in northeastern Ohio.

The Board of SCCS consists of eleven members, ten members are appointed by the County Executive and approved by the County Council and one member is the Chairperson of the Citizens Advisory Committee. Members are appointed to serve four-year terms. Members represent various roles in the community.

The mission of SCCS is to excel in the investigation of reports of child abuse and neglect and in the delivery of culturally sensitive, collaborative protective services that provide children with a safe, nurturing and permanent home.

The County of Summit is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The County was formed by an enabling act of the Ohio State Legislature in 1840. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the County of Summit's financial statements include all organizations, activities and functions which comprise the primary government and those legally separate entities for which the County is financially accountable. Financial accountability is defined as the appointment of a voting majority of the unit's board and either 1) the County's ability to impose its will over the unit; or 2) the possibility that the unit will provide financial benefit or impose a financial burden to the County. SCCS is not a legally separate entity. SCCS is part of the primary government of the County of Summit and is reported by the County as a special revenue fund. SCCS does not include any other units in its presentation.

As counties are structured in Ohio, the County Fiscal Officer serves as Auditor and Treasurer. The Fiscal Officer certifies the availability of cash and appropriations prior to the processing of payments and as the custodian of County funds, invests public monies held on deposit in the County treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the SCCS have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about SCCS as a whole. These statements include the financial activities of the SCCS, except for fiduciary funds. SCCS had no business-type activities during the year ended December 31, 2012.

The Statement of Net Position presents the financial condition of the governmental activities of SCCS at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of SCCS' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of SCCS, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of SCCS.

Fund Financial Statements – Fund financial statements are designed to present financial information of SCCS at a more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

B. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equity or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. SCCS uses a governmental fund to account for its activities.

Governmental Fund Types

Governmental funds are those which most governmental functions typically are financed. The acquisition, use and balance of SCCS' expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. Under this focus, only the sources, uses and balances of current expendable financial resources are accounted for in the funds. SCCS maintains a general fund, a special revenue fund, and a fiduciary fund.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General – This fund accounts for the general operating revenues and expenditures of SCCS and is available to SCCS for any purpose as allowed within the general laws of Ohio. The primary revenue sources are property taxes, charges for services, and intergovernmental revenues.

Donated Funds – This fund accounts for dollars donated to SCCS for a specified purpose or for the use of SCCS for the benefit of the children. Donated Funds are used in areas not allowable within the General Fund but may be used for the betterment of children under care or to enhance the child’s life experiences and improve the child’s well being. Examples include, but not limited to, holiday activities, extracurricular activities and educational enhancement purposes.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund categories include the following classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. SCCS maintains one agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations, therefore, assets equal liabilities. SCCS’ agency fund collectively accounts for monies held by individual children and is available as needed by the child or is transferred to the child/guardian upon emancipation.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statement is prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of SCCS are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statement

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet.

The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and the uses of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financials are prepared. Governmental fund financial statements include reconciliations, with brief explanations, to better identify the relationship between the government-wide statements and the statement for governmental funds.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “Available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For SCCS, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which SCCS receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which SCCS must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to SCCS on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, have been recorded as deferred revenue.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures

On the accrual basis of accounting, expenditures are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

SCCS is required by state law to adopt annual budgets for its General Fund. The Summit County Council adopts an appropriations budget by January 1st of a given year or adopts a temporary appropriation measure with final passage of a permanent budget by April 1st. Budgets are adopted by major expenditure and revenue category. Donated Funds are not a part of the General Fund and therefore are not required by the ORC to have an annual budget.

Each department and program director of SCCS assists in preparation of a budget request in conjunction with the Fiscal Department. The budget is reviewed and revised as necessary by the Executive Director and Executive Council and presented to the Resources Committee of the Board. The Resources Committee makes a recommendation to the Board of Trustees for approval. The program budget is then submitted to the Department of Finance and Management of the County for review by the Social Service Advisory Board. The Social Service Advisory Board is a committee of citizens appointed by the County Executive. The committee makes a recommendation to County Council for adoption.

Modifications and amendments (if any), throughout the year, to the original budget must be processed by the Fiscal Department of SCCS. Major modifications are processed through the Department of Finance and Management of the County and approved by the Board of Trustees and also through legal resolution by County Council. Each budgetary statement includes all modifications and supplemental appropriations that were necessary during the year. The County maintains budgetary control by fund, function, organizational unit and object-class and does not permit expenditures and encumbrances to exceed appropriations. Unencumbered and unexpended appropriations lapse at year end in all annually budgeted funds.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SCCS’ budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget) as opposed to when susceptible to accruals (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, SCCS reflects outstanding encumbrances as expenditures on the budgetary basis. On the GAAP basis, encumbrances outstanding at year end are reported as part of restricted, committed, or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The actual results of operations compared to the revised appropriations for annually budgeted governmental funds are presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – General Fund.

The adjustments necessary to convert the results of operation for the year from the Non-GAAP Budget Basis to the GAAP Basis for the General Fund is as follows:

Net Change in Fund Balance	
	General Fund
Non-GAAP Budget Basis	(\$10,909,040)
Net Adjustment for Revenue Accruals	1,434,213
Net Adjustment for Expenditure Accruals	280,600
Net Adjustment for Encumbrances	7,406,414
GAAP Basis	(\$1,787,813)

F. Cash, Cash Equivalents and Investments

Except for the Donated Funds and the Children Savings Funds, all moneys of SCCS are paid into the County treasury. It is pooled and invested in short-term investments by the Summit County Fiscal Officer in order to provide improved cash management. Individual fund integrity is maintained through the County’s financial records. Investments are stated at fair value as of December 31, 2012. For presentation on the Balance Sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

Interest allocation is determined by the Ohio Constitution, state statutes and debt indentures. Under these provisions, the interest earned on SCCS’ funds is included in the General Fund of the County, except for the interest received on the Donated Funds and the Children Savings Funds, which is received and reported within those funds.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Capital Assets and Depreciation

Building, machinery and equipment is stated on the basis of historical cost or, if contributed, at fair market value at the date received. In cases where information supporting original costs is not available, estimated historical costs are developed with the use of an independent appraisal report. All capital assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are capitalized (recorded and accounted for). The SCCS maintains a capitalization threshold of five-thousand dollars.

Depreciable assets include “Land Improvements”, “Buildings”, “Machinery and Equipment” and “Vehicles”. Assets under the classification “Land” and “Construction in Progress” are not depreciated and are reported as “Non-Depreciable” on the Statement of Net Position. For assets listed as “Depreciable”, depreciation is estimated and expensed on the Statement of Activities. For depreciation purposes, SCCS is using the American Hospital Association’s “Estimated Useful Lives of Depreciable Hospital Assets” to estimate the useful lives of assets owned by SCCS. These useful lives are as follows:

Land Improvements and Buildings	10 – 40 years
Machinery and Equipment	5 – 25 years
Vehicles	5 years

Depreciation is based on the pro-rata half year convention which assumes that capital assets are acquired and disposed of throughout an accounting period and uses one full year of depreciation expense if an item is purchased within the first six months of the year or disposed of in the last six months of the year. Likewise, no depreciation expense is recognized if an item is purchased within the last six months of the year or is disposed of within the first six months of the year. Depreciation expense is determined using the straight-line method and salvage value is disregarded, if negligible or undeterminable.

I. Accrued and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after fiscal year end are considered not to have used current available financial resources.

J. Inter-County Transactions

During the normal course of operations, SCCS has several transactions with other Summit County departments. These transactions include charges for services provided by one county department to another or reimbursement of shared costs of children with special needs. Inter-county transactions are recorded as charges for services and program expenditures in governmental funds.

K. Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vested method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as termination benefits. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in SCCS' termination policy.

SCCS records a liability for accumulated, unused vacation for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount payable using expendable available resources. These amounts are recorded as fund liabilities. The entire compensated absences liability is reported on the government-wide financial statements.

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", SCCS classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the SCCS Board of Trustees. Those committed amounts cannot be used for any other purpose unless the SCCS Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by SCCS for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of SCCS. The SCCS has by resolution authorized the Director of Finance to assign fund balance. The SCCS may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

The SCCS applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by SCCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

SCCS applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2012, SCCS has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of SCCS.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of SCCS.

NOTE 4 – DEPOSITS AND INVESTMENTS

Legal Requirements

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts paid or withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts.

Protection of County deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

As a rule, Summit County does not segregate deposit and investments belonging to its individual funds. With regard to SCCS, the Ohio Revised Code does not specify that a County must segregate its deposits and investments. Consequently, the County pools the majority of SCCS’ deposits and investments. This amount is presented as “Equity in Pooled Cash, Cash Equivalents and Investments” on the Statement of Net Position and the Balance Sheet in the amount of \$36,429,689 as of December 31, 2012. Information regarding the classification of the County’s deposits and investments per GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements”, may be found in the County’s Comprehensive Annual Financial Report for the year ended December 31, 2012.

SCCS maintains the savings accounts for children under the care of SCCS, along with accounts for contributions and bequests that are not reflected on the County’s cash records. These balances are reported as “Cash, Cash Equivalents and Investments in Segregated Accounts” and “Cash and Cash Equivalents - Segregated Accounts” to indicate that they are not part of the County treasury.

A. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all SCCS deposits was \$146,165. All of the SCCS’ bank balance of \$144,348 was covered by the Federal Insurance Corporation.

B. Investments

As of December 31, 2012, SCCS had the following investments and maturities:

Investment Type	Balance at Fair Value	Investment Maturities		S&P Rating
		Less than 1 Year	1 or more Years	
U.S. Agencies	\$547,973	\$40,345	\$507,628	Aaa
Money Market Funds	153,196	153,196	0	Aaa
U.S. Treasury ETF	517,073	517,073	0	AAf
U.S. Treasury Bonds	62,967	0	62,967	Aaa
U.S. Treasury Notes	637,837	242,314	395,523	Aaa
Total	\$1,919,046	\$952,928	\$966,118	

Interest Rate Risk: SCCS does not have a policy addressing interest rates or maturities of investments.

Credit Risk: SCCS does not have a policy that addresses Credit Risk. As of December 31, 2012 the investments were rated by Standard & Poor’s as presented above.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk: SCCS does not have a policy that addresses the Concentration of Credit Risk. The following table includes the percentage of each investment type held by SCCS at December 31, 2012.

Investment Type	Fair Value	% of Total Value
U.S. Agencies	\$547,973	28.56%
Money Market Funds	153,196	7.98%
U.S. Treasury ETF	517,073	26.94%
U.S. Treasury Bonds	62,967	3.28%
U.S. Treasury Notes	637,837	33.24%
Total	<u>\$1,919,046</u>	<u>100.00%</u>

C. Reconciliation of Deposits and Investments to the basic financial statements.

The following is a reconciliation of deposits and investments as reported in the footnote above to cash, cash equivalents and investments as reported on the basic financial statements at December 31, 2012.

<u>Cash and Investments per Footnote</u>	
Carry Amount of Deposits	
County Cash Records	\$36,429,689
Carrying Amount of SCCS	<u>146,165</u>
Total Carrying Amount of Deposits	<u>\$36,575,854</u>
Investments	<u>1,919,046</u>
Total	<u>\$38,494,900</u>
<u>Cash, Cash Equivalents and Investments per Basic Financial Statements</u>	
Governmental Activities	\$38,415,655
Agency Funds	<u>79,245</u>
Total	<u>\$38,494,900</u>

NOTE 5 – PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. 2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2012, the lien date, and were collected in 2012. Assessed values are established by State Law at 35 percent of appraised market value. Public utility property taxes received in 2012 attached as a lien on December 31, 2010, were levied after October 1, 2011, and were collected with real property taxes.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 – PROPERTY TAX REVENUES (continued)

In tax year 2011, collection year 2012, there was no tangible personal property tax value listed in Summit County due to the personal property tax phase out initiated by the State of Ohio. The assessed value upon which the 2011 taxes were collected was \$11,410,394,940. The full tax rate for all County operations applied to taxable property for fiscal year ended December 31, 2011, was \$12.70 per \$1,000 of assessed valuation, of which \$2.25 per \$1,000 of assessed valuation is for the operation of SCCS.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property tax has been phased out. This percentage was reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009 and beyond. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated by 2011. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, there was full reimbursement for the lost revenue. In calendar years 2011-2017, the reimbursement is being phased out. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County. The County Fiscal Officer – Auditor’s Division periodically remits to the taxing districts their portions of the taxes collected. Collection of the taxes and remittance of them to the taxing districts are accounted for in various funds of the County, including SCCS.

Property taxes receivable represent delinquent taxes, outstanding real property, public utility and tangible personal property taxes which were measurable at December 31, 2012. Total property tax collections for the next fiscal year are measurable amounts. However, since tax collections to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2012 operations, the receivable is offset by a credit to deferred revenues.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, accrued interest and due from other governments. Taxes, accrued interest and due from other governments are deemed collectible in full. Inter-county receivables are reflected in Note 13 and are excluded from these figures. A listing of due from other governments is as follows:

<u>Source of Funds</u>	<u>Amounts</u>
Title IV-E Administration	\$3,199,173
State of Ohio Homestead Rollback	1,610,390
Title IV-E	684,701
Title IV-B	265,536
PASSS	102,700
Independent Living	30,923
Training Title XX	266,933
ESAA	76,588
Kinship Incentive	8,850
HUD	106,887
Other	<u>123,671</u>
Total	<u><u>\$6,476,352</u></u>

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 is as follows:

	Balance 12/31/2011	Additions	Disposals	Balance 12/31/2012
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$1,288,532	\$0	\$0	\$1,288,532
Construction in Progress	198,727	315,230	(338,899)	175,058
Total Capital Assets, Not Being Depreciated	<u>1,487,259</u>	<u>315,230</u>	<u>(338,899)</u>	<u>1,463,590</u>
Capital Assets, Being Depreciated				
Land Improvements	70,638	0	0	70,638
Buildings	14,469,553	483,754	0	14,953,307
Machinery and Equipment	452,383	0	0	452,383
Vehicles	194,716	0	0	194,716
Total Capital Assets, Being Depreciated	<u>15,187,290</u>	<u>483,754</u>	<u>0</u>	<u>15,671,044</u>
Less: Accumulated Depreciation				
Land Improvements	(14,647)	(4,709)	0	(19,356)
Buildings	(6,021,612)	(383,149)	0	(6,404,761)
Machinery and Equipment	(399,411)	(23,467)	0	(422,878)
Vehicles	(171,474)	(15,426)	0	(186,900)
Total Accumulated Depreciation	<u>(6,607,144)</u>	<u>(426,751)</u>	<u>0</u>	<u>(7,033,895)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,580,146</u>	<u>57,003</u>	<u>(338,899)</u>	<u>8,637,149</u>
Governmental Activities Capital Assets, Net	<u>\$10,067,405</u>	<u>372,233</u>	<u>(\$338,899)</u>	<u>\$10,100,739</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

All employees of SCCS participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-614-222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

SCCS employees are required to contribute 10.00 percent of their annual covered salary to fund pension benefit obligations. SCCS is required to contribute 14.00 percent. SCCS' contributions to the OPERS for the years ending December 31, 2012, 2011 and 2010 were \$2,547,903, \$2,555,227, \$2,695,798 respectively. The full amount has been contributed for 2010 and 2011. 95.8 percent has been contributed for 2012.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment coverage.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-6601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

SCCS' contributions to fund post-employment benefits were, for the years ending December 31, 2012, 2011, and 2010 were \$725,000, \$937,000, and \$979,000 respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 10 – COMPENSATED ABSENCES

Vacation is accumulated at varying rates ranging from two to six weeks per year depending on length of service. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. Unused vacation is payable upon termination of employment for those employees with 12 months of service. All employees earn sick leave at the rate of 4.6 hours for each 80 hours of work completed. Sick leave credit accumulates without limit. Upon retirement, an employee may be paid for 25 percent of his/her accumulated sick leave credit. Sick leave is paid at a rate equal to the hourly rate at the time of retirement, and may not exceed a total of 240 paid hours for bargaining unit employees and 720 for employees classified as management and confidential. Social Workers, Home Finding Recruiter, and registered nurses can also earn compensatory time up to a maximum of 80 hours. All other bargaining unit employees may elect to earn compensatory time in lieu of overtime. Members of management can earn exchange time up to a maximum of 40 hours. Upon termination of employment with SCCS, Social Workers, Home Finding Recruiter, and registered nurses will be compensated for up to 80 hours of their unused compensatory time, while members of management will be compensated for up to 40 hours of their unused compensatory time. All vacation and compensatory time payments are made at the employee’s wage rate at the time of termination.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is that amount expected to be paid using expendable available financial resources, and is reported in the general fund. The non-current portion of the liability is not reported.

Changes in compensated absences during 2012 were as follows:

Balance			Balance	Amount Due
<u>1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2012</u>	<u>In One Year</u>
\$2,407,073	\$2,096,391	(\$1,892,596)	\$2,610,868	\$0

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 11 – OTHER EMPLOYEE BENEFITS

SCCS offers major medical/hospitalization, including dental and vision, coverage for all regular, full-time employees through Medical Mutual of Ohio. These benefits, single and family coverage as applicable, are effective sixty (60) days from the first day of employment for bargaining unit employees or they are effective the first payday after hire for all management and confidential employees. Employees may select from several programs of coverage offered by the county. Prescription drug coverage is included with each health benefit plan. In April, 1996, all full-time employees covered by an insurance plan started paying a portion of the premium through payroll deductions to help defray rising hospitalization costs.

A flexible spending program for medical and dependent care was introduced January 1, 2005. Any remaining balance within this plan reverts to SCCS' General Fund at the end of each year.

Life insurance is also provided as a benefit to full-time employees after the first year of employment for bargaining unit employees and the date of hire for management and confidential employees. Additional life insurance may be purchased by eligible employees.

NOTE 12 – INTER-COUNTY PAYABLES

As of December 31, 2012, inter-county payables resulting from unpaid charges for services with other departments of the County of Summit were as follows:

General Fund	Payable
Workers' Compensation	\$254,788
Summit County DD Board	34,526
Summit County	68,309
Total	<u>\$357,623</u>

NOTE 13 – RISK MANAGEMENT

SCCS maintains insurance for comprehensive auto and blanket risk on all real and personal property including improvements, crime and honesty blanket bond for employees, as well as a public employee blanket bond for the Executive Director. SCCS currently maintains general professional and liability insurance coverage for employees and volunteers. SCCS also maintains a separate indemnity policy for the Board of Directors. These policies are with private carriers.

Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 14 – CONTINGENCIES

SCCS has been subject to a litigation/claim matter regarding an adverse ruling by the State Personnel Review Board in 2003 relative to the abolishment of three jobs. Plaintiff earnings since the start of this litigation must be factored into a loss estimate, the total of which were unknown as of the auditor's opinion date. As of the auditor's opinion date, one of the three claims have been settled for an amount that was immaterial to the financial statements, and has been recorded. Since the other two claims have not been settled, and based on the unknown factors, an estimated liability is unable to be reasonably calculated and accordingly was not recorded on the financial statements. SCCS is subject to other claims and litigation as of December 31, 2012, but in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position.

NOTE 15 – COMMITMENTS

A. Adoption Subsidies

As part of the permanency plans for children, adoption is a solution when reunification with the natural birth parents is impossible or not in the best interests of the child. In many cases, the child has emotional and physical problems. If the family meets certain eligibility factors, a subsidy may be provided to assist the family in handling these problems. In addition to state and federal monies being available, SCCS may need to provide additional assistance to the family in the form of a monthly subsidy. At the time of the adoption, an agreement is made with the family to provide assistance until the child reaches 18 years of age. The agreement is reviewed annually to assure continued eligibility.

As of December 31, 2012, SCCS' commitment to adoptive parents was \$6,435,765 for 1,031 children. Of this amount, \$951,865 is payable in 2012. No long-term liability has been recognized in SCCS' financial statements.

B. Other Commitments

SCCS utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, SCCS' commitments for encumbrances total \$6,198,024, all of which is in the General Fund.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 16 – FUND BALANCE

The fund balance for all governments funds are now classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the SCCS is bound to observe constraints imposed upon the use of the resources. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General Fund	Donated Funds	Total Governmental
Nonspendable			
Prepaid Items	\$ 146,464		\$ 146,464
Restricted			
Donated Funds		\$ 1,989,640	1,989,640
Assigned			
Human Services	6,198,024		6,198,024
Subsequent Appropriations	2,808,535		2,808,535
Unassigned	26,077,887		26,077,887
Total Fund Balances	\$ 35,230,910	\$ 1,989,640	\$ 37,220,550

June 17, 2013

To the Board of Trustees
Summit County Children Services
Summit County, Ohio
264 South Arlington Street
Akron, OH 44306

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Summit County Children Services, Summit County, Ohio, (SCCS) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the SCCS' basic financial statements, and have issued our report thereon dated June 17, 2013, wherein we emphasized the financial statements of the Department of Summit County Children Services, Summit County, Ohio, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the County that is attributable to the transactions of the SCCS Department and do not purport to, and do not, present fairly the financial position of Summit County as of December 31, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SCCS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SCCS' internal control. Accordingly, we do not express an opinion on the effectiveness of the SCCS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Summit County Children Services
Report on Internal Control over Financial Reporting and on Compliance and
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SCCS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.