



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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BROWN COUNTY FINANCIAL CONDITION  
BROWN COUNTY

SINGLE AUDIT

For the Year Ended December 31, 2017  
Fiscal Year Audited Under GAGAS: 2017

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# Dave Yost • Auditor of State

Board of County Commissioners  
Brown County  
800 Mt. Orab Pike  
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Brown County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brown County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 20, 2018

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**Brown County, Ohio**

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**Independent Auditor's Report**

To the Board of County Commissioners:  
Brown County  
800 Mt. Orab Pike  
Georgetown, Ohio 45121

***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, Ohio (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brown County, Ohio, as of December 31, 2017 and the respective changes in cash financial position and the respective budgetary comparisons for the General, Developmental Disabilities, Job and

Family Services, and Auto and Gas Tax Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

We applied no procedures to Management Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 County's internal control over financial reporting and compliance.



BHM CPA Group Inc.  
Piketon, Ohio  
May 21, 2018



**Brown County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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The discussion and analysis of Brown County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2017, within the limitations of the County's cash basis of accounting. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2017 are as follows:

- Total net cash position of the County increased \$4,224,832. The net cash position of governmental activities increased \$4,748,684 or 24.6% from 2016 and the net cash position of business-type activities decreased \$523,852 or -33.1%.
- The County's major governmental funds include the General Fund, the Developmental Disabilities Fund, Job and Family Services Fund, Auto and Gas Tax Fund and Jailhouse Construction Fund. The 2017 General Fund cash receipts and other financing sources of \$13,041,071 exceeded cash disbursements and other financing uses of \$11,111,630 by \$1,929,441, which represents a 52.3% increase from 2016. The 2017 General Fund beginning cash balance was \$3,686,161, whereas the ending cash balance was \$5,615,602.
- The Developmental Disabilities Fund, a major fund, had receipts of \$2,157,986 and cash disbursements of \$1,802,613 in 2017. The Developmental Disabilities Fund cash balance increased \$355,373 in 2017.
- The Job and Family Services Fund, a major fund, had receipts and other financing sources of \$2,889,704 and cash disbursements and other financing uses of \$3,328,541 in 2017. The Job and Family Services Fund cash balance decreased \$438,837 in 2017.
- The Auto and Gas Tax Fund, a major fund, had cash receipts of \$4,124,341 and cash disbursements of \$5,373,920 in 2017. The Auto and Gas Tax Fund cash balance decreased \$1,249,579 in 2017.
- The Jailhouse Construction Fund, a major fund, had other financing sources of \$3,200,000 and no cash disbursements in 2017. The Jailhouse Construction Fund cash balance increased \$3,200,000 in 2017.

### **Using this Basic Financial Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the County as a financial whole, or, as an entire operating entity.

### **Report Components**

The *Statement of Net Position-Cash Basis* and *Statement of Activities-Cash Basis* provide information about the activities of the whole County, presenting an aggregate view of the County's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed and what remains for future spending on a cash basis. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Brown County, the General Fund, Developmental Disabilities Fund, Job and Family Services Fund, Jailhouse Construction Fund, and the Auto and Gas Tax Fund are the most significant funds and have been presented as major funds.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the County as a Whole**

***Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis***

The statement of net position-cash basis and the statement of activities-cash basis reflect how the County did financially during 2017, within the limitations of the cash basis of accounting. The statement of net position – cash basis presents the cash balances and investments of the governmental and business-type activities of the County at year end. The statement of activities-cash basis compares cash disbursements with program cash receipts for each governmental program and business-type activity. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program or activity. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of cash basis accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other non-financial factors as well, such as the County's property tax base, the condition of the County's capital assets and infrastructure, the extent of the County's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position-cash basis and the statement of activities-cash basis, the County is divided into two distinctive types of activities:

Governmental Activities – Most of the County's programs and services are reported here, which include legislative and executive and judicial general government, human services, health, public safety, and public works. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements for the goods or services provided. The Solid Waste Fund is reported as a major enterprise fund and is reported as business activities.

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 12-14 of this report.

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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## **Reporting the County's Most Significant Funds**

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial statements provide detailed information about the County's major funds – not the County as a whole. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Developmental Disabilities Fund, Job and Family Services Fund, Jailhouse Construction Fund, and the Auto and Gas Tax Fund.

*Governmental Funds:* Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross cash receipts and cash disbursements on the fund financial statements to the statement of activities due to transfers and advances netted on the statement of activities. See Note 2 to the basic financial statements. The governmental fund financial statements are reported on page 15-16 of this report.

The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General Fund and all annually budgeted major special revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary comparison statements are reported on pages 17-20 of this report.

*Proprietary Funds:* The County's proprietary funds use the same basis of accounting (cash basis) as business-type activities; therefore, these statements will essentially match the information provided in statements for the County as a whole. The proprietary fund financial statements are reported on pages 21-22 of this report.

*Fiduciary Funds:* Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The County's only fiduciary funds are agency funds.

Agency funds are custodial in nature and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The fiduciary fund financial statements are reported on page 23 of this report.

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
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**Notes to the Financial Statements**

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are found on pages 24-46 of this report.

**The County as a Whole**

Recall that the Statement of Net Position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2017 as compared to 2016:

Table 1  
**Net Cash Position**

	Governmental Activities		Business-Type Activities		2017	2016
	2017	2016	2017	2016	Total	Total
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 24,164,590	\$ 19,415,906	\$ 1,058,015	\$ 1,581,867	\$ 25,222,605	\$ 20,997,773
Total Assets	<u>24,164,590</u>	<u>19,415,906</u>	<u>1,058,015</u>	<u>1,581,867</u>	<u>25,222,605</u>	<u>20,997,773</u>
<u>Net Cash Position</u>						
Restricted	18,548,988	15,756,321	-	-	18,548,988	15,756,321
Unrestricted	<u>5,615,602</u>	<u>3,659,585</u>	<u>1,058,015</u>	<u>1,581,867</u>	<u>6,673,617</u>	<u>5,241,452</u>
Total net cash position	<u>\$ 24,164,590</u>	<u>\$ 19,415,906</u>	<u>\$ 1,058,015</u>	<u>\$ 1,581,867</u>	<u>\$ 25,222,605</u>	<u>\$ 20,997,773</u>

The total net cash position of the County increased \$4,224,832. Net cash position of the governmental activities increased \$4,748,684, which represents a 24.46% increase from the 2016 balance. Net cash position of business-type activities decreased \$523,852 or -33.12% from 2016.

A portion of the County's net cash position \$18,548,988, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash position of \$5,615,602 may be used to meet the government's ongoing obligations to citizens and creditors.

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

The Table below shows the changes in net cash position for 2017 as compared to 2016.

Table 2  
Changes in Net Cash Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>Cash Receipts</b>						
<i>Program Cash Receipts</i>						
Charges For Services	\$4,698,765	\$4,703,202	\$545,355	\$513,582	\$5,244,120	\$5,216,784
Operating Grants and Contributions	10,888,134	10,443,339	-	-	10,888,134	10,443,339
<b>Total Program Cash Receipts</b>	<b>15,586,899</b>	<b>15,146,541</b>	<b>545,355</b>	<b>513,582</b>	<b>16,132,254</b>	<b>15,660,123</b>
<i>General Cash Receipts</i>						
Property Taxes	3,957,628	4,033,835	-	-	3,957,628	4,033,835
Sales Taxes	5,550,715	5,595,422	-	-	5,550,715	5,595,422
Grants and Entitlements Not Restricted to Specific Programs	2,731,396	1,809,174	-	-	2,731,396	1,809,174
Gifts and Donations	-	-	-	-	-	-
Miscellaneous	330,268	407,345	1,518	14,302	331,786	421,647
Interest	249,888	158,533	-	-	249,888	158,533
General Obligation Bonds Issued	3,200,000	0	-	-	3,200,000	0
<b>Total General Cash Receipts</b>	<b>16,019,895</b>	<b>12,004,309</b>	<b>1,518</b>	<b>14,302</b>	<b>16,021,413</b>	<b>12,018,611</b>
<b>Total Cash Receipts</b>	<b>31,606,794</b>	<b>27,150,850</b>	<b>546,873</b>	<b>527,884</b>	<b>32,153,667</b>	<b>27,678,734</b>
<b>Cash Disbursements</b>						
<i>Program Cash Disbursements</i>						
<i>General Government</i>						
Legislative and Executive	4,697,132	5,915,168	-	-	4,697,132	5,915,168
Judicial	3,496,678	2,822,601	-	-	3,496,678	2,822,601
Public Safety	4,726,490	3,869,878	-	-	4,726,490	3,869,878
Public Works	5,453,145	4,377,987	-	-	5,453,145	4,377,987
Health	2,872,193	3,323,805	-	-	2,872,193	3,323,805
Human Services	4,819,283	4,729,983	-	-	4,819,283	4,729,983
Community and Economic Development	383,793	342,040	-	-	383,793	342,040
Capital Outlay	132,754	594,495	-	-	132,754	594,495
<i>Debt Service:</i>						
Principal Retirement	215,398	430,816	-	-	215,398	430,816
Interest and Fiscal Charges	51,178	85,367	-	-	51,178	85,367
Solid Waste	-	-	1,031,735	806,512	1,031,735	806,512
Sewer and Water	-	-	49,056	52,661	49,056	52,661
<b>Total Cash Disbursements</b>	<b>26,848,044</b>	<b>26,492,140</b>	<b>1,080,791</b>	<b>859,173</b>	<b>27,928,835</b>	<b>27,351,313</b>
Transfers In/Out (Net)	(10,066)	(10,000)	10,066	10,000	-	-
<b>Change in Net Cash Position</b>	<b>4,748,684</b>	<b>648,710</b>	<b>(523,852)</b>	<b>(321,289)</b>	<b>4,224,832</b>	<b>327,421</b>
Net Position at Beginning of Year	19,415,906	18,767,196	1,581,867	1,903,156	20,997,773	20,670,352
<b>Net Position at End of Year</b>	<b>\$24,164,590</b>	<b>\$19,415,906</b>	<b>\$1,058,015</b>	<b>\$1,581,867</b>	<b>\$25,222,605</b>	<b>\$20,997,773</b>

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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Net position increased \$4,748,684 in governmental activities in 2017. Program cash receipts were primarily composed of charges for services and operating grants and contributions which were \$4,698,765 and \$10,888,134, respectively. Grants and Entitlements Not Restricted to Specific Programs increased due to amounts received in the Medicaid Local Sales Tax Transition Fund, which is a one-time funding to assist counties due to the elimination of the permissive sales tax from Medicaid and Medicare. Legislative and executive disbursements decreased due to the County jail reopening and therefore inmate housing was done at the county rather than sending inmates to Butler and Clermont counties. Property taxes and sales taxes made up 12.52 percent and 17.56 percent, respectively, of cash receipts for governmental activities for the County in 2017. Operating grants and contributions made up 34.45 percent of cash receipts for governmental activities for the County.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Human services activities are mainly supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts support is 50.68 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Brown County.

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
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Table 3 below shows the total and net cost of services (on the cash basis) for the County.

Table 3  
 Total Cost of Program Services  
 Governmental Activities and Business-Type Activities

	2017		2016	
	Total Cost of Services	Net Cost of Service	Total Cost of Services	Net Cost of Service
<b>Governmental Activities</b>				
General Government				
Legislative and Executive	\$ 4,697,132	\$ 3,323,368	\$ 5,915,168	\$ 4,228,084
Judicial	3,496,678	2,200,383	2,822,601	1,715,930
Public Safety	4,726,490	2,638,518	3,869,878	2,252,371
Public Works	5,453,145	1,088,338	4,377,987	833,391
Health	2,872,193	561,512	3,323,805	613,456
Human Services	4,819,283	1,105,762	4,729,983	1,030,794
Community and Economic Development	383,793	73,437	342,040	61,541
Capital Outlay	132,754	25,402	594,495	106,964
Debt Service				
Principal Retirement	215,398	215,398	430,816	430,816
Interest and Fiscal Charges	51,178	29,027	85,367	72,252
Total Cash Disbursements - Governmental Activities	<u>\$ 26,848,044</u>	<u>\$ 11,261,145</u>	<u>\$ 26,492,140</u>	<u>\$ 11,345,599</u>
<b>Business-Type Activities</b>				
Solid Waste	\$ 1,031,735	\$ 517,380	\$ 806,512	\$ 332,306
Sewer and Water	49,056	18,056	52,661	13,285
Total Cash Disbursements - Business-Type Activities	<u>\$ 1,080,791</u>	<u>\$ 535,436</u>	<u>\$ 859,173</u>	<u>\$ 345,591</u>

***Business-Type Activities***

Business-type activities include solid waste management and water and sewer services. Overall net position decreased \$523,852 from 2016 to 2017. During 2017 program cash disbursements exceeded program cash receipts, which resulted in the above decrease.

***The County's Funds***

Information about the County's major funds starts on page 15. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$32,587,343 and cash disbursements and other financing uses of \$27,838,659. The net change in fund balance for the year was most significant in the Jailhouse Construction Fund. The fund balance in the General Fund increased \$1,929,441 primarily due to excess of receipts over disbursements. The Developmental Disabilities fund increased \$355,373 due primarily to an excess of receipts over disbursements. The fund balance of the Job and Family Services Fund decreased \$438,837 primarily due to cash disbursements exceeding cash receipts. The fund balance of the Auto and Gas Tax Fund decreased \$1,249,579 primarily due to a increase in disbursements related to road projects. The fund balance of the Jailhouse Construction Fund increased \$3,200,000 due to the issuance of General Obligation Bonds.

**Brown County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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**General Fund Budgeting Highlights**

The County's appropriations are prepared according to Ohio law and are based on accounting for transactions on the basis of cash receipts, disbursements and encumbrances. The General Fund is the most significant budgeted fund.

For the General Fund, final budgeted receipts were \$10,073,950 while original budgeted receipts were \$9,914,719. Actual cash basis receipts and other financing sources were \$11,257,079 which represents an increase of \$1,183,129 over final budgeted receipts.

Total actual disbursements and other financing uses on the budget basis (cash plus encumbrances) were \$11,210,640, which was \$519,900 below final appropriated disbursements and other financing uses. The primary reason for this variance can be attributed to a decrease in various disbursements.

**Capital Assets and Debt Administration**

**Capital Assets**

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. Total capital outlay disbursements were \$132,754 in governmental activities and \$0 in business-type activities.

**Debt**

Under the cash basis of accounting, the County does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At December 31, 2017, the County had \$4,556,247 in bonds and related long-term debt for governmental activities. For additional information on debt, please see Note 13 to the basic financial statements.

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years.

Table 4  
 Outstanding Debt at December 31  
 Governmental Activities

	2017	2016
General Obligation Bonds	\$3,800,000	\$665,000
Long Term Notes	615,519	757,167
Forgivable Debt	140,728	149,478
Totals	\$4,556,247	\$1,571,645

**Current Financial Related Activities**

As the preceding information shows, the County heavily depends on its property taxpayers and sales taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation and sales taxes are dependent upon the economy, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

All of the County's financial abilities will be needed to meet the challenges of the future.



**Brown County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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**Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jill Hall, County Auditor of Brown County, 800 Mt. Orab Pike, Suite 181, Georgetown, Ohio 45121, or email at [jhall@browncountyauditor.org](mailto:jhall@browncountyauditor.org).

**Brown County, Ohio**  
*Statement of Net Position - Cash Basis*  
*As of December 31, 2017*

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$24,164,590	\$1,058,015	\$25,222,605
<i>Total Assets</i>	<u>24,164,590</u>	<u>1,058,015</u>	<u>25,222,605</u>
<b>NET POSITION:</b>			
Restricted for Debt Service	20	-	20
Restricted for Capital Projects	392,756	-	392,756
Restricted for Public Assistance	64,693	-	64,693
Restricted for Mental Health	1,406,628	-	1,406,628
Restricted for DD	4,967,096	-	4,967,096
Restricted for Real Estate Assessment	2,357,204	-	2,357,204
Restricted for CSEA	601,219	-	601,219
Restricted for Childrens Services	418,223	-	418,223
Restricted for Auto and Gas Tax	703,942	-	703,942
Restricted for Residential Facility/DD	695,885	-	695,885
Restricted for Medicaid Reserve	1,033,528	-	1,033,528
Restricted for Treasurer DTAC	363,446	-	363,446
Restricted for E-911 Services	234,109	-	234,109
Restricted for Jailhouse Construction	3,200,000	-	3,200,000
Restricted for Other Purposes	2,110,239	-	2,110,239
Unrestricted	<u>5,615,602</u>	<u>1,058,015</u>	<u>6,673,617</u>
<i>Total Net Position</i>	<u><u>\$24,164,590</u></u>	<u><u>\$1,058,015</u></u>	<u><u>\$25,222,605</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Activities - Cash Basis*  
*As of December 31, 2017*

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government:			
Legislative and Executive	\$4,697,132	\$1,042,204	\$331,560
Judicial	3,496,678	754,878	541,417
Public Safety	4,726,490	961,171	1,126,801
Public Works	5,453,145	764,074	3,600,733
Health	2,872,193	400,375	1,910,306
Human Services	4,819,283	700,639	3,012,882
Community and Economic Development	383,793	53,218	257,138
Capital Outlay	132,754	18,408	88,944
Debt Service:			
Principal Retirement	215,398	-	-
Interest and Fiscal Charges	51,178	3,798	18,353
<i>Total Governmental Activities</i>	26,848,044	4,698,765	10,888,134
Business-Type Activities:			
Solid Waste	1,031,735	514,355	-
Sewer and Water	49,056	31,000	-
<i>Total Business-Type Activities</i>	1,080,791	545,355	-
<i>Totals</i>	\$27,928,835	\$5,244,120	\$10,888,134
		<b>General Cash Receipts and Transfers</b>	
		Property Taxes Levied for:	
		General Purposes	
		DD Purposes	
		Sales Taxes Levied for General Purposes	
		Sales Taxes Levied for 911 Services	
		Grants and Entitlements Not	
		Restricted to Specific Programs	
		Miscellaneous	
		Interest	
		General Obligation Bonds Issued	
		Transfers In (Out), Net	
		<i>Total General Cash Receipts and Transfers</i>	
		<i>Change in Net Position</i>	
		<i>Net Position Beginning of Year</i>	
		<i>Net Position End of Year</i>	

The notes to the basic financial statements are an integral part of this statement.

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$3,323,368)	-	(\$3,323,368)
(2,200,383)	-	(2,200,383)
(2,638,518)	-	(2,638,518)
(1,088,338)	-	(1,088,338)
(561,512)	-	(561,512)
(1,105,762)	-	(1,105,762)
(73,437)	-	(73,437)
(25,402)	-	(25,402)
(215,398)	-	(215,398)
(29,027)	-	(29,027)
<u>(11,261,145)</u>	<u>-</u>	<u>(11,261,145)</u>
-	(517,380)	(517,380)
<u>-</u>	<u>(18,056)</u>	<u>(18,056)</u>
<u>-</u>	<u>(535,436)</u>	<u>(535,436)</u>
2,805,158	-	2,805,158
1,152,470	-	1,152,470
4,625,573	-	4,625,573
925,142	-	925,142
2,731,396	-	2,731,396
330,268	1,518	331,786
249,888	-	249,888
3,200,000	-	3,200,000
(10,066)	10,066	-
<u>16,009,829</u>	<u>11,584</u>	<u>16,021,413</u>
4,748,684	(523,852)	4,224,832
<u>19,415,906</u>	<u>1,581,867</u>	<u>20,997,773</u>
<u>\$24,164,590</u>	<u>\$1,058,015</u>	<u>\$25,222,605</u>

**Brown County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds - Cash Basis*  
*As of December 31, 2017*

	General	Developmental Disabilities	Job and Family Services	Auto and Gas Tax	Jailhouse Construction	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Equity in Pooled Cash and Cash Equivalents	\$5,615,602	\$4,967,096	\$64,693	\$703,942	\$3,200,000	\$9,613,257	\$24,164,590
<i>Total Assets</i>	<u>5,615,602</u>	<u>4,967,096</u>	<u>64,693</u>	<u>703,942</u>	<u>3,200,000</u>	<u>9,613,257</u>	<u>24,164,590</u>
<b>FUND BALANCES:</b>							
Non Spendable	148,268	-	-	-	-	-	148,268
Restricted	-	4,967,096	64,693	703,942	3,200,000	9,613,257	18,548,988
Assigned	360,942	-	-	-	-	-	360,942
Committed	1,304,346	-	-	-	-	-	1,304,346
Unassigned	3,802,046	-	-	-	-	-	3,802,046
<i>Total Fund Balances</i>	<u>\$5,615,602</u>	<u>\$4,967,096</u>	<u>\$64,693</u>	<u>\$703,942</u>	<u>\$3,200,000</u>	<u>9,613,257</u>	<u>\$24,164,590</u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds - Cash Basis*  
*As of December 31, 2017*

	General	Developmental Disabilities	Job and Family Services	Auto and Gas Tax	Jailhouse Construction	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>							
Property Taxes	\$ 2,805,158	\$ 1,152,470	\$ -	\$ -	\$ -	\$ -	\$ 3,957,628
Sales Taxes	4,625,573	-	-	-	-	925,142	5,550,715
Charges for Services	2,141,906	6,758	241,853	154,116	-	1,374,744	3,919,377
Licenses and Permits	-	-	-	-	-	63,812	63,812
Fines and Forfeitures	310,014	-	-	25,838	-	379,725	715,577
Intergovernmental	2,598,269	998,098	2,606,892	3,915,690	-	3,500,580	13,619,529
Interest	218,085	-	-	16,799	-	15,004	249,888
Other	192,856	660	-	11,898	-	124,854	330,268
<i>Total Cash Receipts</i>	<u>12,891,861</u>	<u>2,157,986</u>	<u>2,848,745</u>	<u>4,124,341</u>	<u>-</u>	<u>6,383,861</u>	<u>28,406,794</u>
<b>CASH DISBURSEMENTS:</b>							
<b>Current:</b>							
<b>General Government:</b>							
Legislative and Executive	4,090,915	-	-	-	-	606,217	4,697,132
Judicial	2,701,095	-	-	-	-	795,583	3,496,678
Public Safety	3,058,847	-	-	-	-	1,667,643	4,726,490
Public Works	79,225	-	-	5,373,920	-	-	5,453,145
Health	21,056	1,802,613	-	-	-	1,048,524	2,872,193
Human Services	323,895	-	3,304,490	-	-	1,190,898	4,819,283
Community and Economic Development	-	-	-	-	-	383,793	383,793
Capital Outlay	-	-	-	-	-	132,754	132,754
<b>Debt Service:</b>							
Principal Retirement	-	-	-	-	-	215,398	215,398
Interest and Fiscal Charges	-	-	-	-	-	51,178	51,178
<i>Total Cash Disbursements</i>	<u>10,275,033</u>	<u>1,802,613</u>	<u>3,304,490</u>	<u>5,373,920</u>	<u>-</u>	<u>6,091,988</u>	<u>26,848,044</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,616,828</u>	<u>355,373</u>	<u>(455,745)</u>	<u>(1,249,579)</u>	<u>-</u>	<u>291,873</u>	<u>1,558,750</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
General Obligation Bonds Issued	-	-	-	-	3,200,000	-	3,200,000
Transfers In	39,714	-	40,959	-	-	498,903	579,576
Advances In	109,496	-	-	-	-	291,477	400,973
Advances Out	(285,477)	-	-	-	-	(115,496)	(400,973)
Transfers Out	(551,120)	-	(24,051)	-	-	(14,471)	(589,642)
<i>Total Other Financing Sources (Uses)</i>	<u>(687,387)</u>	<u>-</u>	<u>16,908</u>	<u>-</u>	<u>3,200,000</u>	<u>660,413</u>	<u>3,189,934</u>
<i>Net Change in Fund Cash Balances</i>	<u>1,929,441</u>	<u>355,373</u>	<u>(438,837)</u>	<u>(1,249,579)</u>	<u>3,200,000</u>	<u>952,286</u>	<u>4,748,684</u>
<i>Fund Cash Balance at Beginning of Year</i>	<u>3,686,161</u>	<u>4,611,723</u>	<u>503,530</u>	<u>1,953,521</u>	<u>-</u>	<u>8,660,971</u>	<u>19,415,906</u>
<i>Fund Cash Balance at End of Year</i>	<u>\$5,615,602</u>	<u>\$4,967,096</u>	<u>\$64,693</u>	<u>\$703,942</u>	<u>\$3,200,000</u>	<u>\$9,613,257</u>	<u>\$24,164,590</u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Receipts, Disbursements,  
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)*  
As of December 31, 2017

	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
<b>RECEIPTS:</b>				
Property Taxes	\$2,506,077	\$2,546,324	\$2,805,158	\$258,834
Sales Taxes	4,132,402	4,198,769	4,625,573	426,804
Charges for Services	1,497,170	1,521,215	1,675,846	154,631
Fines and Forfeitures	276,961	281,409	310,014	28,605
Intergovernmental	1,155,967	1,174,532	1,293,923	119,391
Interest	194,833	197,962	218,085	20,123
Other	151,309	153,739	169,367	15,628
<i>Total Receipts</i>	<u>9,914,719</u>	<u>10,073,950</u>	<u>11,097,966</u>	<u>1,024,016</u>
<b>DISBURSEMENTS:</b>				
Current:				
General Government:				
Legislative and Executive	4,163,320	4,551,472	4,305,334	246,138
Judicial	2,452,186	2,557,574	2,464,382	93,192
Public Safety	3,017,635	3,157,301	3,089,483	67,818
Public Works	80,197	80,507	79,225	1,282
Health	24,000	24,000	21,056	2,944
Human Services	418,091	418,091	351,438	66,653
<i>Total Disbursements</i>	<u>10,155,429</u>	<u>10,788,945</u>	<u>10,310,918</u>	<u>478,027</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(240,710)</u>	<u>(714,995)</u>	<u>787,048</u>	<u>1,502,043</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	49,617	49,617
Transfers Out	(141,014)	(656,118)	(614,245)	41,873
Advances In	-	-	109,496	109,496
Advances Out	-	(285,477)	(285,477)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(141,014)</u>	<u>(941,595)</u>	<u>(740,609)</u>	<u>200,986</u>
<i>Excess of Receipts and Other Financing Sources Over (under) Disbursements and Other Financing Uses</i>	<u>(381,724)</u>	<u>(1,656,590)</u>	<u>46,439</u>	<u>1,703,029</u>
<i>Fund Balance at Beginning of Year</i>	1,748,280	1,748,280	1,748,280	-
<i>Prior Year Encumbrances Appropriated</i>	383,113	383,113	383,113	-
<i>Fund Balance at End of Year</i>	<u>\$1,749,669</u>	<u>\$474,803</u>	<u>\$2,177,832</u>	<u>\$1,703,029</u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Receipts, Disbursements,  
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)*  
As of December 31, 2017

	Developmental Disabilities Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Taxes	\$1,092,230	\$1,092,230	\$1,152,470	\$60,240
Charges for Services	6,405	6,405	6,758	353
Intergovernmental	945,927	945,927	998,098	52,171
Other	626	626	660	34
<i>Total Receipts</i>	<u>2,045,188</u>	<u>2,045,188</u>	<u>2,157,986</u>	<u>112,798</u>
DISBURSEMENTS:				
Current:				
Health	<u>2,850,072</u>	<u>3,037,108</u>	<u>2,000,789</u>	<u>1,036,319</u>
<i>Total Disbursements</i>	<u>2,850,072</u>	<u>3,037,108</u>	<u>2,000,789</u>	<u>1,036,319</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(804,884)</u>	<u>(991,920)</u>	<u>157,197</u>	<u>1,149,117</u>
<i>Fund Balance at Beginning of Year</i>	3,764,382	3,764,382	3,764,382	-
<i>Prior Year Encumbrances Appropriated</i>	<u>847,341</u>	<u>847,341</u>	<u>847,341</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u><u>\$3,806,839</u></u>	<u><u>\$3,619,803</u></u>	<u><u>\$4,768,920</u></u>	<u><u>\$1,149,117</u></u>

The notes to the basic financial statements are an integral part of this statement.



**Brown County, Ohio**  
*Statement of Receipts, Disbursements,  
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)*  
As of December 31, 2017

	Job and Family Services Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS:				
Intergovernmental	\$ 3,165,480	\$ 3,165,480	\$ 2,606,892	\$ (558,588)
Charges for Services	293,676	293,676	241,853	(51,823)
<i>Total Receipts</i>	<u>3,459,156</u>	<u>3,459,156</u>	<u>2,848,745</u>	<u>(610,411)</u>
DISBURSEMENTS:				
Current:				
Human Services	3,502,623	3,502,623	3,304,690	197,933
<i>Total Disbursements</i>	<u>3,502,623</u>	<u>3,502,623</u>	<u>3,304,690</u>	<u>197,933</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(43,467)</u>	<u>(43,467)</u>	<u>(455,945)</u>	<u>(412,478)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	40,959	40,959
Transfers Out	-	-	(24,051)	(24,051)
<i>Total Other Financing Sources(Uses)</i>	<u>-</u>	<u>-</u>	<u>16,908</u>	<u>16,908</u>
<i>Excess of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses</i>	<u>(43,467)</u>	<u>(43,467)</u>	<u>(439,037)</u>	<u>(395,570)</u>
<i>Fund Balance at Beginning of Year</i>	460,063	460,063	460,063	-
<i>Prior Year Encumbrances Appropriated</i>	<u>43,467</u>	<u>43,467</u>	<u>43,467</u>	-
<i>Fund Balance at End of Year</i>	<u><u>\$460,063</u></u>	<u><u>\$460,063</u></u>	<u><u>\$64,493</u></u>	<u><u>(\$395,570)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Receipts, Disbursements,  
and Changes in Fund Balance - Budget and Actual (Budgetary Basis)  
As of December 31, 2017*

	Auto and Gas Tax Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS:				
Charges for Services	\$ 160,681	\$ 160,681	\$ 154,116	\$ (6,565)
Fines and Forfeitures	26,938	26,938	25,838	(1,100)
Intergovernmental	4,082,462	4,082,462	3,915,690	(166,772)
Interest	17,514	17,514	16,799	(715)
Other	12,405	12,405	11,898	(507)
<i>Total Receipts</i>	<u>4,300,000</u>	<u>4,300,000</u>	<u>4,124,341</u>	<u>(175,659)</u>
DISBURSEMENTS:				
Current:				
Public Works	<u>4,892,011</u>	<u>6,727,511</u>	<u>5,781,671</u>	<u>945,840</u>
<i>Total Disbursements</i>	<u>4,892,011</u>	<u>6,727,511</u>	<u>5,781,671</u>	<u>945,840</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(592,011)</u>	<u>(2,427,511)</u>	<u>(1,657,330)</u>	<u>770,181</u>
<i>Fund Balance at Beginning of Year</i>	1,361,510	1,361,510	1,361,510	-
<i>Prior Year Encumbrances Appropriated</i>	<u>592,011</u>	<u>592,011</u>	<u>592,011</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$1,361,510</u>	<u>(\$473,990)</u>	<u>\$296,191</u>	<u>\$770,181</u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Cash Basis Assets and Net Position*  
*Proprietary Funds - Cash Basis*  
*As of December 31, 2017*

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	Solid Waste	Other Enterprise	Total Enterprise Funds
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$1,049,319	\$8,696	\$1,058,015
NET POSITION:			
Unrestricted	\$1,049,319	\$8,696	\$1,058,015

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and  
Changes in Net Cash Position  
Proprietary Funds - Cash Basis  
As of December 31, 2017*

	<u>Solid Waste</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$514,355	\$31,000	\$545,355
Other	-	1,518	1,518
<i>Total Operating Cash Receipts</i>	<u>514,355</u>	<u>32,518</u>	<u>546,873</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Salaries and Wages	-	37,434	37,434
Fringe Benefits	-	6,089	6,089
Contractual Services	1,031,735	5,533	1,037,268
<i>Total Operating Cash Disbursements</i>	<u>1,031,735</u>	<u>49,056</u>	<u>1,080,791</u>
<i>Operating Cash Receipts Over (Under) Operating Cash Disbursements</i>	<u>(517,380)</u>	<u>(16,538)</u>	<u>(533,918)</u>
<b>NONOPERATING CASH RECEIPTS:</b>			
Transfers In	-	10,066	10,066
<i>Total Nonoperating Cash Receipts</i>	<u>-</u>	<u>10,066</u>	<u>10,066</u>
<i>Changes in Net Cash Position</i>	(517,380)	(6,472)	(523,852)
<i>Net Cash Position at Beginning of Year</i>	<u>1,566,699</u>	<u>15,168</u>	<u>1,581,867</u>
<i>Net Cash Position at End of Year</i>	<u><u>\$1,049,319</u></u>	<u><u>\$8,696</u></u>	<u><u>\$1,058,015</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Brown County, Ohio**  
*Statement of Fiduciary Net Cash Position*  
*Agency Funds - Cash Basis*  
*As of December 31, 2017*

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	<u>Agency Funds</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,963,809
Cash and Cash Equivalents in Segregated Accounts	<u>428,967</u>
<i>Total Assets</i>	<u>4,392,776</u>
NET POSITION:	
Unrestricted	<u>4,392,776</u>
<i>Total Net Position</i>	<u><u>\$4,392,776</u></u>

The notes to the basic financial statements are an integral part of this statement.

**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION**

Brown County, Ohio (the “County”), 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 operates under the direction of a three-member Board of County Commissioners. The County Auditor is responsible for the fiscal controls of the resources of the County, which are maintained in the funds described herein. The County Treasurer is the custodian of funds and the investment officer. The voters of the County elect all of these officials. Other elected officials of the County that manage various segments of county operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Judge. Services provided by the County include general government, public safety, health, public works, human services, maintenance of highways and roads, and economic development. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Brown County, this includes the Brown County Board of Developmental Disabilities, Brown County Board of Alcohol, Drug Addiction and Mental Health Services, Brown County Solid Waste Management District, Brown County Airport and all departments and activities that are directly operated by the elected County officials.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of separate agencies, boards and commissions listed below the County serves as fiscal agent, but are not financially accountable for their operations. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County’s financial statements.

Soil and Water Conservation District  
Brown County Health District  
Family and Children First Council

Component units are legally separate organizations for which the county is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization’s governing board and (1) the County is able to significantly influence the programs and services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization’s resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the County is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the County in that the County approves the organization’s budget, the issuance of its debt or levying of its taxes. The County had no component units at December 31, 2017.

The County is associated with certain organizations, which are defined as joint ventures, jointly governed organizations or risk sharing pool and a group purchasing pool. These organizations are:

Brown County Emergency Management Agency  
Ohio Valley Resource Conservation and Development Area, Inc.  
Workforce Development Board  
County Risk Sharing Authority (CORSA)  
County Commissioners’ Association of Ohio Workers’ Compensation Group Rating Program

*Brown County Emergency Management Agency* - Brown County Emergency Management Agency is a joint venture between the County, Township and Villages. The executive committee consists of a county commissioner, seven chief executives from municipalities and sixteen from townships, with money provided by the members, which is reimbursed by the State. The degree of control is limited to the individual representation on the board.

**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

*Ohio Valley Resource Conservation and Development Area, Inc.* - Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Brown County, along with Ross, Vinton, Highland, Pike, Adams, Scioto, Jackson, Gallia, and Lawrence Counties, each appoint three members to a thirty- member council. The Council selects an administrator to oversee operations. Each entity contributes \$250 annually; other revenue is from USDA grants. Brown County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

*Workforce Development Board* – The Workforce Development Board is a jointly governed organization of representatives from the private and public sectors of Adams, Brown, Pike and Scioto Counties appointed by the county commissioners from each county. Workforce Development Board is a 22- member volunteer, business led body whose members are appointed by the County Commissioners in Adams, Brown, Pike and Scioto Counties, to shape and strengthen local and regional workforce development efforts. The Workforce Development Board brings together leaders from business, economic development, education, labor, community-based organizations, and public agencies to align a variety of resources to enhance the competitiveness of the workforce and support economic development in our region. The Workforce Advisory Board received no contributions from the County during 2017.

*County Risk Sharing Authority (CORSA)* - County Risk Sharing Authority (CORSA) is a shared risk pool among sixty-five counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public official’s errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of CORSA. County Commissioners of members’ counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board at any time. Each member county’s control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

The County’s payment for insurance of CORSA in 2017 was \$182,975. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

*County Commissioners’ Association of Ohio Workers’ Compensation Group Rating Program* - The County is participating in the County Commissioners’ Association of Ohio Workers’ Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners’ Association of Ohio (WCGRP) is a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third-party administrator; reviewing and approving proposed third-party fees, fees for risk management services, and general management fees; determining ongoing responsibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and the treasurer of the County Commissioners’ Association of Ohio and the remaining five members are elected by participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The County uses the provisions of GASB 34 for financial reporting on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement note disclosures. The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

***Government-Wide Financial Statements***

The statement of net position-cash basis presents the cash basis financial condition of the governmental and business-type activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental activities and business-type activities. These statements include the financial activities of the primary government, except for fiduciary funds. Direct cash disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function or business-type program is self-financing or draws from the general cash receipts of the County.

***Fund Financial Statements***

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The County uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

***Governmental Funds:*** Governmental funds are those through which most governmental function of the County are financed. The acquisition, use and balances of the County's expendable financial resources are accounted for through governmental funds. The following are the County's major governmental funds:

***General Fund***

The General Fund accounts for all financial resources except for those accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

***Developmental Disabilities Fund***

This fund is to account for the operation of a school for the developmentally disabled and handicapped. Revenue sources are a county-wide property tax levy and federal and state grants.



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

*Job and Family Services Fund*

This fund accounts for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

*Jailhouse Construction Fund*

This fund accounts for the proceeds from general obligation bonds and the construction of the jailhouse.

*Auto and Gas Tax Fund*

This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

The other governmental funds of the County account for grants and other resources, capital projects, and debt service whose use is restricted for a particular purpose.

**Proprietary Funds:** The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund type.

*Enterprise Funds*

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. For the County, enterprise funds are the major Solid Waste Fund, which is used to account for the activities related to solid waste disposal in the County, and the non-major Water and Sewer Fund, which is used to account for water and sewer activities in the County.

**Fiduciary Funds:** Fiduciary fund reporting focuses on cash basis assets and net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature and do not involve measurement of the results of operations. The County's only fiduciary funds are agency funds that account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

**C. Basis of Presentation**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of cash basis accounting.

***Cash Receipts-Exchange and Non-exchange Transactions***

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On the cash basis, receipts are recorded in the year in which the resources are received.

***Cash Disbursements***

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**D. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the County may appropriate. The appropriation resolution is the County's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the County. The legal level of control has been established by the County at the object level within each function of each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County. The amounts reported as the original budgeted amounts in the budgetary statements are based on estimates in effect at the time the original appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the year were passed.

The appropriation resolution is subject to amendment by the County throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County during the year.

**E. Cash and Investments**

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts."

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Investments (Continued)**

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Accordingly, investments of the cash management pool are reported as “Equity in Pooled Cash and Cash Equivalents.”

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2017, investments were limited to nonnegotiable certificates of deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). On the cash basis accounting, investments of nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in STAR Ohio during 2017. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculate on an amortized cost basis that provides an NAV per share the approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund and Auto and Gas Tax Fund during 2017 were \$218,085 and \$16,799 respectively.

**F. Inventory and Prepaid Items**

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying basic financial statements.

**H. Interfund Receivables/Payables**

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. In the government-wide financial statements advances within governmental activities or within business-type activities are eliminated.

**I. Accumulated Unpaid Vacation, Personal, Compensatory Time & Sick Leave**

Accumulated unpaid vacation, personal, compensatory time and sick leave are not accrued under the cash basis of accounting described in Note 2.C. All leave will either be absorbed by time off from work, or within certain limitation, be paid to the employees. The liability is not recorded on the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Employer Contributions to Cost-Sharing Pension Plans**

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The County's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**L. Net Position**

Net position represents the cash basis assets held by the County at year end. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for grants. The County applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available.

Of the County's \$19,853,334 in restricted net position, none is restricted by enabling legislation.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the 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.

***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 County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners 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 the County 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 the County Commissioners.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance (continued)**

The County 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.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities or within business-type activities are eliminated. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the basic financial statements.

**O. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 – NEW ACCOUNTING PRINCIPLES**

For fiscal year 2017, the County has implemented GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 and GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as no-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the County.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payment made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the County.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances.

The statement of receipts, disbursements and changes in fund balance – budget and actual – budgetary basis presented for the General Fund and each major special revenue fund is prepared in the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as expenditures (budgetary basis) rather than as a restriction, commitment or assignment of fund balance (cash basis) and certain funds being reported as part of the General fund for cash reporting purposes, but being excluded for budgetary reporting purposes..

The reconciliation between the cash basis ending fund balances and the budgetary basis fund balances for the General Fund and the major special revenue funds is as follows:

	<b>General</b>	<b>Developmental Disabilities</b>	<b>Job and Family Services</b>	<b>Auto and Gas</b>
Cash Basis Fund Balance	\$5,615,602	\$4,967,096	\$64,693	\$703,942
Encumbrances	(328,103)	(198,176)	(200)	(407,751)
Perspective Difference: Activity of Funds Reclassified for GAAP Reporting Purposes	(3,109,667)	0	0	0
 Budget Basis (Net Change in Pooled Cash)	<u>\$2,177,832</u>	<u>\$4,768,920</u>	<u>\$64,493</u>	<u>\$296,191</u>

**NOTE 5 – CASH DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawable 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.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States Treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or security 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 5 – CASH DEPOSITS AND INVESTMENTS (Continued)**

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 or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts in eligible institutions pursuant to ORC section 135.32;
6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143(6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, or both securities and cash, equal value for equal value;
9. Up to forty percent of the County's average portfolio in either of the following
  - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
  - b. Bankers acceptances eligible for purchases by the Federal Reserve System and which mature within 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 5 – CASH DEPOSITS AND INVESTMENTS (Continued)**

Investments must be purchased with the expectation that they will be held to maturity.

Investments may only be made through specified dealers and institutions. 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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$23,467,908 of the County’s bank balance of \$29,726,566 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the County and deposited either with qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

The fair value of these investments is not materially different than measurement value. As of December 31, 2017, the County had the following investments:

Investment Type	Measurement Value	Investment Matures in Less than 1 Year
STAR Ohio	407,689	407,689
Total Investments	\$407,689	\$407,689

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The County’s investment policy addresses interest rate risk by requiring that the County’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.



**NOTE 5 – CASH DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County has no deposit policy for custodial risk beyond the requirements of State statute.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of credit risk is the percentage of all investments placed with one particular investment type. The County places no limit on the amount that may be invested in any one issuer. The County has invested 100% of its investments in STAR Ohio.

**NOTE 6 – PERMISSIVE SALES TAX**

In 1990, in accordance with Section 5739.021 of the Revised Code, the County Commissioners, by resolution, imposed a 1% tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of tax are paid to the State Treasurer by the 23rd day of the month following collection. The State Tax Commissioner certified to the Ohio Department of Budget and Management (OBM) the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The OBM then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund. The Brown County Commissioners implemented an additional .25% in 2012 which was effective beginning 2014 for a period of 5 years. For 2017, permissive sales tax receipts amounted to \$4,625,573 in the General Fund.

In 1993 an additional ½% sales and use tax was passed, and then rolled back to ¼%, by the voters for the purpose of funding and operation of a 9-1-1 system in the County. Proceeds of the tax are credited to the 9-1-1 Emergency Fund (a nonmajor governmental fund). For 2017, permissive sales tax receipts amounted to \$925,142 in the 9-1-1 Emergency Fund (a nonmajor governmental fund).

**NOTE 7 – PROPERTY TAX**

Property taxes include amounts levied against all real and public utility located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 7 – PROPERTY TAX (Continued)**

The Brown County Treasurer collects property tax on behalf of all taxing districts within the County. The Brown County Auditor periodically remits to the taxing districts their portions of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collection is accounted for within the applicable funds.

The full tax rate for all County operations for the year ended December 31, 2017 was \$7.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$696,164,000
Commercial/Industrial	65,177,430
Total Real Property	<u>761,341,430</u>
<u>Public Utility</u>	
Real	250,510
Personal	41,745,480
Total Assessed Value	<u>\$803,337,420</u>

**NOTE 8 – RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. By participating in the County Risk Sharing Authority (CORSA), a risk sharing pool for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to sixty-five members. Under the CORSA program general liability, auto liability, error and omission liability, and law enforcement liability are covered in the amount of \$1,000,000, with a \$2,500 deductible. The limit applies to any one occurrence of loss, with no annual aggregate except for the Error and Omissions Liability and General Liability on Products and Completed Operations Limit, which both have the same per occurrence and annual aggregate limit. In addition, the County has \$6,000,000 of excess liability coverage, which has no deductible. This coverage is for claims in excess of underlying limits for general liability, law enforcement liability, automotive liability, and errors and omissions liability, with the exception of stop gap liability and uninsured/underinsured motorists. Real and personal property damage is on a replacement cost basis. Equipment breakdown coverage has a combined limit with property damage, business income, extra expense, and service interruption of \$500,000 for each accident. There are several additional sublimits which have various coverage amounts for each accident. Settled claims have not exceeded this commercial coverage in any of the last three years.

There have been no significant reductions in coverage from last year.

Employee dishonesty/faithful performance, money and securities (loss inside and out the premises), money orders and counterfeit currency, and depositor's forgery are covered in the amount of \$1,000,000 aggregate per occurrence.

Workers' Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2017, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (WCGRP), a workers' compensation group purchasing pool (See Note 1). The intent of the WCGRP is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the WCGRP. Each participant pays its workers' compensation premium to the State based on the rate for the WCGRP rather than its individual rate.

**NOTE 8 – RISK MANAGEMENT (Continued)**

In order to allocate the savings derived by formation of the WCGRP and to maximize the number of participants in the WCGRP, annually the WCGRP's executive committee calculates the total savings that accrued to the WCGRP through its formation. This savings is then compared to the overall savings percentage of the WCGRP. The WCGRP's executive committee then collects rate contributions from, or pays rate equalization rebates to the various participants. Participation in the WCGRP is limited to counties that can meet the WCGRP's selection criteria. The firm of CompManagement Inc. provides administrative cost control and actuarial services to the WCGRP. Each year, the County pays an enrollment fee to the WCGRP to cover the cost of administering the WCGRP.

The County may withdraw from the WCGRP if written notice is provided sixty days prior to the prescribed applicant deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the WCGRP prior to withdrawal, and any participant leaving the WCGRP allows representatives of the WCGRP to access loss experience for years following the last year of participation.

**NOTE 9 - RETIREMENT SYSTEM**

**Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred. The net pension liability represents the County's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. Under the cash basis of reporting the County does not record a long-term net pension liability for the proportionate share of each plan's unfunded benefits.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 9 - RETIREMENT SYSTEM (Continued)**

**Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. County to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investmenst/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 9 - RETIREMENT SYSTEM (Continued)**

**Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)**

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory County for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
<b>2017 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2017 Actual Contribution Rates</b>			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution to OPERS was \$1,373,084 in fiscal year 2017.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 9 - RETIREMENT SYSTEM (Continued)**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability reported as of December 31, 2017 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net Pension Liability	\$18,013,813
Proportion of the Net Pension Liability - Current Measurement Date	0.079327%
Proportion of the Net Pension Liability - Prior Measurement Date	0.079611%
Change in Proportionate Share	-0.000284%

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		3.25 to 10.75%(Traditional; 3.25% - 8.25% Combined)
COLA or Ad Hoc COLA		Pre 1/7/2013 Retirees: 3 percent, simple Post 1/7/2013 Retirees: 3.00 % Simple through 2018, then 2.15% Simple
Investment Rate of Return		7.50 percent
Actuarial Cost Method		Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

**NOTE 9 - RETIREMENT SYSTEM (Continued)**

**Actuarial Assumptions – OPERS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table on the following page displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation for 2016</u>	<u>Weighted Average Long Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (7.5%)</u>	<u>Current Discount Rate (8.5%)</u>	<u>1% Increase (9.5%)</u>
County's proportionate share of the net pension liability	\$27,520,123	\$18,013,813	\$10,091,981

**Average Remaining Service Life**

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). As of December 31, 2016, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.0856 years and for the Combined Plan was 9.1304 years. These amounts were used when calculating elements of pension expense subject to amortization requirements as defined in GASB 68 and reported in the Schedule of Collective Pension Amounts.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, 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 health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit 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 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The employer contributions that were used to fund post-employment benefits for 2017, 2016, and 2015, were \$105,622, \$220,507, and \$172,352, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.



**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**NOTE 11 – OTHER EMPLOYEE BENEFITS**

**Insurance Benefits**

The County provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance. The County has elected to provide employee medical/surgical benefits through County Employee Benefit Consortium of Ohio (CEBCO). The premium varies with employee depending on the department and terms of the union contract. The County does not share in the cost of premiums for dental or vision insurance.

**NOTE 12 – CONTINGENT LIABILITIES**

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, the County Commissioners believe such refunds, if any, would not be material.

B. Litigation

The County has various cases pending, the outcome of which is not determinable as of the date of this report; however, management believes that the resolution of these matters will not materially adversely affect the County's financial condition.

**NOTE 13 – LONG-TERM DEBT**

The changes in the County's long-term obligations during the year consist of the following:

	Principal Outstanding 12/31/2016	Additions	Reductions	Principal Outstanding 12/31/2017	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
Jailhouse Construction General Obligation Bonds	\$ -	\$ 3,200,000	\$ -	\$ 3,200,000	\$ 295,000
Mental Health Program Refunding Bonds	70,000	-	20,000	50,000	25,000
Emergency Communications Systems Limited Tax Bonds	595,000	-	45,000	550,000	50,000
Total General Obligations Bonds	665,000	3,200,000	65,000	3,800,000	370,000
Other Long-Term Obligations:					
County Courthouse Repair Note	405,625	-	75,912	329,713	78,434
Probate Court Note	351,542	-	65,736	285,806	67,976
Forgivable Debt (Mental Health)	149,478	-	8,750	140,728	8,750
Total Other Long-Term Obligations	906,645	-	150,398	756,247	155,160
Total General and Other Long- Term Obligations	<u>\$ 1,571,645</u>	<u>\$ 3,200,000</u>	<u>\$ 215,398</u>	<u>\$ 4,556,247</u>	<u>\$ 525,160</u>

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**NOTE 13 – LONG-TERM DEBT (Continued)**

The County’s total legal debt margin was \$17,227,209 with an unvoted debt margin of \$6,677,147.

During fiscal year 2008, the County issued \$225,000 in Mental Health Project Fractionalized Interest Bonds to refund \$221,603 in outstanding bonds. The Mental Health Project Fractionalized Interest Bonds are being paid from Mental Health revenues.

During fiscal year 2010, the County issued \$800,000 in Emergency Communication Systems Limited Tax General Obligation Bonds to finance improvements to the County’s emergency communications systems. These bonds were issued at interest rates ranging from 4.7% to 7.0% and mature December 1, 2026. These bonds are being retired from the E-911 ¼% Sales Tax Fund; however, in 2017 the Fund did not have a balance large enough to cover the payment of the bonds. Because of this, the bond payments were made from the General Fund.

In fiscal year 2011, the County issued a \$650,000 note to acquire Commercial Real Estate from 510 East State Street LLC. The County agreed to pay Merchants National Bank, semi-annual payments of \$38,415.67 beginning on March 19, 2012. The note was issued at an interest rate of 3.25% and will mature September 19, 2021.

During 2011, the County issued a note for \$750,000 in order to make various repairs to the County Courthouse. Merchants National Bank, the lender, will be paid 20 consecutive payments semi-annually of \$44,327.84 beginning April 17, 2012. The note has an interest rate of 3.25% and will mature October 17, 2021.

In fiscal year 2017, the County issued \$3,200,000 in Jailhouse Facilities Improvement Bonds in order to construct a new Jailhouse. The County will make semi-annual payments beginning June 1, 2018, and the bonds will mature on December 1, 2027. These bonds will be retired from the General Fund.

Forgivable debt consists of construction loans and a loan contract made between the Brown County Community Board of Alcohol, Drug Addiction, and Mental Health Services (the Board) and the Ohio Department of Mental Health (ODMH), for the purchase of land and building construction thereon for the use in providing mental health services to the residents of the County. The terms of the contract are essentially equivalent to a mortgage on the property, with the Board being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the Board discontinue mental health services at the facility, the balance of the contract would immediately become due. Failure to pay the balance could result in foreclosure by ODMH. The balance due is reduced on a month-by-month basis over the term of the contract as long as the facility is used for mental health services. The mortgage loan payable represents twenty-five percent of the land purchase and construction costs which the County was required to pay.

A summary of amortization requirements for the County’s long term debt is as follows:

Years Ended December 31,	Mental Health General Obligations		Emergency Communication General Obligation		Jailhouse Improvement General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	25,000	2,225	50,000	36,400	295,000	60,667
2019	25,000	1,113	50,000	33,400	300,000	50,838
2020	-	-	55,000	30,400	310,000	45,588
2021	-	-	55,000	27,100	310,000	40,154
2022	-	-	55,000	23,800	320,000	34,738
2023-2027	-	-	285,000	50,050	1,665,000	88,550
Total	<u>\$50,000</u>	<u>\$3,338</u>	<u>\$550,000</u>	<u>\$201,150</u>	<u>\$3,200,000</u>	<u>\$320,535</u>

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**NOTE 13 – LONG-TERM DEBT (Continued)**

Years Ended December 31,	County Courthouse Repair Note		Probate Court Long-Term Note		Forgiveable Debt
	Principal	Interest	Principal	Interest	Principal
2018	78,434	10,221	67,976	8,855	8,750
2019	81,040	7,616	70,234	6,597	8,750
2020	83,716	4,939	72,554	4,277	8,750
2021	86,523	2,133	75,042	1,843	8,750
2022	-	-	-	-	8,750
2023-2027	-	-	-	-	43,750
2028-2032	-	-	-	-	43,750
2033-2034	-	-	-	-	9,478
<b>Total</b>	<b>\$329,713</b>	<b>\$24,909</b>	<b>\$285,806</b>	<b>\$21,572</b>	<b>\$140,728</b>

**NOTE 14 – INTERFUND TRANSFERS/ADVANCES**

Interfund cash transfers for the year ended December 31, 2017, were as follows:

	Transfers In	Transfers Out
General Fund	\$39,714	(\$551,120)
Job and Family Services Fund	40,959	(24,051)
Other Governmental Funds	498,903	(14,471)
Other Enterprise Funds	10,066	-
<b>Total</b>	<b>\$589,642</b>	<b>(\$589,642)</b>

The General Fund transfers monies to the Job & Family Services Fund and other governmental funds to assist in meeting operational needs or debt service requirements. The transfers from the General Fund to the other governmental and enterprise funds represent transfers for operational needs or debt service requirements which are within legal compliance guidelines. The transfers from other governmental funds reflect transfers of money to purchase the new budgeting and payroll system.

	Advances In	Advances Out
General Fund	\$ 109,496	\$ (285,477)
Other Governmental Funds	291,477	(115,496)
	<b>\$ 400,973</b>	<b>\$ (400,973)</b>

During the year, the County's General Fund made advances to other funds in anticipation of intergovernmental grant revenue or other revenues. Advances to the General Fund are for repayments of outstanding advances.

**NOTE 15 – SUBSEQUENT EVENT**

No events were noted subsequent to December 31, 2017 which would have a significant effect on the financial statements through the date of this report.

**Brown County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**NOTE 16 – FUND BALANCE**

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

Fund Balances	General	Developmental Disabilities	Job and Family Services	Auto and Gas Tax	Jailhouse Construction	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Unclaimed Monies	\$ 148,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,268
<b>Restricted for</b>							
Jailhouse Construction	-	-	-	-	3,200,000	-	3,200,000
Other Purposes	-	-	-	-	-	2,110,239	2,110,239
E-911 Services	-	-	-	-	-	234,109	234,109
CSEA	-	-	-	-	-	601,219	601,219
Residential Facility/DD	-	-	-	-	-	695,885	695,885
Real Estate Assessment	-	-	-	-	-	2,357,204	2,357,204
Childen Services	-	-	-	-	-	418,223	418,223
Mental Health	-	-	-	-	-	1,406,628	1,406,628
Auto and Gas Tax	-	-	-	703,942	-	-	703,942
Public Assistance	-	-	64,693	-	-	-	64,693
Board of DD	-	4,967,096	-	-	-	-	4,967,096
Medicaid Reserve	-	-	-	-	-	1,033,528	1,033,528
Treasurer DTAC	-	-	-	-	-	363,446	363,446
Debt Service Payments	-	-	-	-	-	20	20
Capital Improvements	-	-	-	-	-	392,756	392,756
Total Restricted	<u>-</u>	<u>4,967,096</u>	<u>64,693</u>	<u>703,942</u>	<u>3,200,000</u>	<u>9,613,257</u>	<u>18,548,988</u>
<b>Committed</b>							
Medicaid Transition	<u>1,304,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,304,346</u>
<b>Assigned to</b>							
Other Purposes	<u>360,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,942</u>
Total Assigned	<u>360,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,942</u>
<b>Unassigned</b>							
	<u>3,802,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,802,046</u>
Total Fund Balances	<u>\$ 5,615,602</u>	<u>\$ 4,967,096</u>	<u>\$ 64,693</u>	<u>\$ 703,942</u>	<u>\$ 3,200,000</u>	<u>\$ 9,613,257</u>	<u>\$ 24,164,590</u>

**NOTE 17 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, deferred inflows and outflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

**Brown County, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2017*

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5488/G1819-11-5715	\$ -	\$ 360,292
<b>Total U.S. Department of Agriculture</b>			-	<b>360,292</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
Formula Allocation Program	14.228	B-C-16-1AH-2	-	175,591
Formula Allocation Program	14.228	B-C-16-1AH-1	-	41,547
Formula Allocation Program	14.228	B-E-15-1AH-1	-	7,077
Formula Allocation Program	14.228	B-F-15-1AH-1	-	3,723
Formula Allocation Program	14.228	B-F-16-1AH-1	-	109,313
Total Formula Allocation Program			-	337,251
Home Investment Partnership Program	14.239	B-C-14-1AH-1	-	759
Total Home Investment Partnership Program			-	759
<b>Total U.S. Department of Housing and Urban Development</b>			-	<b>338,010</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed through the Ohio Attorney General:</i>				
Crime Victims Assistance	16.575	2017VAGENE308	-	63,146
<i>Passed through the Ohio Department of Public Safety:</i>				
Edward Byrne Memorial Justice Grant Program	16.738	2016-JG-A01-6035	-	24,940
<b>Total U.S. Department of Justice</b>			-	<b>88,086</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed through the Ohio Department of Public Safety:</i>				
State and Community Highway Safety	20.600	N/A	-	6,056
National Priority Safety Programs	20.616	N/A	-	10,382
<b>Total U.S. Department of Transportation</b>			-	<b>16,438</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed through the Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grants	97.042	EMW-2016-EP-00034-S01	-	26,836
<b>Total U.S. Department of Homeland Security</b>			-	<b>26,836</b>

(Continued)

**Brown County, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2017*  
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5488/G1819-11-5715	\$ -	\$ 30,065
Child Support Enforcement	93.563	G-1617-11-5489/G-1817-11-5716	-	386,302
Child Welfare Services State Grants - Title IV-B	93.645	G-1617-11-5488/G1819-11-5715	-	22,687
Foster Care - Title IV-E	93.658	G-1617-11-5488/G1819-11-5715	-	146,207
Adoption Assistance	93.659	G-1617-11-5488/G1819-11-5715	-	84,097
Children's Health Insurance Program	93.767	G-1617-11-5488/G1819-11-5715	-	30,626
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	93.575	G-1617-11-5488/G1819-11-5715	-	35,122
Total Child Care Development Fund Cluster			-	35,122
Temporary Assistance for Needy Families (TANF) Cluster				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families (TANF) State Programs	93.558	G-1617-11-5488/G1819-11-5715	-	697,805
Total TANF Cluster			-	697,805
Social Services Block Grant:				
<i>Passed through the Ohio Department of Developmental Disabilities:</i>				
Social Services Block Grant - Title XX	93.667	N/A	-	30,667
<i>Passed through the Ohio Department of Mental Health:</i>				
Social Services Block Grant - Title XX	93.667	N/A	20,481	20,481
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Social Services Block Grant - Title XX	93.667	G-1617-11-5488/G1819-11-5715	-	584,189
Total Social Services Block Grant			20,481	635,337
<i>Passed through the Ohio Department of Mental Health:</i>				
Block Grants for Community Mental Health Services	93.958	N/A	28,004	28,004
State Targeted Response to the Opioid Crisis	93.788	N/A	55,000	55,000
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	102,019	102,019
Medicaid Cluster:				
<i>Passed through the Ohio Department of Developmental Disabilities:</i>				
Medical Assistance Program - MAC/RMTS	93.778	N/A	-	84,786
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Medicaid Assistance Program	93.778	G-1617-11-5488/G1819-11-5715	-	542,089
Total Medicaid Cluster			-	626,875
<b>Total U.S. Department of Health and Human Services</b>			<b>205,504</b>	<b>2,880,146</b>
<b>Total Federal Expenditures</b>			<b>\$ 205,504</b>	<b>\$ 3,709,808</b>

N/A - pass through entity number not available

N- direct award

*The accompanying notes are an integral part of this schedule.*

**Brown County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2017*

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Brown County (the County's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – SUBRECIPIENTS**

The County passes-through certain federal awards received from the Ohio Department of Mental Health and the Ohio Department of Drug and Alcohol Addiction Services to other governments or not-for-profit agencies (subrecipients). As described in Note B, the County records expenditures of federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE D – MATCHING REQUIREMENTS**

Certain federal programs require that the County contribute non-federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards***

Board of County Commissioners  
Brown County  
800 Mt. Orab Pike  
Georgetown, Ohio 45121

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Brown County, (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 21, 2018 wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles.

***Internal Control over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control. We consider finding 2017-002 to be a significant deficiency.



***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001 and 2017-002.

***County's Response to Finding***

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BHM CPA Group*

BHM CPA Group Inc.  
Piketon, Ohio  
May 21, 2018



**Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance**

Board of County Commissioners  
Brown County  
800 Mt. Orab Pike  
Georgetown, Ohio 45121

***Report on Compliance for Each Major Federal Program***

We have audited Brown County’s (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Brown County’s major federal programs for the year ended December 31, 2017. The *Summary of Auditor’s Results* in the accompanying schedule of findings identifies the County’s major federal programs.

***Management’s Responsibility***

The County’s Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to opine on the County’s compliance for each of the County’s major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States’ *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County’s major programs. However, our audit does not provide a legal determination of the County’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Brown County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2017.

***Report on Internal Control over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

*BHM CPA Group*

BHM CPA Group Inc.  
Piketon, Ohio  
May 21, 2018

**Brown County, Ohio**  
 Schedule of Findings  
 2 CFR § 200.515  
 December 31, 2017

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified (Cash Basis)
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	TANF, CFDA #93.558, Social Service Block Grant, CFDA #93.667 Child Support Enforcement, CDFA #93.563
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number 2017-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports.

If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin Code Section 117-2-03(B) requires the County to prepare its annual financial report with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, deferred inflows/outflows of resources, net position, fund balances, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined for its failure to file the required financial report. The County should prepare its financial statements in accordance with generally accepted accounting principles.

**Client’s Response:** The County fully agrees that we should change over from cash basis accounting however the county does not currently have the funds necessary to make the change.

**Finding Number 2017-002**

**Significant Deficiency/Noncompliance – Cashbook Reconciliation, Probate/Juvenile Courts**

ORC 2335.25 states that each clerk of a court of record, the sheriff, and the prosecuting attorney shall enter in a journal or cashbook, provided at the expense of the county, an accurate account of all moneys collected or received in his official capacity, on the days of the receipt, and in the order of time so received, with a minute of the date and suit, or other matter, on account of which the money was received. The cashbook shall be a public record of the office, and shall, on the expiration of the term of each such officer, be delivered to his successor in office. The clerk shall be the receiver of all moneys payable into his office, whether collected by public officers of court or tendered by other persons, and, on request, shall pay the moneys to the persons entitled to receive them.

**Brown County, Ohio**  
Schedule of Findings  
*2 CFR § 200.515*  
December 31, 2017

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number 2017-002  
(Continued)**

The Juvenile and Probate Court cashbooks did not reconcile to a zero balance. Probate was not reconciled by \$10,169, while Juvenile was not reconciled by \$8,028, leaving a net balance of \$18,197.

**Client's Response:** On 2/8/15 a new judge was seated after 20+ years. New staff is now in place. Records have been extremely hard to retrieve and the cashbooks are still not reconciling with the bank. Every day mistakes are found as cases are resolved and balances are closer. The Court is actively pursuing reconciliation.

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS**

None

**Brown County, Ohio**  
Corrective Action Plan  
2 CFR § 200.515  
December 31, 2017

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**Corrective Action Plan for Finding 2017-001:**

**Finding Control Number: 2017-001**

**Summary of Finding:** The Ohio Administrative Code requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of GASB State 34.

**Statement of Concurrence:** The County fully agrees that we should change over from cash basis of accounting, however the County does not currently have the funds necessary to make the change.

**Corrective Action:** The County fully agrees that we should change over from cash basis of accounting, however the County does not currently have the funds necessary to make the change.

**Contact Person:** The official responsible for completing the corrective action is listed below:

Jill Hall  
Brown County Auditor  
Phone: (937) 378-6398  
Email: [jhall@browncountyauditor.org](mailto:jhall@browncountyauditor.org)

**Corrective Action Plan for Finding 2017-002:**

**Finding Control Number: 2017-002**

**Summary of Finding:** ORC 2335.25 states that each clerk of a court of record, the sheriff, and the prosecuting attorney shall enter in a journal or cashbook, provided at the expense of the county, an accurate account of all moneys collected or received in his official capacity, on the days of the receipt, and in the order of time so received, with a minute of the date and suit, or other matter, on account of which the money was received. The cashbook shall be a public record of the office, and shall, on the expiration of the term of each such officer, be delivered to his successor in office. The clerk shall be the receiver of all moneys payable into his office, whether collected by public officers of court or tendered by other persons, and, on request, shall pay the moneys to the persons entitled to receive them..

**Statement of Concurrence:** The County fully agrees that Probate/Juvenile Courts cashbook should be reconciled on a monthly basis and any variance investigated fully.

**Corrective Action** On 2/8/15 a new judge was seated after 20+ years. New staff is now in place. Records have been extremely hard to retrieve and the cashbooks are still not reconciling with the bank. Every day mistakes are found as cases are resolved and balances are closer. The Court is actively pursuing reconciliation

**Contact Person:** The official responsible for completing the corrective action is listed below:

Jill Hall  
Brown County Auditor  
Phone: (937) 378-6398  
Email: [jhall@browncountyauditor.org](mailto:jhall@browncountyauditor.org)

**Brown County**  
 Schedule of Prior Audit Findings  
 December 31, 2017

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2016-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected. Reissued as finding 2017-001
2016-002	Internal Control Deficiency/noncompliance ORC 2335.25 – improper reconciling of Probate and Juvenile accounts	No	Not Corrected. Reissued as Finding 2017-002





# Dave Yost • Auditor of State

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 3, 2018**