



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BROWN COUNTY FINANCIAL CONDITION BROWN COUNTY

SINGLE AUDIT

For the Year Ended December 31, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of County Commissioners
Brown County
800 Mt. Orab Pike, Suite 181
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Brown County prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2012. 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.

During the course of this audit it was brought to the attention of the Auditor of State that certain elected officials were paid above their statutory compensation, that real estate taxes were improperly distributed and that there were some control issues related to the dog tag licenses sales.

In addition, as a result of our review procedures we are providing the following internal control recommendations and noncompliance issues for your consideration:

Finding For Recovery Repaid Under Audit - Library Levy

Brown County has a County Library tax levy that is distributed to the Brown County Public Library and the Union Township Public Library. The proceeds from this levy are required to be distributed 72% to Brown County Public Library and 28% to Union Township Public Library as authorized by the Brown County Budget Commission.

During 2012, the County did not distribute homestead and rollback monies related to the Library Levy to Brown County Public Library and Union Township Library, instead the monies related to homestead and rollback were retained in the County's Library tax funds, which are agency funds of the County. Upon notification of the oversight, on March 25, 2013, the County Auditor paid out these monies that had accumulated in these agency funds to the libraries. The pay out of these monies was not allocated to each library in the correct amounts as authorized by the Brown County Budget Commission. This resulted in an overpayment to the Union Township Public Library in the amount of \$27,627 and an under payment to the Brown County Public Library in the amount of \$27,627.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for Recovery for public money illegally expended is hereby issued against the Union Township Public Library in the amount of \$27,627 and in favor of the Brown County Public Library.

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On October 2, 2013, the Union Township Public Library paid \$27,627 to the Brown County Public Library.

Finding For Recovery Repaid Under Audit – Homestead and Rollback

The County recorded the receipt of the Second Half 2009 Real Estate and Manufactured Home Rollback and the 2012 Manufacture Homestead and Rollback related to the County Senior Services Levy receipts into the Brown County General Fund, instead of distributing these amounts to the Senior Services Agencies.

This resulted in the General fund being overstated by \$37,659 and the underpayment of the Senior Services agencies in the following amounts: Brown County Senior Services \$15,064, ABCAP \$15,064, and Northern Brown Senior Services \$7,531.

Additionally, during 2011 and 2012, the County recorded the receipt of the 2011 and 2012 Manufactured Homestead and Rollback related to the Library Levy in the Brown County General Fund, instead of distributing these amounts to the Union Township Public Library and the Brown County Public Library. This resulted in the Brown County General Fund being overstated in the amount of \$1,114, and the underpayment of the Brown County Public Library in the amount of \$841, and the Union Township Public Library in the amount of \$273.

In accordance with the forgoing facts, and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against the Brown County General Fund in the amount of \$38,773, and in favor of the Brown County Senior Services for \$15,064, ABCAP for \$15,064, Northern Brown Senior Services for \$7,531, Brown County Public Library for \$841, and the Union Township Public Library for \$273.

On October 18, 2013, the County General fund repaid the following entities under audit:

- Brown County Senior Services in the amount of \$15,064
- ABCAP in the amount of \$15,064
- Northern Brown Senior Services in the amount of \$7,531
- Brown County Public Library in the amount of \$841
- Union Township Public Library in the amount of \$273

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Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 325.08 establishes the salary of the Clerk of Courts and Ohio Revised Code Section 1901.31 provides additional compensation when the Clerk of Courts also serves as the municipal court clerk. The total compensation due the Brown County Clerk of Courts in 2012 was \$56,477.50 or a daily rate of \$154.31.

During 2012 there were three individuals that served as Clerk of Courts in Brown County. There were errors made in the calculation of individual's salaries by the former County Auditor's office which resulted in officials being overpaid.

Lee Clark Gray took office April 21, 2012 and served the rest of 2012. He was entitled to a salary of \$39,349.05 for those days he served in office. Per review of the 2012 payroll ledger he was compensated \$39,503.61. This resulted in him being overpaid \$154.56.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lee Clark Gray, in the amount of \$154, and in favor of the Brown County General fund.

Upon discovery of the facts, Mr. Gray requested the current County Auditor withhold this amount from his payroll. On the October 18, 2013 payroll this amount was repaid.

Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 325.08 establishes the salary of the Clerk of Courts and Ohio Revised Code Section 1901.31 provides additional compensation when the Clerk of Courts also serves as the municipal court clerk. The total compensation due the Brown County Clerk of Courts in 2012 was \$56,477.50 or a daily rate of \$154.31.

During 2012 there were three individuals that served as Clerk of Courts in Brown County. There were errors made in the calculation of individual's salaries by the former County Auditor's office which resulted in officials being overpaid.

Mary Lindsey served as the Clerk of Courts on January 1 and 2, 2012. She was entitled to \$308.62 in salary. Additionally, the former County Auditor had a payroll adjustment related to the 2011 salary which Ms. Lindsey was entitled to for \$155.78, making her total allowable salary set at \$464.40. Per review of the 2012 payroll ledger, she was compensated \$618.92. This resulted in an overpayment of \$154.52.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mary Lindsey, in the amount of \$154, and in favor of the Brown County General fund.

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Upon notification of this issue Ms. Lindsey made repayment to the County via a personal check on October 2, 2013.

Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 141.05, states that each judge of the court of common pleas and each judge of the probate court shall receive an annual compensation equal to eighteen cents per capita for the population of the county in which the judge resided when elected or appointed, as ascertained by the latest federal census of the United States.

Based upon the 2010 census for Brown County, a common pleas judge should have been compensated \$8,072.28 in 2012. Per review of the payroll register for 2012, Judge Gusweiler was compensated \$8,401.56. This resulted in an overpayment of \$329.98.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Judge Scott Gusweiler in the amount of \$329, and in favor of the Brown County General fund.

Upon discovery of the facts, Judge Gusweiler requested the current County Auditor withhold this amount from his payroll. On the October 31, 2013 payroll this amount was repaid.

Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 141.05, states that each judge of the court of common pleas and each judge of the probate court shall receive an annual compensation equal to eighteen cents per capita for the population of the county in which the judge resided when elected or appointed, as ascertained by the latest federal census of the United States.

Based upon the 2010 census for Brown County the Probate Court Judge compensation for 2012 should have been \$8,072.28. Per review of the payroll register for 2012 there were errors made in the calculation of salary by the former County Auditor's office which resulted in Judge Clark actually being compensated \$8,401.56. This resulted in an overpayment of \$329.98.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Judge Margaret Clark in the amount of \$329, and in favor of the Brown County General fund.

Upon discovery of the facts Judge Clark requested the current County Auditor to withhold this amount from her payroll. On the December 27, 2013 payroll this amount was repaid

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Finding for Recovery

Ohio Revised Code Section 1901.11 (B) (1) provides that full-time municipal court judges shall receive annual compensation of \$61,750 per year. Additionally, Ohio Revised Code Section 1901.11 (B) (2) provides that the administrative judge of a municipal court shall receive an additional \$1,500 per year.

Judge Worley served as the full-time municipal court judge as well as the administrative judge for the Brown County Municipal Court in 2012 and thus was entitled to be compensated a total of \$63,250 in annual salary.

Prior to 2012, an independent auditor advised the County to pay Judge Worley an additional \$2,093.40 per year. This advice was incorrect. Upon our review of amounts identified as being overpaid in the 2012 audit we found Judge Worley was overpaid by \$4,539.37.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Judge Joseph Worley in the amount of \$4,539, and in favor of the Brown County General fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

The former County Auditor signed the warrants resulting in improper payments and was responsible for payroll processing. Thus Doug Green, former Brown County Auditor, and his bonding company, Ohio Farmers Insurance Company, will be jointly and severally liable in the amount of \$4,539 and in favor of the Brown County General Fund to the extent that recovery is not obtained from Judge Worley.

Upon discovery of the facts Judge Worley established a repayment plan with the County to make installment payments of \$910 per pay period starting January 2014 until the amount owed is repaid.

Noncompliance:

1. **Ohio Rev. Code Section 321.24 (F)** states, in part, the county auditor shall distribute the amount remaining among the various taxing districts in the county as if it had been levied, collected, and settled as real property taxes. The amount distributed to each taxing district shall be reduced by the total of the amounts computed for the district under section 5703.80 of the Revised Code, but the reduction shall not exceed the amount that otherwise would be distributed to the taxing district under this division. The tax commissioner shall make available to taxing districts such information as is sufficient for a taxing district to be able to determine the amount of the reduction in its distribution under this section.

Ohio Rev. Code Section 321.24 (G)(1) states, in part, the county auditor shall distribute the amount thereof among the various taxing districts of the county as if it had been levied, collected, and settled as personal property taxes. The amount received by a taxing district under this division shall be apportioned among its funds in the same proportion as the current year's personal property taxes are apportioned.

Ohio Rev. Code, Section 323.156 (C) requires, immediately upon receipt of funds into the county undivided income tax fund under this section, the auditor shall distribute the full amount thereof among the taxing districts in the County as though the total had been paid as taxes by each person for whom taxes were reduced under sections 323.151 to 323.159 of the Ohio Rev Code.

During a review of the tax distribution process we noted the following:

- The County Auditor did not pay out homestead and rollback timely to subdivisions, and did not pay it out at all for the “county levies” such as Senior Services and Library Services. Instead, this amount was either receipted into the County General Fund or held in the County’s Agency subdivision funds.
- The County Auditor did not provide settlement sheets to the various subdivisions, which shows how much homestead and rollback should be paid to the subdivisions and auditor and treasurer fees to be paid by the subdivisions. Instead the County Auditor’s office sent each subdivision a print out of the County ledger that showed the net payment.

On March 25, 2013, upon notification of the unpaid amounts remaining in the subdivision, the County Auditor remitted payment to the various subdivisions.

To improve accountability and compliance with distribution of property taxes, we recommend:

- The County Auditor should exercise due care in the proper posting of tax receipts to the proper subdivision agency fund in the proper amounts. Amounts to be distributed should be reviewed and agreed the proper amounts as outlined by the settlement made with the treasurer, any certifications with the tax commissioner, County Budget Commission allocations, and actual levy language.
- The County Auditor should remit distribution payments to subdivision in a timely manner.
- The County Auditor should provide settlement sheets to subdivisions upon payment of tax distributions. These settlement sheets should identify homestead and rollback amounts and any auditor or treasurer fees associated with the tax settlement.

Internal Control Recommendations

1. Payroll deduction

In 2012, the County Coroner authorized payroll deductions to be made to purchase service time through OPERS. In November 2012, there were two payroll deductions totaling \$ 790 from the Coroner's check for this purpose which were held by the County Auditor's office to be sent to OPERS in December. However, in December, OPERS notified the County Auditor's office that the Coroner had already repaid his total service time and that no additional money was to be sent OPERS.

Accordingly, on December 14, 2012 the County Auditor returned the \$790 to the Coroner. The Coroner's 2012 W-2 Form failed to recognize this was not additional income and overstated the Coroner's gross payroll by \$790. In the future, should such transactions occur, the County Auditor's payroll department should assess how to properly reimburse someone who had deductions taken out in error so yearend W-2 forms are accurate.

2. Dog and Kennel License Tag Sales

The County Auditor sells dog and kennel licenses in their office as well as having various businesses located throughout the County (satellite locations) which also sell them.

During review of dog and kennel tag sales for 2012 we noted the following issues:

The Auditor's office did not maintain an accurate listing of tag numbers distributed for sale to satellite locations;

- Satellite locations did not maintain their own records to account for dog tags sold. The locations would provide applications and money collected to a representative of the County Auditor's office who would pick up these receipts. In addition, there was no receipt or other documentation of the money transferring from satellite location to representative of Auditor's office;
- The Auditor's office did not have a completed application for 103 dog tags that were unaccounted for and 97 of these tags were not recorded on a pay-in however due to available records we were unable to determine if the tags were actually sold;
- 26 dog tags which were unaccounted for at satellite locations had an application (giving appearance of a sale), however, the tag numbers were not recorded on a pay-in at the County however we were unable to determine if the money was ever collected from the satellite location.

In order to provide adequate control over the issuance of dog tags we recommend that a log be maintained to account for all the dog tags which are distributed to satellite locations and at the end of the license sale time frame a reconciliation of the dog tags sold to monies collected should be completed and accounting of the remaining tags which should be turned in after the license sale period should be performed.

Additionally we recommend that dog tags not sold be maintained to provide accountability of all dog tag sales. When funds and applications are picked up at a satellite office we recommend a log of sales prepared by the satellite office be maintained and reviewed and a receipt be given to the satellite office denoting what funds the County Auditor's office received from them along with the completed applications.

Client Response:

In January 2012 a new County Auditor took office. Upon discovery of issues during the audit for 2012, monies were distributed and corrections were made. The County Auditor has worked diligently to put in place new procedures in the County Auditor's office so these discrepancies found in 2012 will not happen again.

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. Brown County officials are responsible for compliance with these laws and regulations.

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A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

December 30, 2013

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BROWN COUNTY

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Independent Auditor's Report

Brown County
800 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying 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, 2012, 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, 2012, and the respective changes in cash financial position, and the respective budgetary comparison 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 accounting basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Postion*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

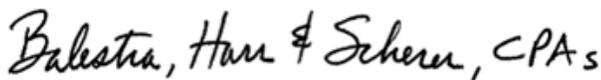
We audited to opine on the County's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net cash position, changes in net cash position, governmental activities, fund cash balances, cash receipts of the general fund, cash disbursements of the general fund and long-term debt. The Schedule of Federal Awards Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 August 26, 2013, 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.



Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
August 26, 2013

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The management's discussion and analysis of Brown County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2012. The intent of the management's discussion and analysis is to look at the County's financial performance as a whole; readers should also review 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 2012 are as follows:

- The total net cash position of the County decreased \$619,212. The net cash position of governmental activities decreased \$703,844 or 3.95% from 2011 and the net cash position of business-type activities increased \$84,632 or 3.70%.
- The County's major funds include the General Fund, the Developmental Disabilities Fund, Job and Family Services Fund and Auto and Gas Tax Fund. The 2012 General Fund cash disbursements and other financing uses of \$10,897,045 exceeded cash receipts of \$10,874,435 by \$22,610, which represents a 0.76% decrease from 2011. The 2012 General Fund beginning cash balance was \$2,959,788, whereas the ending cash balance was \$2,937,178.
- The Developmental Disabilities Fund, a major fund, had cash receipts of \$2,273,243 and cash disbursements of \$1,214,420 in 2012. The Developmental Disabilities Fund cash balance increased \$1,058,823 in 2012.
- The Job and Family Services Fund, a major fund, had cash receipts of \$2,762,719 and cash disbursements of \$2,811,645 in 2012. The Job and Family Services Fund cash balance decreased \$48,926 in 2012.
- The Auto and Gas Tax Fund, a major fund, had cash receipts of \$4,428,440 and cash disbursements of \$5,586,010 in 2012. The Auto and Gas Tax Fund cash balance decreased \$1,157,570 in 2012.

Using the Basic Financial Statements

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 the Statement of Activities - Cash Basis provide information about the activities of the whole County by presenting an aggregate view of the County's finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds, with all other non-major funds presented in total in a single column. For the County, the General Fund is the most significant fund. The County's major funds are the General Fund, the Developmental Disabilities Fund, Job and Family Services Fund and Auto and Gas Tax Fund.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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. The County uses the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 certain liabilities and their related expenses (such as accounts payable) 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 answer the question, "How did the County perform financially during 2012?" These statements include only net cash position using the cash basis of accounting, which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

These two statements report the County's net cash position and changes on a cash basis. This change in net cash position is important because it tells the reader that, for the County as a whole, the cash basis financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, sales tax receipts, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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 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 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 the cash basis of accounting.

In the Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis, the County is divided into two distinct kinds 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 14-16 of this report.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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 reports provide detailed information about the County's major funds. 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, the Developmental Disabilities Fund, Job and Family Services Fund and 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 view of the County's general government 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 readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund financial statements are reported on pages 17-20 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 21-24 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 25-26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Agency funds are the County's only fiduciary fund type. Only the cash held at year end for the agency funds is reported. The fiduciary fund financial statements are reported on page 27 of this report.

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 28-51 of this report.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Government-Wide Financial Analysis

The table below provides a summary of the County's net cash position for 2012 and 2011.

	Net Cash Position					
	Governmental Activities <u>2012</u>	Business-Type Activities <u>2012</u>	Governmental Activities <u>2011</u>	Business-Type Activities <u>2011</u>	<u>2012 Total</u>	<u>2011 Total</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 17,096,036	\$ 2,372,698	\$ 17,799,880	\$ 2,288,066	\$ 19,468,734	\$ 20,087,946
Total assets	<u>17,096,036</u>	<u>2,372,698</u>	<u>17,799,880</u>	<u>2,288,066</u>	<u>19,468,734</u>	<u>20,087,946</u>
<u>Net Cash Position</u>						
Restricted	14,158,858	-	14,840,092	-	14,158,858	14,840,092
Unrestricted	<u>2,937,178</u>	<u>2,372,698</u>	<u>2,959,788</u>	<u>2,288,066</u>	<u>5,309,876</u>	<u>5,247,854</u>
Total net cash position	<u>\$ 17,096,036</u>	<u>\$ 2,372,698</u>	<u>\$ 17,799,880</u>	<u>\$ 2,288,066</u>	<u>\$ 19,468,734</u>	<u>\$ 20,087,946</u>

The total net cash position of the County decreased \$619,212. Net cash position of governmental activities decreased \$703,844, which represents a 3.95% decrease from the 2011 balance. Net cash position of business-type activities increased \$84,632 or 3.70% from 2011.

A portion of the County's net cash position, \$14,158,858, 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 \$5,309,876 may be used to meet the government's ongoing obligations to citizens and creditors.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The table below shows the changes in net cash position for 2012 and 2011. For 2011, the amount of property tax receipts and legislative and executive disbursements have been restated to reflect property tax collection fees as a disbursement rather than a reduction to property tax receipts.

	Change in Net Cash Position					
	Governmental Activities <u>2012</u>	Business-Type Activities <u>2012</u>	Restated		2012 Total	Restated 2011 Total
			Governmental Activities <u>2011</u>	Business-Type Activities <u>2011</u>		
Cash Receipts:						
Program receipts:						
Charges for services and sales	\$ 5,042,919	\$ 1,540,466	\$ 4,441,853	\$ 1,608,933	\$ 6,583,385	\$ 6,050,786
Operating grants and contributions	12,130,711	-	12,227,608	-	12,130,711	12,227,608
Capital grants and contributions	<u>468,013</u>	<u>-</u>	<u>274,964</u>	<u>57,950</u>	<u>468,013</u>	<u>332,914</u>
Total program receipts	<u>17,641,643</u>	<u>1,540,466</u>	<u>16,944,425</u>	<u>1,666,883</u>	<u>19,182,109</u>	<u>18,611,308</u>
General receipts:						
Property taxes	4,523,811	-	4,593,114	-	4,523,811	4,593,114
Sales taxes	4,531,870	-	4,117,994	-	4,531,870	4,117,994
Unrestricted grants and entitlements	1,133,542	-	1,322,424	-	1,133,542	1,322,424
Proceeds from Bond Anticipation Notes	750,000	-	750,000	-	750,000	750,000
Interest	138,534	-	211,067	-	138,534	211,067
Miscellaneous	186,223	4,975	179,733	-	191,198	179,733
Refund of Prior Year Disbursements	-	-	397,986	-	-	397,986
General Obligation Bonds Issued	<u>-</u>	<u>-</u>	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>
Total general receipts	<u>11,263,980</u>	<u>4,975</u>	<u>12,972,318</u>	<u>-</u>	<u>11,268,955</u>	<u>12,972,318</u>
Total receipts	<u>28,905,623</u>	<u>1,545,441</u>	<u>29,916,743</u>	<u>1,666,883</u>	<u>30,451,064</u>	<u>31,583,626</u>

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Change in Net Cash Position - Continued

	Governmental	Business-Type	Restated	Business-Type		Restated
	Activities	Activities	Governmental	Activities	2012	2011
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>Total</u>	<u>Total</u>
Cash Disbursements:						
General government:						
Legislative and executive	6,251,866	-	5,422,166	-	6,251,866	5,422,166
Judicial	2,427,660	-	2,160,005	-	2,427,660	2,160,005
Public safety	3,794,830	-	4,064,875	-	3,794,830	4,064,875
Public works	5,656,026	-	4,234,236	-	5,656,026	4,234,236
Health	3,919,204	-	4,531,796	-	3,919,204	4,531,796
Human services	4,431,640	-	4,251,894	-	4,431,640	4,251,894
Economic development and assistance	491,072	-	398,063	-	491,072	398,063
Capital outlay	1,325,775	-	1,594,716	-	1,325,775	1,594,716
Debt service:						
Principal retirement	1,128,519	-	958,750	-	1,128,519	958,750
Interest and fiscal charges	172,875	-	87,230	-	172,875	87,230
Solid waste	-	1,401,428	-	1,149,235	1,401,428	1,149,235
Nonmajor enterprise funds	-	69,381	-	105,983	69,381	105,983
Total cash disbursements	<u>29,599,467</u>	<u>1,470,809</u>	<u>27,703,731</u>	<u>1,255,218</u>	<u>31,070,276</u>	<u>28,958,946</u>
Transfers	<u>(10,000)</u>	<u>10,000</u>	<u>(24,000)</u>	<u>24,000</u>	<u>-</u>	<u>-</u>
Change in net cash position	(703,844)	84,632	2,189,012	435,665	(619,212)	2,624,677
Net cash position						
at beginning of year	<u>17,799,880</u>	<u>2,288,066</u>	<u>15,610,868</u>	<u>1,852,401</u>	<u>20,087,946</u>	<u>17,463,266</u>
Net cash position at end of year	<u>\$ 17,096,036</u>	<u>\$ 2,372,698</u>	<u>\$ 17,799,880</u>	<u>\$ 2,288,066</u>	<u>\$ 19,468,734</u>	<u>\$ 20,087,946</u>

Governmental Activities

Governmental net cash position decreased by \$703,844 in 2012 from 2011's balance.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2012, general government cash disbursements totaled \$8,679,526, or 29.32%, of total governmental activities cash disbursements. General government programs were supported by \$2,767,666 in direct charges to users and \$452,437 in operating grants and contributions.

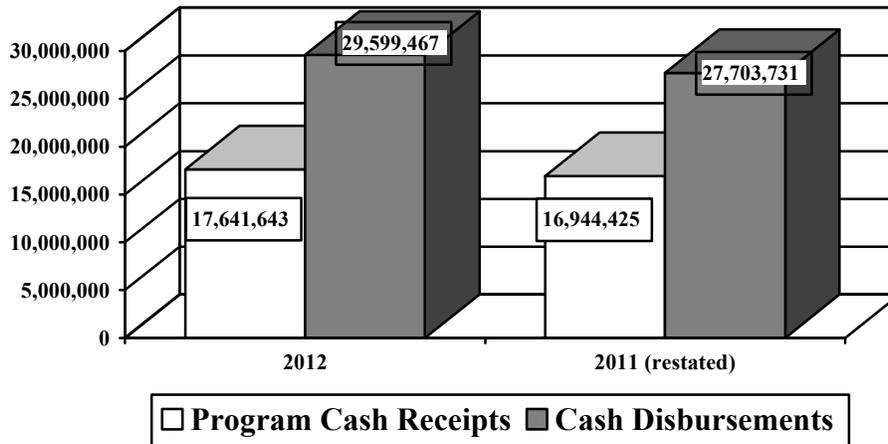
The County's human services programs accounted for \$4,431,640, or 15.52%, of total governmental activities cash disbursements. Human service programs include Public Assistance, Board of Developmental Disabilities, Child Support Enforcement, and Children Services. Human service programs are supported by \$452,039 in direct charges to users and \$3,656,159 in operating grants and contributions.

The Statement of Activities - Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2012. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



The table below shows the changes in net cost of services for 2012 and 2011. For 2011, the amount of legislative and executive disbursements has been restated to reflect property tax collection fees as a disbursement rather than a reduction to property tax receipts.

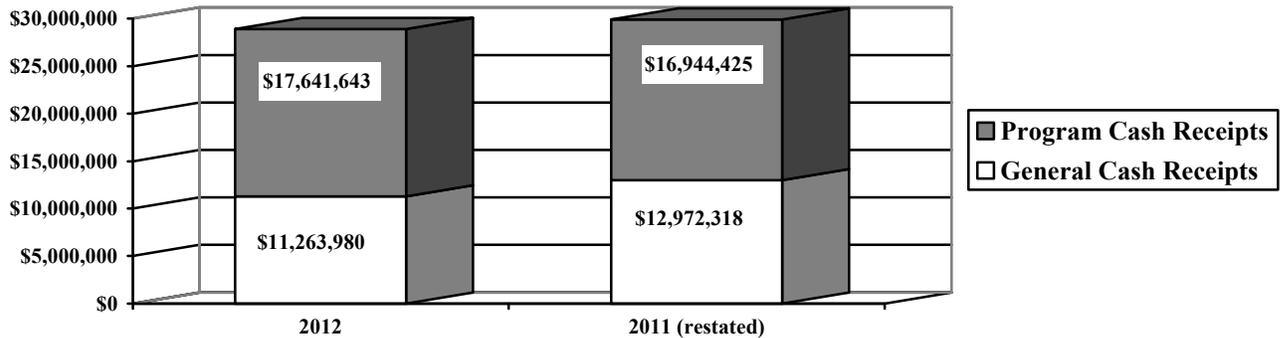
	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	Restated Total Cost of Services 2011	Restated Net Cost of Services 2011
Cash disbursements:				
General government:				
Legislative and executive	\$ 6,251,866	\$ 4,512,929	\$ 5,422,166	\$ 3,729,848
Judicial	2,427,660	946,494	2,160,005	1,226,786
Public safety	3,794,830	2,922,995	4,064,875	3,017,166
Public works	5,656,026	1,207,740	4,234,236	(412,609)
Health	3,919,204	114,576	4,531,796	171,313
Human services	4,431,640	323,442	4,251,894	558,886
Economic development and assistance	491,072	(78,856)	398,063	136,334
Capital outlay	1,325,775	749,612	1,594,716	1,319,752
Debt service:				
Principal retirement	1,128,519	1,090,432	958,750	933,430
Interest and fiscal charges	172,875	168,460	87,230	78,400
Total	<u>\$ 29,599,467</u>	<u>\$ 11,957,824</u>	<u>\$ 27,703,731</u>	<u>\$ 10,759,306</u>

The dependence upon general cash receipts for governmental activities is apparent, with 40.40% of cash disbursements supported through taxes and other general cash receipts during 2012.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

Business-type activities include solid waste management and water and sewer services. Overall net assets increased \$84,632 from 2011 to 2012. Program cash receipts generally supported business-type activities and during 2012 program cash receipts exceeded program cash disbursements, which resulted in the above increase. However, the water and sewer services required a transfer in of \$10,000 to subsidize their operations.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The County's governmental funds are accounted for using the cash basis of accounting.

The County's governmental funds reported a combined fund cash balance of \$17,096,036, which is \$703,844 below last year's balance of \$17,799,880.

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2012 and December 31, 2011 for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2012</u>	<u>Fund Cash Balance</u> <u>December 31, 2011</u>	<u>Increase /</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,937,178	\$ 2,959,788	\$ (22,610)
Developmental Disabilities	3,294,745	2,235,922	1,058,823
Job and Family Services	660,973	709,899	(48,926)
Auto and Gas Tax	3,217,262	4,374,832	(1,157,570)
Other Nonmajor Governmental Funds	<u>6,985,878</u>	<u>7,519,439</u>	<u>(533,561)</u>
Total	<u>\$ 17,096,036</u>	<u>\$ 17,799,880</u>	<u>\$ (703,844)</u>

General Fund

The General Fund, the County's largest major fund, had cash receipts of \$10,874,435 in 2012. The cash disbursements and other financing uses of the General Fund totaled \$10,897,045 in 2012. The 2012 General Fund beginning cash balance was \$2,959,788, whereas the ending cash balance was \$2,937,178.

The table that follows assists in illustrating the cash receipts of the General Fund. For 2011, the amount of property tax receipts and legislative and executive disbursements have been restated to reflect property tax collection fees as a disbursement rather than a reduction to property tax receipts.

	<u>2012</u> <u>Amount</u>	<u>Restated</u> <u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 7,137,348	\$ 6,804,952	4.88 %
Charges for services	2,131,803	1,791,928	18.97 %
Fines and forfeitures	356,912	316,857	12.64 %
Intergovernmental	952,007	1,058,728	(10.08) %
Investment income	138,534	174,521	(20.62) %
Other	<u>157,831</u>	<u>157,212</u>	0.39 %
Total	<u>\$ 10,874,435</u>	<u>\$ 10,304,198</u>	5.53 %

BROWN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The table that follows assists in illustrating the cash disbursements of the General Fund. For 2011, the amount of legislative and executive disbursements has been restated to reflect property tax collection fees as a disbursement rather than a reduction to property tax receipts.

	2012 <u>Amount</u>	Restated 2011 <u>Amount</u>	Percentage <u>Change</u>
<u>Cash Disbursements</u>			
General government:			
Legislative and executive	\$ 5,548,536	\$ 4,988,600	11.22 %
Judicial	1,691,067	1,521,265	11.16 %
Public safety	2,741,725	2,530,700	8.34 %
Public works	67,202	59,222	13.47 %
Health	63,423	70,216	(9.67) %
Human services	<u>443,522</u>	<u>433,465</u>	2.32 %
Total	<u>\$ 10,555,475</u>	<u>\$ 9,603,468</u>	9.91 %

All cash disbursements decreased or remained consistent with the prior year, with the exception of legislative and executive disbursements, judicial disbursements and public safety disbursements which increased due to the County covering a portion of employee's health insurance expenses.

Developmental Disabilities Fund

The Developmental Disabilities Fund, a major fund, had cash receipts of \$2,273,243 and cash disbursements of \$1,214,420 in 2012. The Developmental Disabilities Fund cash balance increased \$1,058,823 in 2012, mainly due to decreased spending as a result of close budgetary monitoring.

Job and Family Services Fund

The Job and Family Services Fund, a major fund, had cash receipts of \$2,762,719 and cash disbursements of \$2,811,645 in 2012. The Job and Family Services Fund cash balance decreased \$48,926 in 2012.

Auto and Gas Tax Fund

The Auto and Gas Tax Fund, a major fund, had cash receipts of \$4,428,440 and cash disbursements of \$5,586,010 in 2012. The Auto and Gas Tax Fund cash balance decreased \$1,157,570 in 2012 due to an increase in expenditures as a result of a significant resurfacing project in 2012.

Budgeting Highlights - General Fund

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 and other financing sources were \$9,955,462 while original budgeted receipts and other financing sources were \$9,795,462. Actual cash basis receipts and other financing sources were \$10,986,403 which represents an increase of \$1,030,941 greater than final budgeted receipts and other financing sources.

Total actual disbursements and other financing uses on the budget basis (cash plus encumbrances) were \$11,569,155, which was \$1,279,053 above final appropriated disbursements and other financing uses. The primary reasons for this variance can be attributed to an increase in encumbrances from the prior year as well as increased disbursements related to the health insurance expenses paid by the County as noted above.

BROWN COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 \$1,325,775 in governmental activities and \$133,725 in business-type activities.

Debt Administration

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, 2012, the County had \$1,745,000 in general obligation bonds, \$1,279,783 in long-term notes, and \$184,478 in forgivable debt related to governmental activities. The County also had a \$750,000 bond anticipation note payable as of December 31, 2012. For additional information on debt, please see Notes 13 and 14 to the basic financial statements.

The following table summarizes the long-term obligations outstanding at December 31, 2012 and December 31, 2011:

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 1,745,000	\$ 1,985,000
Long term notes	1,279,783	1,400,000
Forgivable debt	<u>184,478</u>	<u>202,780</u>
Total long-term obligations	<u>\$ 3,209,261</u>	<u>\$ 3,587,780</u>

Economic Factors and Next Year's Budgets and Rates

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.

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 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, Jill Hall, County Auditor of Brown County, 800 Mt. Orab Pike, Suite 181, Georgetown, Ohio 45121, or email at jhall@browncountyauditor.org.

BROWN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 17,096,036	\$ 2,372,698	\$ 19,468,734
Total assets	<u>17,096,036</u>	<u>2,372,698</u>	<u>19,468,734</u>
Net cash position:			
Restricted for:			
Debt service	190,777	-	190,777
Capital projects	34,535	-	34,535
Legislative and executive	1,601,586	-	1,601,586
Judicial services	916,668	-	916,668
Public safety programs	397,132	-	397,132
Public works projects	3,226,415	-	3,226,415
Health services	5,965,807	-	5,965,807
Human service programs	1,674,326	-	1,674,326
Economic development	151,612	-	151,612
Unrestricted	<u>2,937,178</u>	<u>2,372,698</u>	<u>5,309,876</u>
Total net cash position	<u>\$ 17,096,036</u>	<u>\$ 2,372,698</u>	<u>\$ 19,468,734</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,251,866	\$ 1,605,599	\$ 133,338	\$ -
Judicial.	2,427,660	1,162,067	319,099	-
Public safety	3,794,830	693,922	177,913	-
Public works	5,656,026	544,773	3,903,513	-
Health.	3,919,204	556,063	3,248,565	-
Human services	4,431,640	452,039	3,656,159	-
Economic development and assistance	491,072	4,256	565,672	-
Capital outlay	1,325,775	-	108,150	468,013
Debt service:				
Principal retirement	1,128,519	19,785	18,302	-
Interest and fiscal charges.	172,875	4,415	-	-
Total governmental activities	<u>29,599,467</u>	<u>5,042,919</u>	<u>12,130,711</u>	<u>468,013</u>
Business-type activities:				
Solid waste	1,401,428	1,484,701	-	-
Water and sewer services	69,381	55,765	-	-
Total business-type activities	<u>1,470,809</u>	<u>1,540,466</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 31,070,276</u>	<u>\$ 6,583,385</u>	<u>\$ 12,130,711</u>	<u>\$ 468,013</u>

General cash receipts and transfers:

- Property taxes levied for:
 - General purposes
 - Developmental disabilities
 - Debt service.
- Sales taxes levied for:
 - General purposes
 - 911 services
- Grants and entitlements not restricted to specific programs.
- Proceeds from bond anticipation notes
- Investment earnings.
- Miscellaneous

Total general cash receipts

Transfers

Total general cash receipts and transfers

Change in net cash position

Net cash position at beginning of year

Net cash positon at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Cash Receipts (Cash Disbursements)
and Changes in Net Cash Position**

Governmental Activities	Business-type Activities	Total
(4,512,929)	\$ -	\$ (4,512,929)
(946,494)	-	(946,494)
(2,922,995)	-	(2,922,995)
(1,207,740)	-	(1,207,740)
(114,576)	-	(114,576)
(323,442)	-	(323,442)
78,856	-	78,856
(749,612)	-	(749,612)
(1,090,432)	-	(1,090,432)
(168,460)	-	(168,460)
<u>(11,957,824)</u>	<u>-</u>	<u>(11,957,824)</u>
-	83,273	83,273
-	(13,616)	(13,616)
<u>-</u>	<u>69,657</u>	<u>69,657</u>
<u>(11,957,824)</u>	<u>69,657</u>	<u>(11,888,167)</u>
3,359,440	-	3,359,440
1,012,430	-	1,012,430
151,941	-	151,941
3,777,908	-	3,777,908
753,962	-	753,962
1,133,542	-	1,133,542
750,000	-	750,000
138,534	-	138,534
186,223	4,975	191,198
<u>11,263,980</u>	<u>4,975</u>	<u>11,268,955</u>
<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<u>11,253,980</u>	<u>14,975</u>	<u>11,268,955</u>
(703,844)	84,632	(619,212)
<u>17,799,880</u>	<u>2,288,066</u>	<u>20,087,946</u>
<u>\$ 17,096,036</u>	<u>\$ 2,372,698</u>	<u>\$ 19,468,734</u>

BROWN COUNTY, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Job and Family Services</u>	<u>Auto and Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents . .	\$ 2,937,178	\$ 3,294,745	\$ 660,973	\$ 3,217,262
Total assets	<u>\$ 2,937,178</u>	<u>\$ 3,294,745</u>	<u>\$ 660,973</u>	<u>\$ 3,217,262</u>
Fund cash balances:				
Nonspendable	\$ 149,173	\$ -	\$ -	\$ -
Restricted.	-	3,294,745	660,973	3,217,262
Assigned	807,208	-	-	-
Unassigned	<u>1,980,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund cash balances.	<u>\$ 2,937,178</u>	<u>\$ 3,294,745</u>	<u>\$ 660,973</u>	<u>\$ 3,217,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,985,878	\$ 17,096,036
<u>\$ 6,985,878</u>	<u>\$ 17,096,036</u>
\$ -	\$ 149,173
6,985,878	14,158,858
-	807,208
<u>-</u>	<u>1,980,797</u>
<u>\$ 6,985,878</u>	<u>\$ 17,096,036</u>

BROWN COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Developmental Disabilities</u>	<u>Job and Family Services</u>	<u>Auto and Gas Tax</u>
Cash receipts:				
Property taxes.	\$ 3,359,440	\$ 1,012,430	\$ -	\$ -
Sales taxes.	3,777,908	-	-	-
Charges for services.	2,131,803	90,859	147,257	514,764
Licenses and permits	-	-	-	-
Fines and forfeitures	356,912	-	-	13,172
Intergovernmental.	952,007	1,161,365	2,615,462	3,874,071
Investment income.	138,534	-	-	26,433
Rental income	-	-	-	-
Contributions and donations.	324	1,003	-	-
Other	157,507	7,586	-	-
Total cash receipts	<u>10,874,435</u>	<u>2,273,243</u>	<u>2,762,719</u>	<u>4,428,440</u>
Cash disbursements				
Current:				
General government:				
Legislative and executive	5,548,536	-	-	-
Judicial.	1,691,067	-	-	-
Public safety	2,741,725	-	-	-
Public works	67,202	-	-	5,586,010
Health	63,423	1,214,420	-	-
Human services.	443,522	-	2,811,645	-
Economic development and assistance . .	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total cash disbursements.	<u>10,555,475</u>	<u>1,214,420</u>	<u>2,811,645</u>	<u>5,586,010</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>318,960</u>	<u>1,058,823</u>	<u>(48,926)</u>	<u>(1,157,570)</u>
Other financing sources (uses):				
Proceeds from bond anticipation notes. . . .	-	-	-	-
Advances in	-	-	-	-
Advances (out).	(23,220)	-	-	-
Transfers in	-	-	-	-
Transfers (out).	(318,350)	-	-	-
Total other financing sources (uses)	<u>(341,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	(22,610)	1,058,823	(48,926)	(1,157,570)
Fund cash balances at beginning of year . .	<u>2,959,788</u>	<u>2,235,922</u>	<u>709,899</u>	<u>4,374,832</u>
Fund cash balances at end of year	<u>\$ 2,937,178</u>	<u>\$ 3,294,745</u>	<u>\$ 660,973</u>	<u>\$ 3,217,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 151,941	\$ 4,523,811
753,962	4,531,870
1,578,798	4,463,481
18,152	18,152
122,019	492,103
5,130,442	13,733,347
-	164,967
26,400	26,400
12,121	13,448
22,951	188,044
<u>7,816,786</u>	<u>28,155,623</u>

703,330	6,251,866
736,593	2,427,660
1,053,105	3,794,830
2,814	5,656,026
2,641,361	3,919,204
1,176,473	4,431,640
491,072	491,072
1,325,775	1,325,775
1,128,519	1,128,519
172,875	172,875
<u>9,431,917</u>	<u>29,599,467</u>

<u>(1,615,131)</u>	<u>(1,443,844)</u>
--------------------	--------------------

750,000	750,000
23,220	23,220
-	(23,220)
308,350	308,350
-	(318,350)
<u>1,081,570</u>	<u>740,000</u>

(533,561)	(703,844)
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<u>7,519,439</u>	<u>17,799,880</u>
<u>\$ 6,985,878</u>	<u>\$ 17,096,036</u>

BROWN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUNDS - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Budgetary basis receipts:				
Property taxes	\$ 3,719,924	\$ 3,768,847	\$ 3,359,440	\$ (409,407)
Sales taxes	3,009,432	3,064,452	3,777,908	713,456
Charges for services	1,463,206	1,489,957	1,836,844	346,887
Fines and forfeitures	284,311	289,509	356,912	67,403
Intergovernmental	758,356	772,221	952,007	179,786
Investment income	110,354	112,372	138,534	26,162
Contributions and donations	258	263	324	61
Other	108,126	110,102	135,736	25,634
Total budgetary basis receipts	<u>9,453,967</u>	<u>9,607,723</u>	<u>10,557,705</u>	<u>949,982</u>
Budgetary basis disbursements:				
General government:				
Legislative and executive	5,179,637	5,098,655	5,721,295	(622,640)
Judicial	1,655,958	1,568,437	1,659,966	(91,529)
Public safety	2,696,582	2,613,981	2,785,786	(171,805)
Public works	116,897	115,848	67,202	48,646
Health	73,288	73,288	72,944	344
Human services	470,194	470,194	470,800	(606)
Total budgetary basis disbursements.	<u>10,192,556</u>	<u>9,940,403</u>	<u>10,777,993</u>	<u>(837,590)</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(738,589)</u>	<u>(332,680)</u>	<u>(220,288)</u>	<u>112,392</u>
Other financing sources (uses):				
Transfers in	127,454	129,784	160,000	30,216
Transfers out.	(349,699)	(349,699)	(499,244)	(149,545)
Advances in	214,041	217,955	268,698	50,743
Advances out	-	-	(291,918)	(291,918)
Total other financing sources (uses)	<u>(8,204)</u>	<u>(1,960)</u>	<u>(362,464)</u>	<u>(360,504)</u>
Net change in fund cash balance	(746,793)	(334,640)	(582,752)	(248,112)
Fund cash balance at beginning of year	1,717,641	1,717,641	1,717,641	-
Prior year encumbrances appropriated	<u>277,154</u>	<u>277,154</u>	<u>277,154</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 1,248,002</u>	<u>\$ 1,660,155</u>	<u>\$ 1,412,043</u>	<u>\$ (248,112)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
 GOVERNMENTAL FUNDS - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Developmental Disabilities Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary basis receipts:				
Property taxes	\$ 794,831	\$ 794,831	\$ 1,012,430	\$ 217,599
Charges for services.	71,331	71,331	90,859	19,528
Intergovernmental.	911,756	911,756	1,161,365	249,609
Contributions and donations	787	787	1,003	216
Other	5,956	5,956	7,586	1,630
Total budgetary basis receipts	<u>1,784,661</u>	<u>1,784,661</u>	<u>2,273,243</u>	<u>488,582</u>
Budgetary basis disbursements:				
Current:				
Health	<u>1,669,773</u>	<u>1,669,773</u>	<u>1,363,109</u>	<u>306,664</u>
Total budgetary basis disbursements	<u>1,669,773</u>	<u>1,669,773</u>	<u>1,363,109</u>	<u>306,664</u>
Net change in fund cash balance	114,888	114,888	910,134	795,246
Fund cash balance at beginning of year	2,060,601	2,060,601	2,060,601	-
Prior year encumbrances appropriated	<u>175,321</u>	<u>175,321</u>	<u>175,321</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 2,350,810</u>	<u>\$ 2,350,810</u>	<u>\$ 3,146,056</u>	<u>\$ 795,246</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
 GOVERNMENTAL FUNDS - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Job and Family Services Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary basis receipts:				
Intergovernmental	\$ 2,914,085	\$ 2,914,085	\$ 2,762,719	\$ (151,366)
Total budgetary basis receipts.	<u>2,914,085</u>	<u>2,914,085</u>	<u>2,762,719</u>	<u>(151,366)</u>
Budgetary basis disbursements:				
Current:				
Human services	3,004,073	3,004,073	2,908,308	95,765
Total budgetary basis disbursements	<u>3,004,073</u>	<u>3,004,073</u>	<u>2,908,308</u>	<u>95,765</u>
Net change in fund cash balance	(89,988)	(89,988)	(145,589)	(55,601)
Fund cash balance at beginning of year	619,911	619,911	619,911	-
Prior year encumbrances appropriated	<u>89,988</u>	<u>89,988</u>	<u>89,988</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 619,911</u>	<u>\$ 619,911</u>	<u>\$ 564,310</u>	<u>\$ (55,601)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
 GOVERNMENTAL FUNDS - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Auto and Gas Tax			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary basis receipts:				
Charges for services	\$ 486,060	\$ 486,060	\$ 514,764	\$ 28,704
Fines and forfeitures	12,437	12,437	13,172	735
Intergovernmental	3,658,044	3,658,044	3,874,071	216,027
Interest	24,959	24,959	26,433	1,474
Total budgetary basis receipts	<u>4,181,500</u>	<u>4,181,500</u>	<u>4,428,440</u>	<u>246,940</u>
Budgetary basis disbursements:				
Current:				
Public works	4,485,057	4,485,057	6,791,812	(2,306,755)
Total budgetary basis disbursements	<u>4,485,057</u>	<u>4,485,057</u>	<u>6,791,812</u>	<u>(2,306,755)</u>
Net change in fund cash balance	(303,557)	(303,557)	(2,363,372)	(2,059,815)
Fund cash balance at beginning of year	4,071,275	4,071,275	4,071,275	-
Prior year encumbrances appropriated	<u>303,557</u>	<u>303,557</u>	<u>303,557</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 4,071,275</u>	<u>\$ 4,071,275</u>	<u>\$ 2,011,460</u>	<u>\$ (2,059,815)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Solid Waste	Nonmajor Enterprise Funds	Total
Assets:			
Equity in pooled cash and cash equivalents . .	\$ 2,355,253	\$ 17,445	\$ 2,372,698
Total assets	<u>2,355,253</u>	<u>17,445</u>	<u>2,372,698</u>
Net cash position:			
Unrestricted	<u>2,355,253</u>	<u>17,445</u>	<u>2,372,698</u>
Total net cash position	<u>\$ 2,355,253</u>	<u>\$ 17,445</u>	<u>\$ 2,372,698</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN NET CASH POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Solid Waste	Nonmajor Enterprise Funds	Total
Operating cash receipts:			
Charges for services	\$ 1,484,701	\$ 55,765	\$ 1,540,466
Other	1,454	3,521	4,975
Total operating cash receipts	<u>1,486,155</u>	<u>59,286</u>	<u>1,545,441</u>
Operating cash disbursements:			
Personal services	-	42,675	42,675
Fringe benefits.	-	7,037	7,037
Contract services.	1,251,309	11,279	1,262,588
Other	16,394	8,390	24,784
Capital outlay	133,725	-	133,725
Total operating cash disbursements	<u>1,401,428</u>	<u>69,381</u>	<u>1,470,809</u>
Operating cash receipts over (under) operating cash disbursements.	84,727	(10,095)	74,632
Transfer in	-	10,000	10,000
Change in net cash position	84,727	(95)	84,632
Net cash position at beginning of year	<u>2,270,526</u>	<u>17,540</u>	<u>2,288,066</u>
Net cash position at end of year	<u>\$ 2,355,253</u>	<u>\$ 17,445</u>	<u>\$ 2,372,698</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET CASH POSITION
AGENCY FUNDS
DECEMBER 31, 2012

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,835,542
Cash in segregated accounts.	<u>822,800</u>
Total assets	<u>\$ 5,658,342</u>
Net cash position:	
Unrestricted	<u>\$ 5,658,342</u>
Total net cash position	<u>\$ 5,658,342</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY

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 is 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; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) 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, 2012.

In 2011, the County reported Grow Inc., a legally separate, not-for-profit Corporation, as a discretely presented component unit of the County. Effective January 2012, Grow Inc. privatized and is operated under its own Board of Directors. The County is no longer fiscally accountable for Grow Inc. and it is no longer reported as a discretely presented component unit of the County.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY - (Continued)

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 Investment 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.

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 Investment Board - The Workforce Investment Board is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams, and Brown Counties appointed by the county commissioners from each county. The forty-eight-member board includes twelve members from each participating county and includes fifty-one percent of its members from the private sector. The remaining members include individuals from education, one-stop partners, juvenile justice centers, labor organizations, local public housing and former participants. The Workforce Investment Board typically meets three to four times per year and is responsible for the five year plan, selecting one stop operators, selecting youth providers and coordinating all activities in association with Workforce Improvement Act funds. This board enables the participating counties to have more local control over the programs, which they assist in overseeing. The Workforce Advisory Board received no contributions from the County during 2012.

County Risk Sharing Authority (CORSA) - County Risk Sharing Authority (CORSA) is a shared risk pool among sixty-four 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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY - (Continued)

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 directors manages the affairs of CORSA. County Commissioners of members' counties are eligible to serve on the Board of Directors. 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 Directors.

The County's payment for insurance of CORSA in 2012 was \$226,500. 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

The basic financial statements of the County are presented on a cash basis of accounting, as discussed further in section C. Basis of Accounting in this note disclosure. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

The most significant of the County's accounting policies are described below.

A. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities generally are financed through user charges and other related areas.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net position presents the cash balance, of the governmental activities and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function or program. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

Receipts, which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental or business-type program is self-financing on a cash basis or draws from the general 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 governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The financial statements for governmental funds are a statement of assets and fund cash balances, and a statement of cash receipts, disbursements and changes in fund cash balances which reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of current financial resources.

The financial statements for proprietary funds are a statement of net position - cash basis, and a statements of cash basis receipts, disbursements and changes in net cash assets which presents increases (i.e., receipts) and decreases (i.e., disbursements) in net cash assets.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating receipts of the County's proprietary funds are charges for services. Operating disbursements for the proprietary funds include personnel and other disbursements related to the operations of the proprietary fund's activity. All receipts and disbursements not meeting these definitions are reported as nonoperating receipts and disbursements.

The financial statement for the agency funds is a statement of cash basis assets and net cash position.

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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as 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. Financial resources are a county-wide property tax levy and federal and state grants that are restricted in use for this specific purpose.

Job and Family Services Fund - This fund accounts for various federal and state grants as well as transfers from the General Fund that are restricted in use for providing public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

Auto and Gas Tax Fund - This fund accounts for financial resources from state gasoline tax and motor vehicle registration fees which are restricted for maintenance and repair of roads and bridges.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; and, (c) for grants and other resources, the use of which is restricted or committed to 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. 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 nonmajor 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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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 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 these financial statements.

D. Budgetary Process

All transactions, except for advances, for all funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners 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".

BROWN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 2012, investments were limited to nonnegotiable certificates of deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). On the cash basis of accounting, investments in nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in STAR Ohio during 2012. STAR 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 Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2012.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 were \$138,534, including \$121,516 assigned from other funds.

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.

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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 disbursement is reported at inception. Lease payments are reported when paid.

L. Net Position

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

The County applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide Statement of Net Position - Cash Basis reports \$14,158,858 of restricted net cash position, none of which are restricted by enabling legislation.

M. Fund Cash Balance

Fund cash 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 cash 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 cash 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 cash 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 cash 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 cash 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 cash 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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Unassigned fund cash 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.

The County applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements 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. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2012.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2012, the County has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the County.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the County.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the County's financial statements to incorporate the concept of net position as applicable to the County's cash-basis of accounting.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the County.

B. Compliance

Ohio Administrative Code Section 117-2-03 (B), requires the County to prepared 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, 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. The County was also in violation of ORC 325 for overpayment of elected officials compensation and ORC 233.25 for inaccurate cashbook reconciliations in the Probate and Juvenile Courts.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of cash receipts, cash disbursements and changes in fund cash balance - governmental funds - cash basis - (budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund cash balance for that portion of outstanding encumbrances (cash basis); and

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the net change in fund cash balance for the year on the budget basis to the cash basis for the general fund and major special revenue funds are as follows:

Net Change in Fund Balances

	Governmental Funds			
	General	Developmental Disabilities	Job and Family Services	Auto and Gas
Budget basis	\$ (582,752)	\$ 910,134	\$ (145,589)	\$ (2,363,372)
Net adjustment for funds budgeted elsewhere	140,666	-	-	-
Encumbrances (budget-basis)	<u>419,476</u>	<u>148,689</u>	<u>96,663</u>	<u>1,205,802</u>
Cash basis	<u>\$ (22,610)</u>	<u>\$ 1,058,823</u>	<u>\$ (48,926)</u>	<u>\$ (1,157,570)</u>

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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.

Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
10. Bankers' acceptance and commercial paper notes for a period not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the County's total average portfolio; and,
11. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At year-end, the County had \$3,000 in undeposited cash on hand, which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

B. Cash in Segregated Accounts

At year-end, the County had \$822,800 in accounts separate from the County's internal investment pool. The balances in these depository accounts are included in "Deposits with Financial Institutions" below.

BROWN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

C. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all County deposits was \$24,723,125, including \$16,125,081 of nonnegotiable certificates of deposit. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2012, \$6,802,113 of the County's bank balance of \$25,307,601 was covered by the FDIC, while \$18,505,488 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

D. Investments

As of December 31, 2012, the County had the following investments:

<u>Investment type</u>	<u>Carrying Value</u>	<u>6 months or less</u>
STAR Ohio	\$ 400,951	\$ 400,951
Total	<u>\$ 400,951</u>	<u>\$ 400,951</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2012:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Percent of Total</u>
STAR Ohio	\$ 400,951	100.00
Total	<u>\$ 400,951</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position - cash basis as of December 31, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 24,723,125
Investments	400,951
Cash on hand	<u>3,000</u>
Total	<u>\$ 25,127,076</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 17,096,036
Business-type activities	2,372,698
Agency funds	<u>5,658,342</u>
Total	<u>\$ 25,127,076</u>

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 State Auditor 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 State Auditor 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 is effective beginning 2014 for a period of 5 years. For 2012, permissive sales tax receipts amounted to \$3,777,908 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 2012, permissive sales tax receipts amounted to \$753,962 in the 9-1-1 Emergency Fund (a nonmajor governmental fund).

BROWN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 revaluated 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 proceeding 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2012 was \$7.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property

Residential/Agricultural	\$	608,645,740
Commercial/Industrial/Mineral		65,808,480

Public Utility

Real		262,030
Personal		<u>36,282,700</u>

Total Assessed Value	\$	<u><u>710,998,950</u></u>
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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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RISK MANAGEMENT - (Continued)

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 fifty-seven 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 \$5,000,000 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 \$100,000,000 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 2012, 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.

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.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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% 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, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The County's contribution rate for 2012 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan and Traditional Plan was 7.95% and 10.00%, respectively. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$1,009,866, \$1,015,242, and \$944,833, respectively; 86.39% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$18,548 made by the County and \$13,248 made by the plan members.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$386,079, \$281,580, and \$483,896, respectively; 86.39% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

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

BROWN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, with a Health Savings Account plan. The County has elected to provide employee medical/surgical benefits through Meritain Health. 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 - CONTINGENCIES

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 - NOTE PAYABLE

The changes in the County's notes payable during the year consist of the following:

	Balance Outstanding <u>12/31/11</u>	<u>Issued</u>	<u>Retired</u>	Balance Outstanding <u>12/31/12</u>	Amount Due in <u>One Year</u>
Bond Anticipation Note	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ (750,000)</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>

On February 17, 2012 the County retired a \$750,000 Series 2011 Bond Anticipation Note with proceeds from the issuance of a \$750,000 Series 2012 Bond Anticipation Note. The Series 2012 Bond Anticipation Note bears an interest rate of 3.75% and matures on February 17, 2013. The note activity is recorded in a bond retirement fund (a nonmajor governmental fund).

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM DEBT

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

	Balance Outstanding <u>12/31/11</u>	<u>Issued</u>	<u>Retired</u>	Balance Outstanding <u>12/31/12</u>	Amount Due in <u>One Year</u>
Governmental Activities:					
<u>General Obligation Bonds</u>					
Brown County Public Library					
District Refunding Bonds	\$ 1,020,000	\$ -	\$ (190,000)	\$ 830,000	\$ 195,000
Mental Health Program					
Refunding Bonds	165,000	-	(15,000)	150,000	20,000
Emergency Communications					
Systems Limited Tax Bonds	<u>800,000</u>	<u>-</u>	<u>(35,000)</u>	<u>765,000</u>	<u>40,000</u>
Total General Obligation Bonds	<u>1,985,000</u>	<u>-</u>	<u>(240,000)</u>	<u>1,745,000</u>	<u>255,000</u>
<u>Other long-term obligations</u>					
County Courthouse Repair Note	\$ 750,000	\$ -	\$ (64,402)	\$ 685,598	\$ 66,610
Probate Court Note	650,000	-	(55,815)	594,185	57,729
Forgivable Debt (Mental Health)	<u>202,780</u>	<u>-</u>	<u>(18,302)</u>	<u>184,478</u>	<u>8,750</u>
Total Other Long-Term Obligations	<u>1,602,780</u>	<u>-</u>	<u>(138,519)</u>	<u>1,464,261</u>	<u>133,089</u>
Total Governmental Activities	<u>\$ 3,587,780</u>	<u>\$ -</u>	<u>\$ (378,519)</u>	<u>\$ 3,209,261</u>	<u>\$ 388,089</u>

The County's total legal debt margin was \$12,349,422 with an unvoted debt margin of \$3,728,679.

In fiscal year 2008, the County issued \$1,735,000 in Public Library District Fractionalized Interest Bonds to refund \$1,735,000 in outstanding bonds. The Brown County Public Library District Fractionalized Interest Bonds will be retired from proceeds of a voted tax levied upon the County residents living in the Library District and are being paid from the Debt Service Fund.

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 debt service fund.

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, is being paid 20 consecutive payments semi-annually of \$44,327.84 which started April 17, 2012. The note has an interest rate of 3.25% and will mature October 17, 2021.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM DEBT - (Continued)

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.

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,	Brown County Public Library District Refunding Bonds			Mental Health Program Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 195,000	\$ 37,756	\$ 232,756	\$ 20,000	\$ 6,850	\$ 26,850
2014	205,000	29,956	234,956	20,000	6,050	26,050
2015	210,000	21,500	231,500	20,000	5,225	25,225
2016	220,000	11,000	231,000	20,000	4,225	24,225
2017	-	-	-	20,000	3,225	23,225
2018 - 2022	-	-	-	50,000	3,337	53,337
Total	\$ 830,000	\$ 100,212	\$ 930,212	\$ 150,000	\$ 28,912	\$ 178,912

Years Ended December 31,	Emergency Communications Systems Limited Tax Bonds		
	Principal	Interest	Total
2013	\$ 40,000	\$ 47,090	\$ 87,090
2014	40,000	45,210	85,210
2015	45,000	43,330	88,330
2016	45,000	41,214	86,214
2017	45,000	39,100	84,100
2018 - 2022	270,000	151,100	421,100
2023 - 2026	280,000	50,050	330,050
Total	\$ 765,000	\$ 417,094	\$ 1,182,094

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM DEBT - (Continued)

Years Ended December 31,	County Courthouse Repair Note			Probate Court Note		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 66,610	\$ 22,045	\$ 88,655	\$ 57,729	\$ 19,102	\$ 76,831
2014	68,823	19,832	88,655	59,647	17,185	76,832
2015	71,110	17,545	88,655	61,628	15,203	76,831
2016	73,428	15,227	88,655	63,638	13,194	76,832
2017	75,912	12,744	88,656	65,790	11,041	76,831
2018 - 2022	329,715	24,909	354,624	285,753	21,573	307,326
Total	\$ 685,598	\$ 112,302	\$ 797,900	\$ 594,185	\$ 97,298	\$ 691,483

Years Ended December 31,	Forgivable Debt (Mental Health)		
	Principal	Interest	Total
2013	\$ 8,750	\$ -	\$ 8,750
2014	8,750	-	8,750
2015	8,750	-	8,750
2016	8,750	-	8,750
2017	8,750	-	8,750
2018 - 2022	43,750	-	43,750
2023 - 2027	43,750	-	43,750
2028 - 2032	43,750	-	43,750
2033 - 2034	9,478	-	9,478
Total	\$ 184,478	\$ -	\$ 184,478

NOTE 15 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

Transfer from general fund to:

Nonmajor governmental funds	\$ 308,350
Nonmajor enterprise fund	<u>10,000</u>
Total	\$ <u>318,350</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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.

Interfund transfers between governmental funds are eliminated on the statement of activities - cash basis.

BROWN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 15 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund advances for the year ended December 31, 2012 consisted of the following, as reported in the fund financial statements:

<u>Advance out from fund</u>	<u>Advance in to fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 23,220</u>

These advances will be repaid in the next year as resources become available. Advances between governmental funds are eliminated for reporting on the government-wide statement of activities.

NOTE 16 – SUBSEQUENT EVENT

On February 14, 2013 the County retired a \$750,000 Series 2012 Bond Anticipation Note with proceeds from the issuance of a \$750,000 Series 2013 Bond Anticipation Note. The Series 2013 Bond Anticipation Note bears an interest rate of 3.25% and matures on February 13, 2014.

BROWN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - FUND CASH 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 Cash Balance	General	Developmental Disabilities	Job and Family Services	Auto and Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Unclaimed Monies	\$ 149,173	\$ -	\$ -	\$ -	\$ -	\$ 149,173
Total Nonspendable	<u>149,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,173</u>
Restricted:						
Legislative and executive	-	-	-	-	1,601,586	1,601,586
Judicial	-	-	-	-	916,668	916,668
Public safety	-	-	-	-	397,132	397,132
Public works	-	-	-	3,217,262	9,153	3,226,415
Health	-	3,294,745	660,973	-	2,010,089	5,965,807
Human services	-	-	-	-	1,674,326	1,674,326
Economic development and assistance	-	-	-	-	151,612	151,612
Debt service	-	-	-	-	190,777	190,777
Capital projects	-	-	-	-	34,535	34,535
Total Restricted	<u>-</u>	<u>3,294,745</u>	<u>660,973</u>	<u>3,217,262</u>	<u>6,985,878</u>	<u>14,158,858</u>
Assigned:						
Legislative and executive	234,179	-	-	-	-	234,179
Judicial	130,017	-	-	-	-	130,017
Public safety	44,061	-	-	-	-	44,061
Health	9,521	-	-	-	-	9,521
Human services	27,278	-	-	-	-	27,278
Subsequent year appropriations	362,152	-	-	-	-	362,152
Total Assigned	<u>807,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,208</u>
Unassigned	<u>1,980,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,980,797</u>
Total Fund Cash Balances	<u>\$ 2,937,178</u>	<u>\$ 3,294,745</u>	<u>\$ 660,973</u>	<u>\$ 3,217,262</u>	<u>\$ 6,985,878</u>	<u>\$ 17,096,036</u>

Brown County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<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-1213-11-0013	\$ 285,892
<i>Passed through the Ohio Department of Natural Resources:</i>			
Emergency Watershed Protection Program- Disaster Relief Appropriations Act	10.927	N/A	72,749
Emergency Watershed Protection Program- Disaster Relief Appropriations Act	10.927	N/A	113,002
Total Emergency Watershed Protection Program- Disaster Relief Appropriations Act			<u>185,751</u>
Total U.S. Department of Agriculture			<u>471,643</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<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-10-1AH-1	107,992
Formula Allocation Program	14.228	B-F-10-1AH-1	9,323
Formula Allocation Program	14.228	B-F-11-1AH-1	121,664
Formula Allocation Program	14.228	B-F-12-1AH-1	22,797
Total Formula Allocation Program			<u>261,776</u>
Home Investment Partnership Program	14.239	B-C-10-1AH-2	134,357
Total U.S. Department of Housing and Urban Development			<u>396,133</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed through the Ohio Attorney General:</i>			
Crime Victims Assistance	16.575	2012VAGENE308	31,757
Total U.S. Department of Justice			<u>31,757</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct Program:</i>			
Airport Improvement Program	20.106	N	379,870
<i>Federal Highway Administration</i>			
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	PID #90475	44,980
Total U.S. Department of Transportation			<u>424,850</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through the Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grants	97.042	2011-EP-00003-S01	7,022
State Homeland Security Program	97.067	2009-SS-T9-0089	22,495
Total U.S. Department of Homeland Security			<u>29,517</u>
<u>U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through the Secretary of State:</i>			
Help America Vote Act	90.401	N/A	1,052
Total U.S. Department of Election Assistance Commission			<u>1,052</u>

(Continued)

Brown County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012
(Continued)

FEDERAL GRANTOR Recipient Department Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	20,000
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	93.556	G-1213-11-0013	4,018
Child Support Enforcement	93.563	N/A	315,291
Child Welfare Services State Grants - Title IV-B	93.645	G-1213-11-0013	28,840
Foster Care - Title IV-E	93.658	N/A	11,225
Adoption Assistance	93.659	N/A	61,005
Chafee Foster Care Independence Program	93.674	G-1213-11-0013	2,433
Child Care Development Fund Cluster:			
Child Care and Development Block Grant	93.575	G-1213-11-0013	45,953
Total Child Care Development Fund Cluster			<u>45,953</u>
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-1213-11-0013	314,391
Temporary Assistance for Needy Families (TANF) Administration	93.558	G-1213-11-0013	464,934
Total TANF Cluster			<u>779,325</u>
<i>Passed through the Secretary of State:</i>			
Voting Access for Individuals with Disabilities - Grants to States	93.617	N/A	1,377
Social Services Block Grant:			
<i>Passed through the Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	93.667	N/A	31,494
<i>Passed through the Ohio Department of Mental Health:</i>			
Social Services Block Grant - Title XX	93.667	N/A	34,740
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Social Services Block Grant - Title XX	93.667	G-1213-11-0013	425,809
Total Social Services Block Grant			<u>492,043</u>
<i>Passed through the Ohio Department of Mental Health:</i>			
Block Grants to Community Mental Health Services	93.958	N/A	34,428
<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	107,666
Block Grants for Prevention and Treatment of Substance Abuse - Youth	93.959	N/A	3,110
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>110,776</u>
Medicaid Cluster:			
<i>Passed through the Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program - MAC/RMTS	93.778	N/A	64,985
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Medicaid Assistance Program	93.778	N/A	302,017
Total Medicaid Cluster			<u>367,002</u>
Total U.S. Department of Health and Human Services			<u>2,273,716</u>
Total Federal Expenditures			<u>\$ 3,628,668</u>

N/A - pass through entity number not available

N- direct award

See accompanying notes to the Schedule of Expenditures of Federal Awards

BROWN COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial programs of Brown County, Ohio (the County). The County reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the Schedule.

NOTE B – BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the cash basis of accounting; consequently, expenditures are recognized when paid rather than when the obligation is incurred.

NOTE C – SUBRECIPIENTS

The County passes-through certain federal assistance 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 A, the County records expenditures of federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under OMB Circular A-133, the County is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE D – MATCHING REQUIREMENTS

Certain federal programs require that the County contribute non-federal funds (matching funds) to support federally funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

NOTE E – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

The County Department Developmental Disabilities received federal financial assistance from the Ohio Department of Developmental Disabilities for the program (which is audited at the state level and reported in the State of Ohio Single Audit Report):

CFDA #93.778 Medicaid Cluster (Individual Options and Level 1 Waiver Programs)

In addition, during the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$613 from the Ohio Department of Developmental Disabilities. This refund is a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule since the underlying expenses occurred in prior reporting periods.



Balestra, Harr & Scherer, CPAs, Inc.

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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, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 26, 2013 wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and implemented GASB Statement No. 63.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2012-008 through 2012-009 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 through 2012-007 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

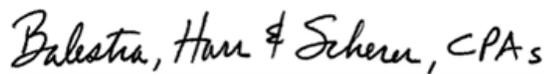
As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

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.



Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
August 26, 2013



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Brown County's major federal programs for the year ended December 31, 2012. The summary of auditor's results section of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2012-010 through 2012-012. These findings did not require us to modify our compliance opinion on each major federal program.

The County's responses to our noncompliance findings are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

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 OMB Circular A-133, 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.

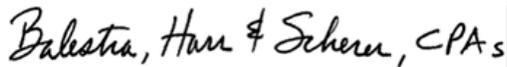
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-010 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-011 and 2012-012 to be significant deficiencies.

The County's responses to our internal control compliance findings are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
August 26, 2013

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any material weakness reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any significant internal control deficiencies reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any material weakness reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under .510?	Yes
<i>(d)(1)(vii)</i>	Major Program (list):	Home Investment Partnerships Program, CFDA #14.239 Child Support Enforcement Program, CFDA #93.563 Temporary Assistance for Needy Families (TANF) Cluster, CFDA #93.558 Social Services Block Grant (Title XX) Cluster, CFDA #93.667 Medical Assistance Program Cluster, CFDA #93.778 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CFDA #10.561
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

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

Finding Number 2012-001

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, 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 currently finds that the cost of converting to GAAP basis is prohibitive to the county budget and feels that paying the fine is less costly.

Finding Number 2012-002

Significant Deficiency/Noncompliance – Elected Officials Compensation

Ohio Revised Code Chapter 325 - Compensation of county officials: sets maximum amounts at which county elected officials can be compensated. For good practices and accurate pay, approved salary certifications are needed to provide an internal control for the auditor’s office. The approval signature of the department head provides assurance that the county auditor is providing the correct payroll disbursement.

Immaterial overpayments were made to three elected officials in 2012.

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Finding Number 2012-002 (Continued)

The County does not have up-to-date salary certifications for the majority of County employees. The deputy treasurer was not aware of Auditor of State Bulletin 99-015. This is due to former County Auditor Doug Green taking care of all elected officials compensation. The deputy auditor was given a form from Doug Green on what each elected official should be paid.

We recommend that the County to review the Auditor of State Bulletin 99-015 pertaining to elected official compensation and correct the errors in pay appropriately. We recommend that all County departments reissue an approved salary certification with up-to-date payroll amounts and with the department supervisor's signature.

Client's Response:

The new auditor has checked the salary of each judge and made corrections in the previous calculation.

Finding Number 2012-003

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.

The Juvenile and Probate Court cashbooks did not reconcile to a zero balance. Probate was not reconciled by (\$1,347.07), while Juvenile was not reconciled by \$1,567.55, leaving a net balance of \$220.48.

The Probate and Juvenile Courts should implement policies and procedures to ensure that their cash books reconcile to the bank accounts and the reconciling process is completed accurately and timely.

Client's Response:

Client chose not to respond to this issue.

BROWN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Finding Number 2012-004

Significant Deficiency – Clerk of Courts Title Department Receipts

The Title Department was in the practice of completing transaction recording on behalf of the consumer. Blank checks would be routinely accepted from the auto dealerships in the community along with the title applications for the day. These checks would be filled in by County personnel upon completion of the title transactions. A copy of the completed check would be returned to the consumer along with a receipt for that day's transactions. This practice could allow for the misuse of monies and allow for errors to remain undetected for long periods of time.

The Title Department should discontinue the practice of accepting blank checks from consumers.

Client's Response:

Client chose not to respond to this issue.

Finding Number 2012-005

Significant Deficiency – Dog and Kennel Receipts

The County Auditor's office did not reconcile dog and kennel tags offered for sale by agents to the sales and returns. The collection form, used as a control device, was not completed for most of the year. There was also no supervisory confirmation of amount collected from the agent by the Warden and amount paid into the County Treasury. Controls over the collection of receipts of dog tag sales by agents of the County were established, but not followed, resulting in a potential loss of revenue. If the controls are not followed, it is impossible to determine that revenues have been collected and paid-in to the Treasurer.

The County Auditor should take steps to ensure the accurate recording of revenues for the sale of dog tags, including the reconciling of tags given to agents and tags returned and revenues collected. An independent employee of the Auditor's office should sign off on the collection document after verifying the amounts to the pay-in.

Client's Response:

The deficiency in controls for dog tags was noted by the new County Auditor and was presented to Balestra, Harr & Scherer during the first week of the audit. It has since been turned over to the Auditor of State and the County Auditor has already implemented several new controls over the sale of dog tags. The office is continuing to work with the Auditor of State and will be diligent in implementing any other controls requested or suggested by them.

BROWN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Finding Number 2012-006

Significant Deficiency – Segregation of Duties

The procedures in the Clerk of Courts Title Department, Municipal Court, Juvenile and Probate Courts, and Recorder's Office establishes that one employee is responsible for the financial management system of the department including: accepting payments and providing receipts, entering information into the accounting system, preparing the deposit slip and delivering the deposits to the County Treasurer's office.

As a result, a lack of segregation of duties exists, as a single person is capable of controlling all elements of transactions, thereby increasing the risk of errors and irregularities occurring and going undetected for long periods of time. Sound internal controls dictate that most of the above noted functions be performed and monitored by separate individuals.

The County should establish policies and procedures to ensure that an adequate segregation of duties over financial management and treasury functions exists for all County departments.

Client's Response:

The Title Department, Municipal Court, Juvenile and Probate Courts chose not to respond to this issue. The Recorder maintains all pay-ins on a separate spreadsheet and reviews daily receipts and voids weekly. Our system does not allow for recording without payment. Monthly pay-ins and transactions are compared to Auditor reports monthly for accuracy. The Recorder's office staff does not allow for individuals to only do select processes. There is not enough staffing to properly segregate duties. However, on a typical day, the person receiving cash does not do the pay-in.

Finding Number 2012-007

Significant Deficiency – Sheriff's Department Recordkeeping

The sheriff's department was several months behind on billings for prisoner housing fees. Further, support was not maintained for "Service Fees" outside of the municipal, clerk of courts and juvenile/probate receipts. Furthermore, for pay-ins that were submitted to the County, there was not a readily available schedule that listed what made up the amounts for the pay-in. Not billing in a timely manner could lead to a shortage of cash in the department and the potential for errors or irregularities to go undetected. Not maintaining proper support for receipts and not making a schedule for pay-ins could lead to fraud or inaccurate financial reporting.

The department should establish policies and procedures to bill at least on a monthly basis. The department should also maintain copies of supporting documentation for all receipts and disbursements. Furthermore, the department should maintain a schedule of amounts that are included in the pay-ins that are submitted to the auditor's office.

Client's Response:

Backups in the billing process occurred because of changes in the Jail Administrators for 2012. We have been current in our 2013 Housing Inmates billings.

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Finding Number 2012-008

Material Weakness – Tax Distributions

During 2012, the County did not have any documented controls over the distribution of property taxes to subdivisions nor was there any evidence of an implementation of internal controls over the process. As a result of this lack of internal control, the County was deficient in remitting tax distributions to the subdivisions of the County.

The County should policies and procedures over the distribution of property taxes to the subdivisions of the County.

Client's Response:

The County has a new County Auditor as of 1/1/2013. All funds will and are being checked monthly to see that distributions are made in a timely manner. The new Auditor has also put in place a checks and balances for all EFT monies put into county depository to make sure they are distributed to the correct funds. The Auditor is currently checking every EFT to make sure that the distributions and the percentages are calculated correctly. There are several distributions from prior years that will be sent out when the Auditor of State has agreed to the calculated distributions.

Finding Number 2012-009

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the management of the County and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustment or reclassification:

- A reclassification to charges for services from intergovernmental revenues in the Jobs and Family Services Fund
- An audit adjustment to property tax revenues and legislative and executive expenses in the General Fund for recording property tax receipts in the net instead of the gross.

The accompanying financial statements were adjusted to reflect correction of misstated account balances. The County should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client's Response:

There had been errors in the financials from previous years and the current firm doing financials had used their mis-calculations. All have been corrected.

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number 2012-010

Material Weakness/Noncompliance Citation: Schedule of Expenditures of Federal Awards

Office of Management and Budget (OMB) Circular A-133 Subpart C, Section .310(b) states, in part, that the auditee shall prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements. Office of Management and Budget (OMB) Circular A-133 Subpart C Section .300 states, in pertinent part, that the auditee shall: (a) Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with .310.

Management is responsible for implementing internal control procedures related to drafting the schedule of expenditures of federal awards and related notes that ensure accuracy and completeness and enable management to prevent and detect potential misstatements prior to audit. It is important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements.

During 2012, the County contracted with an independent accounting firm to compile the Schedule of Federal Awards expenditures. Several federal programs were inaccurately reported in the federal schedule, and required adjustments that in aggregate are significant to the federal schedule. The Schedule of Expenditures of Federal Awards has been adjusted to correct the noted errors.

The County should devise and implement internal control procedures capable of ensuring the accuracy and completeness of the County's SEFA to prevent similar errors from occurring in the future. Control procedures could include a separate review and analysis of the SEFA by someone knowledgeable of the County's activities and OMB Circular A-133.

Clients Response:

The SEFA has been completed by an outside firm and all standards will be met.

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Finding Number	2012-011
CFDA Title and Number	Home Investment Partnerships Program – CFDA #14.239
Federal Award Number/Year	2012
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Significant Deficiency/Noncompliance Citation – Cash Management

Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw-downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for 2 of the 3 drawdowns of grant funding received during the audit period. Disbursements were made up to several months after the 15 day limitation had expired, resulting in noncompliance. Due to the noncompliance noted for the program's cash management, an internal control deficiency exists over this area of compliance.

The County should implement controls to ensure drawdowns are appropriate and enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt.

Clients Response:

In the future the County will seek advances to offset the “draw” time frame.

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Finding Number	2012-012
CFDA Title and Number	Child Support Enforcement – CFDA #93.563
Federal Award Number/Year	2012
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Significant Deficiency/Noncompliance Citation – Cash Management

Per OAC 5101:9-7-29, as amended, the reporting period for the JFS 02750 report was changed from monthly to quarterly. Ohio Administrative Code rule 5101:9-7-29, as amended, requires Quarterly financial statements to be submitted to the Bureau of County Finance and Technical Assistance (BCFTA) no later than the tenth calendar day of the second month following the quarter the report represents. FAPMTL No 266 (effective 12/27/12) further amended 51019-7-02.1 "Child support enforcement agency (CSEA) quarterly reconciliation," to reflect the new CFIS Web reporting practices. On a quarterly basis, each stand-alone CSEA is required to certify and submit to ODJFS a 02750 Financial Statement. After (7/1/12-12/31/12) the 2750/2827 is loaded into CFIS web, however the County Auditor is still required to sign and certify the final report. If the report in CFIS web is not signed, it is not considered final. After the report is signed it cannot be changed. See OAC 5101:9-7-02, 5101:9-7-02.1 & 5101:9-7-29.

Several 2750 Quarterly Reports were filed after the required dates, which are as follows:

(1/1/12-6/30/12)

The completed 02750/02827 Quarterly Financial Statement must be submitted to the Ohio Department of Job and Family Services Bureau of Budget and Control, County Finance Section no later than the last day of the month following the quarter the report represents.

(7/1/12-12/31/12)

The signed quarterly financial statement (CR 520 report) shall be imported into CFIS Web no later than the tenth day of the second month following the quarter the report represents.

To ensure the CSEA is in compliance with ODJFS and has proper controls over federal reporting, the Director should establish policies and procedures to ensure that the 2750 Quarterly Reports are filed prior to the required dates.

BROWN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2012
(Continued)

Clients Response:

The Quarterly Financial Statement for 4-30-2012 had documentation attached as to why this was not turned in on 4-30-2012. I had been working with my financial supervisor from the State trying to balance the quarterly report. Once we were able to balance the statement signatures were obtained and reported.

The Quarterly Financial Statement for 11-10-12 was a miscommunication between CSEA and the new CFIS Web system. Prior to CFIS Web the State would email the quarterly financial statements and I would obtain signatures and fax back to the State. I was unaware that the Quarterly Financial Statements were in CFIS web. I received an email from the State when they did not receive the statement and was walked through CFIS web to retrieve the form. My CFIS Web training did not disclose this information to me so therefore, I was not aware that I needed to print the quarterly statement. I was waiting on the email from the State. Attached is a copy of the email the State sent me and as you can see once this was sent signatures were obtained that day.

BROWN COUNTY
December 31, 2012

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §315(c)

Corrective Action Plan for Finding 2012-010:

Finding Control Number: 2012-010

Summary of Finding: The County's Schedule of Expenditures of Federal Awards contained several errors and required adjustments that in aggregate are significant to the federal schedule.

Statement of Concurrence: The County is aware of Finding 2012-010 and agrees that the finding as stated is correct.

Corrective Action: The SEFA will be completed by an outside firm and all standards will be met.

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

Jill Hall
Auditor
Phone: (937) 378-6398
Email: jhall@browncountyauditor.org

Corrective Action Plan for Finding 2012-011:

Finding Control Number: 2012-011

Summary of Finding: The County's drawdowns for the Home Investment Partnership Program, CFDA#14.239, were not expended within 15 days to a fund balance of less than \$5,000 for 2 of the 3 drawdowns of grant funding received during the audit period. Also disbursements were made up to several months after the 15 day limitation had expired.

Statement of Concurrence: The County is aware of Finding 2012-011 and agrees that the finding as stated is correct.

Corrective Action: In the future the County will seek advances to offset the "draw" time frame.

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

Jill Hall
Auditor
Phone: (937) 378-6398
Email: jhall@browncountyauditor.org

BROWN COUNTY
December 31, 2012

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §315(c)
(Continued)

Corrective Action Plan for Finding 2012-012:

Finding Control Number: 2012-012

Summary of Finding: Several of the required reports for the Child Support Enforcement Program, CFDA #93.563 were not filed within the prescribed timeline.

Statement of Concurrence: The County is aware of Finding 2012-012 and agrees that the finding as stated is correct.

Corrective Action: The County will take steps to ensure that all reports are filed timely in the future.

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

Jill Hall
Auditor
Phone: (937) 378-6398
Email: jhall@browncountyauditor.org

BROWN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Ohio Admin Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County filed its report using the cash basis of accounting.	No	Not Corrected – See current year finding 2012-001.
2011-002	Internal Control Deficiency- Title Department. Title Department was in the practice of completing transaction recording on behalf of the consumer.	No	Not Corrected – See current year finding 2012-004.
2011-003	Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds.	No	Not Corrected – See current year finding 2012-011.



Dave Yost • Auditor of State

FINANCIAL CONDITION

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
DECEMBER 30, 2013