HIGHLAND COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor of State
Betty Montgomery

HIGHLAND COUNTY

TABLE OF CONTENTS

HIGHLAND COUNTY

TABLE OF CONTENTS
(Continued)

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Highland County
200 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements of Highland County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash receipts and disbursements basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The financial statements do not include financial data for the County's legally separate component unit**.** Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that include the component unit's financial data. The County has not issued reporting entity financial statements. We cannot determine the amount of assets, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component units In our opinion, because of the omission of the discretely-presented component unit, as discussed above, the financial statements referred to above do not present fairly, the cash basis financial position of the reporting entity of the County as of December 31, 2004 and the changes in its cash basis financial position, for the year ended in conformity with the basis of accounting described in Note 2.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Further, in our opinion, the financial statements referred to above present fairly, in all material respects the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio, as of December 31, 2004, and the respective changes in cash basis financial position thereof and the respective budgetary comparison for the General, Board of Mental Retardation and Developmental Disabilities, Public Assistance, and Repair MVL Funds, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

May 24, 2006

This discussion and analysis of the Highland County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2004, within the limitations of the County's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased $18,079 from the prior year.

Net assets of business type activities decreased by $217,043.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the County as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the County as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. 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

The statement of net assets and the statement of activities reflect how the County did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the County's general receipts.

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

In the statement of net assets and the statement of activities, we divide the County into two types of activities:

> Governmental activities. Most of the County's basic services are reported here including general government, judicial, public safety, public works, health, and human services. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
>
> Business-type activity. The County has one business-type activity, the provision of sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds – not the County as a whole. The County establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the County are split into three categories: governmental, proprietary and fiduciary.

> Governmental Funds - Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major governmental funds are the General, Public Assistance, Repair MVL, Board of MRDD, and Rocky Fork Lake Debt Service Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The County's major enterprise fund is the Rock Fork Lake Sewer District Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the County's programs.

The County as a Whole

Table 1 provides a summary of the County's net assets for 2004 compared to 2003 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Cash and Cash Equivalents	$5,483,208	$5,465,129	$437,509	$654,552	$5,920,717	$6,119,681
Total Assets	$5,483,208	$5,465,129	$437,509	$654,552	$5,920,717	$6,119,681
Net Assets						
Restricted for:						
Debt Service	764,067	826,055	0	0	764,067	826,055
Capital Outlay	54,421	135,769	0	0	54,421	135,769
Other Purposes	3,841,033	3,920,398	0	0	3,841,033	3,920,398
Unrestricted	823,687	582,907	437,509	654,552	1,261,196	1,237,459
Total Net Assets	$5,483,208	$5,465,129	$437,509	$654,552	$5,920,717	$6,119,681

As mentioned previously, net assets of governmental activities increased by $18,079 during 2004. The primary reasons contributing to the small increase in cash balances are increases in both tax revenues and interest revenues. Additionally there was a decrease in capital outlay expenditures due to the completion of the GIS project, Huhtamaki project and the Community Service Center project.

The net assets of business-type activities decreased by $217,043. The main reasons for the decrease were due to an increase in contractual services to provide sewer upkeep and a decrease in fee collections due to delinquencies.

Table 2 reflects the changes in net assets in 2004. Since the County did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	$2,203,013	$327,010	$2,530,023
Operating Grants and Contributions	13,071,326	0	13,071,326
Capital Grants and Contributions	712,838	0	712,838
Total Program Receipts	15,987,177	327,010	16,314,187
General Receipts:			
Property and Other Local Taxes	4,193,145	0	4,193,145
Sales Tax Levied for General Purposes	3,169,671	0	3,169,671
Conveyance Fees	356,824	0	356,824
Special Assessments	515,039	0	515,039
Gifts and Donations	156,598	0	156,598
Grants and Entitlements Not Restricted to Specific Programs	1,043,089	0	1,043,089
Interest	169,657	0	169,657
Bonds Issued	266,500	0	266,500
Notes Issued	2,804,999	0	2,804,999
Miscellaneous	1,169,254	7,487	1,176,741
Total General Receipts	13,844,776	7,487	13,852,263
Total Receipts	29,831,953	334,497	30,166,450
Disbursements:			
General Government	4,668,872	0	4,668,872
Public Safety	4,365,567	0	4,365,567
Public Works	4,316,784	0	4,316,784
Health	4,411,398	0	4,411,398
Human Services	7,904,098	0	7,904,098
Capital Outlay	1,054,030	0	1,054,030
Debt Service	3,093,125	0	3,093,125
Miscellaneous	0	0	0
Sewer	0	551,540	551,540
Total Disbursements	29,813,874	551,540	30,365,414
Increase (Decrease) in Net Assets	18,079	(217,043)	(198,964)
Net Assets, January 1, 2004	5,465,129	654,552	6,119,681
Net Assets, December 31, 2004	$5,483,208	$437,509	$5,920,717

Program receipts represent only 53 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 46 percent of the County's total receipts, and of this amount, over 14 percent are local taxes and 11 percent are sales tax receipts. State and federal grants and entitlements make up 4 percent. Other receipts are very insignificant and somewhat unpredictable revenue sources. The County issued $600,000 bond anticipation notes for airport improvements and $630,000 bond anticipation notes for the construction and improvement of the Juvenile Detention Center. Additionally, the County issued $1,575,000 bond anticipation notes for various purposes and paid off two previously issued notes for $700,000 and $850,000. The County also issued $266,500 in General Obligation Bonds for MRDD building improvements.

Disbursements for General Government represent the overhead costs of running the County and the support services provided for the other Government activities. These include the costs of commissioners, and the auditor, treasurer, and recorder.

Public safety disbursements represent costs associated with the sheriff's office and probation and correction departments. Public works expenditures represent expenditures associated with the engineer's office that maintain the infrastructure within the County. Health expenditures consisted mostly of expenditures related to MRDD and the Dog and Kennel Fund. Human Services expenditures consisted of expenditures made out of the Public Assistance Fund, the Children's Services Fund, and the Child Support Enforcement Agency Fund.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for human services and general government, which account for 27 and 16 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 15 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	$4,668,872	($3,192,534)
Public Safety	4,365,567	(3,193,136)
Public Works	4,316,784	(428,446)
Health	4,411,398	(1,282,296)
Human Services	7,904,098	(2,295,968)
Capital Outlay	1,054,030	(341,192)
Debt Service	3,093,125	(3,093,125)
Total Expenses	$29,813,874	($13,826,697)

Business-type Activities

The sewer operation of the County is relatively small. The infrastructure is used to support a few subdivisions within the County. Charges to residents within the subdivisions maintain the infrastructure. Contractual services for sewer maintenance exceeded the fees collected from the participating residents resulting in an operating loss.

The County's Funds

Total governmental funds had receipts of $29,831,953 and disbursements of $29,813,874. The greatest change within governmental funds occurred within the General and Public Assistance Funds. The fund balance of the General Fund increased $240,780 as the result of an increase in tax revenues and interest income. The majority of the increase in interest represents 2003 interest earnings that were not posted until 2004. The fund balance of the Public Assistance Fund had a decrease in fund balance of $313,070 as a result on a decrease in intergovernmental revenues and an increase in human service related expenditures. The Repair MVL Fund had an increase in fund balance of $151,963 due to an increase in intergovernmental revenues.

General Fund Budgeting Highlights

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

During 2004, the County amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at $8,979,782 while actual disbursements were $8,426,041. The County kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

The County does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2004, the County's outstanding debt included $6,337,400 in general obligation bonds issued for improvements to buildings and structures, and $8,454,776 in OWDA, OPWC, and ODOD loans for facilities and equipment. The County also has $2,805,000 outstanding in short term notes. For further information regarding the County's debt, refer to Notes 12 and 13 to the basic financial statements.

Current Issues

The state reduced funding to the County in areas such as local government funds and local government revenue assistance. As a result of this reduction, the County Commissioners approved a resolution to increase sales tax by one-half percent. On July 1, 2005, the County started collecting the revenue from the sales tax increase.

The vacancy rate of the County's general business district is not tracked; however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. There are only a few retail stores located in the county. Sales tax revenue has remained basically the same. Current construction of Lowes gives some hope of future revenues.

Each of these factors was considered in preparing Highland County's budget for 2005.

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 reflect the County's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Bill Fawley, Auditor, Highland County, Ohio, 119 Governor Foraker, Pl., Hillsboro, Ohio 45133.

This page intentionally left blank.

Highland County, Ohio

Statement of Net Assets-Cash Basis

December 31, 2004

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$5,483,208	$437,509	$5,920,717
Total Assets	$5,483,208	$437,509	$5,920,717
Net Assets			
Restricted for:			
Capital Projects	$54,421	$0	$54,421
Debt Service	764,067	0	764,067
Other Purposes	3,841,033	0	3,841,033
Unrestricted	823,687	437,509	1,261,196
Total Net Assets	$5,483,208	$437,509	$5,920,717

See accompanying notes to the basic financial statements

Highland County, Ohio
Statement of Activities-Cash Basis
For the Year Ended December 31, 2004

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
					Primary Government		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	$3,058,037	$966,233	$2,444	$0	($2,089,360)	$0	($2,089,360)
Judicial	1,610,835	414,523	93,138	0	(1,103,174)	0	(1,103,174)
Public Safety	4,365,567	604,339	568,092	0	(3,193,136)	0	(3,193,136)
Public Works	4,316,784	44,548	3,843,790	0	(428,446)	0	(428,446)
Health	4,411,398	152,869	2,976,233	0	(1,282,296)	0	(1,282,296)
Human Services	7,904,098	20,501	5,587,629	0	(2,295,968)	0	(2,295,968)
Capital Outlay	1,054,030	0	0	712,838	(341,192)	0	(341,192)
Debt Service	3,093,125	0	0	0	(3,093,125)	0	(3,093,125)
Total Governmental Activities	29,813,874	2,203,013	13,071,326	712,838	(13,826,697)	0	(13,826,697)
Business Type Activites							
Sewer	551,540	327,010	0	0	0	(224,530)	(224,530)
Totals	$30,365,414	$2,530,023	$13,071,326	$712,838	(13,826,697)	(224,530)	(14,051,227)
		General Receipts					
		Property Taxes Levied for:					
		General Purposes			1,588,243	0	1,588,243
		Mental Retardation and Developmental Disabilities			1,885,402	0	1,885,402
		Road Improvements			352,964	0	352,964
		Emergency Management			8,646	0	8,646
		Other Purposes			357,890	0	357,890
		Special Assessments			515,039	0	515,039
		Sales Taxes Levied for General Purposes			3,169,671	0	3,169,671
		Conveyance Fees			356,824	0	356,824
		Grants and Entitlements not Restricted					0
		to Specific Programs			1,043,089	0	1,043,089
		Gifts and Donations			156,598	0	156,598
		Interest			169,657	0	169,657
		Bonds Issued			266,500	0	266,500
		Notes Issued			2,804,999	0	2,804,999
		Miscellaneous			1,169,254	7,487	1,176,741
		Total General Receipts			13,844,776	7,487	13,852,263
		Change in Net Assets			18,079	(217,043)	(198,964)
		Net Assets Beginning of Year			5,465,129	654,552	6,119,681
		Net Assets End of Year			$5,483,208	$437,509	$5,920,717

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2004

	General	Public Assisstance Fund	Repair MVL Fund	Board of MRDD Fund	Rocky Fork Lake Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$823,687	$217,870	$790,530	$728,798	$659,785	$2,262,538	$5,483,208
Total Assets	$823,687	$217,870	$790,530	$728,798	$659,785	$2,262,538	$5,483,208
Fund Balances							
Reserved:							
Reserved for Encumbrances	$37,391	$178,587	$16,870	$10,295	$0	$391,837	$634,980
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	786,296	0	0	0	0	0	786,296
Special Revenue Funds	0	39,283	773,660	718,503	0	1,711,998	3,243,444
Debt Service Fund	0	0	0	0	659,785	104,282	764,067
Capital Projects Funds	0	0	0	0	0	54,421	54,421
Total Fund Balances	$823,687	$217,870	$790,530	$728,798	$659,785	$2,262,538	$5,483,208

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2004

	General	Public Assisstance Fund	Repair MVL Fund	Board of MRDD Fund	Rocky Fork Lake Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Taxes	$4,757,914	$0	$352,964	$1,885,402	$0	$366,536	$7,362,816
Charges for Services	1,553,124	0	30,535	44,899	0	658,699	2,287,257
Fines, Licenses, Permits and Forfeitures	113,170	0	1,975	0	0	151,871	267,016
Intergovernmental	1,136,227	4,278,733	3,521,103	1,448,423	0	4,385,082	14,769,568
Special Assessments	0	0	0	0	470,817	44,222	515,039
Gifts and Donations	0	0	0	0	0	180,018	180,018
Interest	166,551	0	34,265	0	0	3,106	203,922
Other	308,201	284,972	50,886	28,923	0	501,836	1,174,818
Total Receipts	8,035,187	4,563,705	3,991,728	3,407,647	470,817	6,291,370	26,760,454
Disbursements							
Current:							
General Government:							
Legislative and Executive	2,577,773	0	0	0	0	480,264	3,058,037
Judicial	1,584,610	0	0	0	0	26,225	1,610,835
Public Safety	3,351,181	0	0	0	0	1,014,386	4,365,567
Public Works	194,781	0	3,764,765	0	0	357,238	4,316,784
Health	349,441	0	0	3,281,879	0	780,078	4,411,398
Human Services	330,864	4,876,775	0	0	0	2,696,459	7,904,098
Capital Outlay	0	0	0	0	0	1,054,030	1,054,030
Debt Service:							
Principal Retirement	0	0	0	0	334,845	2,224,084	2,558,929
Interest and Fiscal Charges	0	0	0	0	148,946	385,250	534,196
Total Disbursements	8,388,650	4,876,775	3,764,765	3,281,879	483,791	9,018,014	29,813,874
Excess of Receipts Over (Under) Disbursements	(353,463)	(313,070)	226,963	125,768	(12,974)	(2,726,644)	(3,053,420)
Other Financing Sources (Uses)							
Bonds Issued	0	0	0	0	0	266,500	266,500
Notes Issued	1,230,000	0	0	0	0	1,574,999	2,804,999
Transfers In	82,000	0	0	53,000	0	945,657	1,080,657
Transfers Out	(712,657)	0	(75,000)	(152,000)	0	(141,000)	(1,080,657)
Advances In	12,000	0	0	0	0	17,568	29,568
Advances Out	(17,100)	0	0	0	0	(12,468)	(29,568)
Total Other Financing Sources (Uses)	594,243	0	(75,000)	(99,000)	0	2,651,256	3,071,499
Net Change in Fund Balances	240,780	(313,070)	151,963	26,768	(12,974)	(75,388)	18,079
Fund Balances Beginning of Year	582,907	530,940	638,567	702,030	672,759	2,337,926	5,465,129
Fund Balances End of Year	$823,687	$217,870	$790,530	$728,798	$659,785	$2,262,538	$5,483,208

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts				
Property and Other Local Taxes	$1,649,791	$1,928,280	$4,757,914	$2,829,634
Charges for Services	2,113,923	2,470,758	1,553,124	(917,634)
Fines, Licenses, Permits and Forfeitures	154,033	180,034	113,170	(66,864)
Intergovernmental	1,546,493	1,807,545	1,136,227	(671,318)
Interest	226,689	264,955	166,551	(98,404)
Other	419,486	490,296	308,201	(182,095)
Total receipts	6,110,415	7,141,868	8,035,187	893,319
Disbursements				
Current:				
General Government				
Legislative and Executive	2,780,596	2,766,505	2,615,164	151,341
Judicial	1,703,085	1,694,425	1,584,610	109,815
Public Safety	3,601,769	3,583,452	3,351,181	232,271
Public Works	209,342	208,278	194,781	13,497
Health	375,239	373,331	349,441	23,890
Human Services	355,599	353,791	330,864	22,927
Total Disbursements	9,025,630	8,979,782	8,426,041	553,741
Excess of Receipts Over (Under) Disbursements	(2,915,215)	(1,837,914)	(390,854)	1,447,060
Other Financing Sources (Uses)				
Notes Issued	1,674,125	1,956,722	1,230,000	(726,722)
Transfers In	111,608	130,448	82,000	(48,448)
Transfers Out	(765,927)	(762,032)	(712,657)	49,375
Advances In	16,333	19,090	12,000	(7,090)
Advances Out	(18,377)	(18,284)	(17,100)	1,184
Total Other Financing Sources (Uses)	1,017,762	1,325,944	594,243	(731,701)
Net Change in Fund Balance	(1,897,453)	(511,970)	203,389	715,359
Fund Balance Beginning of Year	582,907	582,907	582,907	0
Prior Year Encumbrances Appropriated	9,934	9,934	9,934	0
Fund Balance End of Year	($1,304,612)	$80,871	$796,230	$715,359

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Public Assistance Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Intergovernmental	$6,285,884	$4,276,996	$4,278,733	1,737
Other	$418,652	$284,856	284,972	116
Total receipts	6,704,536	4,561,852	4,563,705	1,853
Disbursements				
Current:				
Human Services	6,644,380	5,148,658	5,055,362	93,296
Total Disbursements	6,644,380	5,148,658	5,055,362	93,296
Net Change in Fund Balance	60,156	(586,806)	(491,657)	95,149
Fund Balance Beginning of Year	530,940	530,940	530,940	0
Prior Year Encumbrances Appropriated	55,872	55,872	55,872	0
Fund Balance End of Year	$646,968	$6	$95,155	$95,149

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Repair MVL Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Property and Other Local Taxes	$349,274	$349,274	$352,964	$3,690
Charges for Services	30,216	30,216	30,535	319
Fines and Forfeitures	1,954	1,954	1,975	21
Intergovernmental	3,484,295	3,484,295	3,521,103	36,808
Interest	33,907	33,907	34,265	358
Other	50,354	50,354	50,886	532
Total receipts	3,950,000	3,950,000	3,991,728	41,728
Disbursements				
Current:				
Public Works	3,943,307	4,077,010	3,781,635	295,375
Total Disbursements	3,943,307	4,077,010	3,781,635	295,375
Excess of Receipts Over (Under) Disbursements	6,693	(127,010)	210,093	337,103
Other Financing Sources (Uses)				
Transfers Out	(77,153)	(79,817)	(75,000)	4,817
Total Other Financing Sources (Uses)	(77,153)	(79,817)	(75,000)	4,817
Net Change in Fund Balance	(70,460)	(206,827)	135,093	341,920
Fund Balance Beginning of Year	638,567	638,567	638,567	0
Prior Year Encumbrances Appropriated	70,460	70,460	70,460	0
Fund Balance End of Year	$638,567	$502,200	$844,120	$341,920

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Board of MRDD Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	$2,473,705	$1,941,430	$1,885,402	($56,028)
Charges for Services	52,133	40,915	44,899	3,984
Intergovernmental	1,681,775	1,319,902	1,448,423	128,521
Other	33,583	26,357	28,923	2,566
Total receipts	4,241,197	3,328,604	3,407,647	79,043
Disbursements				
Current:				
Health	3,490,377	3,490,377	3,292,174	198,203
Total Disbursements	3,490,377	3,490,377	3,292,174	198,203
Excess of Receipts Over (Under) Disbursements	750,820	(161,773)	115,473	277,246
Other Financing Sources (Uses)				
Transfers In	61,539	48,297	53,000	4,703
Transfers Out	(159,862)	(159,862)	(152,000)	7,862
Total Other Financing Sources (Uses)	(98,323)	(111,565)	(99,000)	12,565
Net Change in Fund Balance	652,497	(273,338)	16,473	289,811
Fund Balance Beginning of Year	702,030	702,030	702,030	0
Prior Year Encumbrances Appropriated	38,739	38,739	38,739	0
Fund Balance End of Year	$1,393,266	$467,431	$757,242	$289,811

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Fund Net Assets-Cash Basis

Proprietary Funds

December 31, 2004

	Business-Type Activities		
	Rocky Fork Lake Sewer District	All Other Enterprise Funds	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$374,792	$62,717	$437,509
Net Assets			
Unrestricted	$374,792	$62,717	$437,509

See accompanying notes to the basic financial statements

Highland County, Ohio

Statement of Cash Receipts,

Disbursements and Changes in Fund Net Assets-Cash Basis

Proprietary Funds

For the Year Ended December 31, 2004

	Business-Type Activities		
	Rocky Fork Lake Sewer District	All Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	$305,575	$21,435	$327,010
Other Operating Receipts	7,487	0	7,487
Total Operating Receipts	313,062	21,435	334,497
Operating Disbursements			
Contractual Services	541,702	7,731	549,433
Other	0	2,107	2,107
Total Operating Disbursements	541,702	9,838	551,540
Change in Net Assets	(228,640)	11,597	(217,043)
Net Assets Beginning of Year	603,432	51,120	654,552
Net Assets End of Year	$374,792	$62,717	$437,509

See accompanying notes to the basic financial statements

Highland County

Statement of Fiduciary Net Assets - Cash Basis

Fiduciary Fund

December 31, 2004

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	$1,105,774
Cash and Cash Equivalents in Segregated Accounts	655,495
Total Assets	$1,761,269
Net Assets	
Unrestricted	$1,761,269

See accompanying notes to the basic financial statements

This page intentionally left blank.

Note 1 - Reporting Entity

Highland County, Ohio (the County) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are seven other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Highland County, this includes the Board of Mental Retardation and Developmental Disabilities (MRDD) and all departments and activities that are directly operated by the elected County Officials.

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 or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization’s resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. The County is also financially accountable for any organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, are accessible to the County and are significant in amount to the County.

Highco Inc. is a legally separate, not for profit corporation, served by a board of trustees appointed by the MRDD Board. The workshop under contractual agreement with the Highland County Board of Mental Retardation and Developmental Disabilities (MR/DD), provides sheltered employment for mentally and/or physically handicapped adults in Highland County.

The Highland County Board of MR/DD provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop’s sole purpose of providing assistance to the mentally and/or physically handicapped adults of Highland County, the workshop is considered a component unit of Highland County, however, Highco Inc. is not presented as a component unit in these financial statements. Separately issued financial statements can be obtained for Highco Inc. 8919 US Rt. 50 Hillsboro, Ohio 45133.

Note 1 - Reporting Entity (continued)

The Highland Regional Airport Authority is a legally separate body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a five member Board, appointed by the Highland County Commissioners. The Authority is responsible for the safety and efficient operation and maintenance of the airport. The Highland County Commissioners administer and account for bond anticipation notes for airport improvements. The Highland County Regional Airport Authority is a component unit of the County, however, it is not presented as a component unit in these financial statements. Separately issued financial statements can be obtained from the Highland County Regional Airport Authority.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Highland County. Accordingly, the activity of the following organizations is reported as agency funds within the financial statements:

Highland County Soil and Water Conservation District
Highland County District Board of Health
Highland County Family and Children First Council

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the County does not report assets for equity interests in joint ventures.

The County participates in a jointly governed organization and a public entity risk pool. These organizations are presented in Notes 17 and 18 to the basic financial statements. These organizations are:

Solid Waste Management District
County Risk Sharing Authority, Inc. (CORSA)
Paint Valley ADAMHS
South Central Regional Juvenile Detention Center

The County's management believes these financial statements present all activities for which the County is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets 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 assets 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 are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental 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. 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the County.

Note 2 - Summary of Significant Accounting Policies (continued)

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 and enterprise 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.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Repair MVL - This fund accounts for State levied, shared monies derived from gasoline taxes and the sale of motor vehicle licenses. Disbursements are restricted by State law to county road and bridge repair/improvement programs.

Public Assistance - This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services.

Board of MRDD - This fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

Rocky Fork Lake Debt Service – This fund accounts for special assessments collected for the payment of principal, interest and fiscal charges.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Proprietary Funds

The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

> Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the Counties major enterprise fund:
>
> Rocky Fork Lake Sewer District - This fund accounts for tap in fees and set user fees. Each resident in this Sewer District pays the same amount each month. There is set billing and rates are not based on actual usage per resident. Monies are used to upgrade and operate the treatment plant.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 not available to support the County's own programs. The County did not have any trust funds in 2004. Agency funds are purely custodial in nature and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of 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 this 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.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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 certificated 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".

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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

During 2004, the County invested in federal agency securities, and a money market fund. Investments are reported at cost, except for the money market fund. The County's money market fund investment is recorded at the amount reported by Fifth Third Securities, Inc. at December 31, 2004.

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 2004 were $166,551 which includes $150,596 assigned from other County funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

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 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.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's cash basis of accounting.

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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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 expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

M. Fund Balance Reserves

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for unclaimed monies and encumbrances.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the County reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 - Compliance

Ohio Administrative Code, section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/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 did not properly encumber all funds as required by Ohio Revised Code, section 5705.41 (D).

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	$37,391
Major Special Revenue Funds:	
Repair MVL	16,870
Public Assistance	178,587
Board of MRDD	10,295

Note 6 - Deposits and Investments

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Monies held by the County which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, 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, or any book entry, zero coupon Unites States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio or its political subdivisions;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;

9. Commercial paper notes, corporate notes and bankers' acceptances; and

Note 6 - Deposits and Investments (continued)

10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the County's deposits was ($90,969) and the bank balance was $403,219. Of the bank balance $389,603 was covered by federal depository insurance and $13,616 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. The money market fund is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Note 6 - Deposits and Investments (continued)

	Category 3	Category 2	Carrying Value
Repurchase Agreements	$1,514,649	$0	$1,514,649
Fifth Third Institutional Government Money Market Mutual Fund	0	182,119	182,119
Federal Farm Credit Bank Bonds	0	140,014	139,972
Federal Home Loan Bank Bonds	0	2,257,651	2,278,955
Federal Home Loan Mortgage Corporation Notes	0	2,291,764	2,326,196
Federal National Mortgage Association Notes	0	1,305,648	1,328,064
	$1,514,649	$6,177,196	$7,769,955

Note 7 - Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. In 2004, the County received a total of $3,169,671. The allocation of the sales tax is 100 percent to the County's General Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Note 8 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Note 8 - Property Taxes (continued)

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion 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 collections is accounted for within the applicable funds.

The full tax rate for all County operations for the year ended December 31, 2004, was $9.25 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential & Agricultural	$440,132,580
Other	68,938,630
Public Utility Property	
Real	137,360
Personal	28,116,860
Tangible Personal Property	70,779,800
Total Assessed Value	$608,105,230

Note 9 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a $2,500 deductible. Coverage provided by CORSA is as follows:

Note 9 - Risk Management (continued)

	Liablility	Member Deductible
General Liability	$1,000,000	$2,500
Law Enforcement Liability	1,000,000	2,500
Automobile Liability	1,000,000	2,500
Uninsured/Underinsured Motorists	250,000	
Errors and Omissions Liability ($1,000,000 annual aggregate)	1,000,000	2,500
Excess Liability (sublimit $5,000,000 for sexual harassment)	9,000,000	N/A
Property (total covered value)	42,893,744	2,500
Equipment Breakdown	100,000,000	2,500
Crime Insurance	1,000,000	2,500
Stop Gap Liability	1,000,000	
Medical Professional Liability (sublimit $6,000,000 for sexual harassment)	10,000,000	
Foster Parents (sublimit $6,000,000 for sexual harassment)	10,000,000	

With the exceptions of medical coverage and worker's compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2003, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2004, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer 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 Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

The County provides employees medical and dental insurance coverage through commercial insurance providers. Employees participate in the payment of premiums for this coverage.

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2004, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were $1,478,893, $1,417,843, and $1,394,400, respectively. The full amount has been contributed for 2004, 2003 and 2002. Contributions to the member-directed plan for 2004 were $10,320 made by the County and $6,474 made by plan members.

Note 10 - Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

For certified teachers employed by the school for mental retardation and developmental disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County’s required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2001 were $34,834, $31,266 and $28,616, respectively. The full amount has been contributed for fiscal year 2004, 2003 and 2002. Contributions for the CP for the fiscal year ended June 30, 2004, were $24,882 made by plan members.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, “Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers”. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2004 which were used to fund postemployment benefits were $465,574. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was $10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS’ health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 - Postemployment Benefits (continued)

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was $1,777.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.8 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were $352,301,000, and STRS had 108,294 eligible benefit recipients.

Note 12 - Notes Payable

The changes in the County's notes payable during 2004 were as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Bond Anticipation Note Various Purposes	1.75%	700,000	0	700,000	0
Bond Anticipation Note Courthouse Improvement	1.50%	850,000	0	850,000	0
Bond Anticipation Note Airport Improvement	6.00%	0	600,000	0	600,000
Bond Anticipation Note Various Purpose 2004 Series	2.34%	0	1,575,000	0	1,575,000
Bond Anticipation Note Juvenile Detention Center	2.60%	0	630,000	0	630,000
Total Short-Term Liability		$1,550,000	$2,805,000	$1,550,000	$2,805,000

Note 12 - Notes Payable (continued)

Bond Anticipation Note – Various Purposes

On December 17, 2003, the County issued a $700,000 various purpose bond anticipation note. The note matured in 2004 and was paid from the G.I.S. Debt Retirement, Jail Renovation Debt Retirement and Community Service Center Debt Retirement Funds.

Bond Anticipation Note – Courthouse Improvement

On November 19, 2003, the County issued an $850,000 bond anticipation note for the purpose of remodeling the Sheriff's office and jail and for making improvements to the County court house. The note matured in 2004 and was paid from the Jail Renovation Debt Retirement Fund.

Bond Anticipation Note – Airport Improvement

On April 1, 2004, the County issued a $600,000 bond anticipation note for the purpose of making improvements to the airport. The note will be paid from the General Fund.

Bond Anticipation Note – Various Purposes – 2004 Series

On November 8, 2004, the County issued a $1,575,000 bond anticipation note for the purpose of acquiring a building within the County, acquiring and installing a geographic information system and paying costs of renovating and making improvement to the County Courthouse. The note will be paid from the G.I.S. Debt Retirement, Jail Renovation Debt Retirement and Community Service Center Debt Retirement Funds.

Bond Anticipation Note – Juvenile Detention Center

On April 7, 2004, the County issued a $630,000 bond anticipation note for the purpose of constructing and improving the South Central Ohio Regional Juvenile Detention Center. The note will be paid from the General Fund.

Note 13 - Debt

The County's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
1994 GO Bonds Series B						
Madison Township	4.50%	$104,700	$0	$1,600	$103,100	$1,700
1996 GO Bonds Series A						
Tec Center	5.00%	1,030,400	0	58,200	972,200	61,100
1996 GO Bonds Series B						
Tec Center	5.00%	376,900	0	21,300	355,600	22,300
2002 GO Bonds						
Correctional Facilities	1.5 - 4.8%	4,820,000	0	180,000	4,640,000	185,000
2004 GO Bonds						
County Building Bond MRDD	5.45%	0	266,500	0	266,500	11,871
1994 Sewer Assessment						
Series A Madison Twp.	4.50%	724,600	0	11,200	713,400	11,700
OWDA Loan Rocky Fork						
Water Pollution Control Loan	2.20%	6,802,478	0	325,608	6,476,870	176,465
OPWC Loan Rocky Fork Lake						
Area Wastewater Collection System	0.00%	310,000	0	20,000	290,000	10,000
Salt Barn Loan	5.75%	338,314	0	55,677	282,637	47,936
MRDD Project	4.38%	344,000	0	344,000	0	0
ODOD Loan						
Leesburg Industrial Park	2.10%	655,000	0	0	655,000	0
2003 OPWC Loan						
Rolling Acres WWTP	0.00%	38,976	0	2,107	36,869	1,053
Total Long Term Liabilities		$15,545,368	$266,500	$1,019,692	$14,792,176	$529,125

1996 GO Bonds Series A

On February 22, 1996, the County issued $1,367,000 in general obligation bonds for the purpose of acquiring and renovating a building for use as a County office building. The bonds mature in 2016, and will be paid from the Tec-Bond Retirement Fund.

1996 GO Bonds Series B

On February 22, 1996, the County issued $500,000 in general obligation bonds for the purpose of acquiring and renovating a building for use as a County office building. The bonds mature in 2016, and will be paid from the Tec-Bond Retirement Fund.

Note 13 – Debt (continued)

2002 Correctional Facilities General Obligation Bonds

On July 1, 2002, the County issued $5,000,000 in general obligation bonds for the purpose of retiring bond anticipation notes that were used to finance the acquisition, construction and installation of a correctional facility in the County. The bonds mature in 2022 and will be paid from the Justice Center Bond Retirement Fund.

2004 County Building Bond MR/DD General Obligation Bonds

On September 22, 2004, the County issued $266,500 in general obligation bonds for the purpose of refunding outstanding bond anticipation notes that were used to finance the improvements to a building and constructing a garage for use of the MR/DD board. The bonds mature in 2007 and will be paid from the MRDD Construction Debt Retirement Fund.

1994 Madison Township Series A

On December 1, 1994, the County issued $810,162 in special assessment bonds (Series A) for the purpose of retiring bond anticipation notes that were used for making improvements to Sanitary Sewer Subdistrict No. 2 (Madison Township). The bonds mature in 2034 and will be paid from the Madison Township Debt Retirement Fund.

1994 Madison Township Series B Special Assessment Bonds

On December 1, 1994, the County issued $116,638 in special assessment bonds (Series B) for the purpose of making retiring bond anticipation notes that were used for making improvements to Sanitary Sewer Subdistrict No. 2 (Madison Township). The bonds mature in 2034 and will be paid from the Madison Township Debt Retirement Fund.

Ohio Public Works Commission Rocky Fork Lake Area Wastewater Collection System Loan

On July 1, 1996, the County entered into a $400,000 loan agreement with the Ohio Public Works Commission for the Rocky Fork Lake Area Water Works Collection System project. The bonds mature in 2019 and will be paid from the Rocky Fork Lake Debt Retirement Fund.

Ohio Water Development Authority Rocky Fork Water Pollution Control Loan

On January 29, 1998, the County entered into a 8,130,000 loan agreement with the Ohio Water Development Authority for the Rocky Fork Lake project. The final payment on the loan is due in 2020 and payments will be made from the Rocky Fork Lake Debt Retirement Fund.

Note 13 – Debt (continued)

Salt Barn Loan

On October 19, 2000, the County entered into a $500,000 loan agreement for the purpose of constructing a salt storage building. The loan matures in 2010 and will be paid from the Salt Barn Debt Retirement Fund.

MRDD Project

On January 20, 2002, the County issued $430,000 in a note for the purpose of making improvements to a building and constructing a garage for the use of the MRDD Board. The note matures in 2007, however, it was paid off in full in 2004 from the MRDD Construction Debt Retirement Fund.

Ohio Department of Development Leesburg Industrial Park Loan

On June 5, 2002, the County entered into a $655,000 loan agreement with the Ohio Department of Development for the Leesburg Industrial Park project. The final payment on the loan is due in 2017.

2003 Ohio Public Works Commission Rolling Acres Wastewater Treatment Plant Loan

In 2003, the County entered into a $215,080 loan with the Ohio Public Works Commission for the purpose of replacing a wastewater treatment plant in the Rolling Acres subdivision. The final payment on the loan is due in 2022 and payments will be made from the General Fund.

Note 13 – Debt (continued)

The following is a summary of the County's future annual debt service requirements for governmental activities:

	General Obligation Bonds		OPWC Loans		OWDA Loans	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2005	$281,971	$284,504	$11,053	$0	$176,465	$71,246
2006	291,927	274,699	22,107	0	358,775	136,646
2007	306,919	264,322	22,107	0	366,712	128,710
2008	307,449	252,914	22,107	0	374,824	120,598
2009	328,120	240,502	22,107	0	383,115	112,306
2010-2014	1,846,528	983,254	110,534	0	2,046,510	430,598
2015-2019	1,856,386	535,554	110,534	0	2,283,103	194,005
2020-2024	1,067,900	116,339	6,320	0	487,366	8,056
2025-2029	22,400	9,369	0	0	0	0
2030-2034	27,800	3,866	0	0	0	0
Total	$6,337,400	$2,965,323	$326,869	$0	$6,476,870	$1,202,165

	ODOD Loans		Sewer Assessment Bonds		Long Term Notes (Salt Barn)	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2005	$0	$0	$11,700	$32,103	$47,936	$18,758
2006	0	0	12,200	31,576	50,772	15,923
2007	31,451	14,970	12,800	31,028	53,775	12,920
2008	55,650	23,929	13,300	30,451	56,926	9,769
2009	57,917	21,662	13,900	29,853	60,322	6,372
2010-2014	326,961	70,931	79,700	139,280	12,906	2,804
2015-2019	183,021	9,293	99,400	119,650	0	0
2020-2024	0	0	123,800	95,189	0	0
2025-2029	0	0	154,300	64,706	0	0
2030-2034	0	0	192,300	26,716	0	0
Total	$655,000	$140,785	$713,400	$600,552	$282,637	$66,546

Note 13 – Debt (continued)

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first $100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus 2.5 percent of such valuation in excess of $300,000,000. The effects of the debt limitations at December 31, 2004, were an overall debt margin of $8,892,594 and an unvoted debt margin of $6,081,052.

Note 14 – Leases

The County has entered into a capital lease for three 2004 Ford Crown Victoria Police Sedans. The County disbursed $16,182 to pay lease costs for the year ended December 31, 2004. Future lease payments are as follows:

Year	Amount
2005	$16,182
2006	16,182
2007	16,182
Total	$48,546

Note 15 - Interfund Activity

A. Interfund Transfers

During 2004 the following transfers were made:

		Transfer From			
Transfer To	General	Repair MVL	Board of MRDD	Other Nonmajor Governmental	Total
Major Funds:					
General Fund	$0	$0	$0	$82,000	$82,000
Board of MRDD	0	0	0	53,000	53,000
Other Nonmajor Governmental	712,657	75,000	152,000	6,000	945,657
Total All Funds	$712,657	$75,000	$152,000	$141,000	$1,080,657

Note 15 - Interfund Activity (continued)

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

B. Interfund Advances

Interfund balances at December 31, 2004, consisted of the following individual fund receivables and payables:

		Advances Out		
		General	Other Nonmajor Governmental	Total
Advances In	Major Funds:			
	General Fund	$0	$12,000	$12,000
	Other Nonmajor Governmental	17,100	468	17,568
	Total All Funds	$17,100	$12,468	$29,568

The balance due to the General Fund includes loans made to provide working capital for operations or projects. All of these amounts are expected to be repaid within one year.

Note 16 – Contingent Liabilities

The County is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the County's financial condition.

Amounts grantor agencies pay to the County are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 17 – Jointly Governed Organization

A. RPHF Joint Solid Waste District –The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2004. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

B. Paint Valley ADAMHS

The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioner of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees.

Highland County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Highland County has no ongoing financial interest or responsibility. Complete financial statements can be obtained from the Paint Valley ADAMHS Board, June Frey who serves as Finance Director, 1394 Chestnut Street, Chillicothe, Ohio 45601.

C. South Central Regional Juvenile Detention Center

The South Central Regional Juvenile Detention Center is a jointly governed organization. It was created as a holding place for juvenile offenders waiting for disposition by the respective Juvenile Courts of the member counties. The current members include Fayette, Pike, Pickaway, Ross, Jackson, Hocking, Athens, Vinton and Highland Counties. The Center's Board consists of one member from each participating county that is appointed by the Juvenile Court Judge or a County Commissioner from each County. The joint Board selects the superintendent as the Center's administrator.

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal officer of the Center. Highland County does not have any financial interest or responsibility.

Note 18 – Public Entity Risk Pools

County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit 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 coverages provided by CORSA.

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

This page intentionally left blank.

HIGHLAND COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the Ohio Department of Education:				
Nutrition Cluster:				
Food Distribution Progam	N/A	10.550	$0	$7,698
National School Lunch Program	066035-LLP4-2005	10.555	2,771	0
National School Lunch Program	066035-LLP4-2004	10.555	277	0
Total U.S. Department of Agriculture			**3,048**	**7,698**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:				
Social Services Block Grant - Title XX	N/A	93.667	30,323	
Medical Assistance Program - Title XIX	N/A	93.778	514,733	
Total U.S. Department of Health and Human Services			**545,056**	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the Ohio Department of Development:				
Community Development Block Grants	B-F-03-033-1	14.228	127,882	
Community Development Block Grants	B-F-02-033-1	14.228	93,869	
Community Development Block Grants	B-C-03-033-1	14.228	90,297	
			312,048	
Home Investment Partnership Program	B-C-03-033-2	14.239	145,145	
Total U.S. Department of Housing and Urban Development			**457,193**	
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education:				
Special Education Grants to States:				
Special Education Cluster:				
Special Education - Grants to States	066035-6BSF-2005	84.027	7,019	
Special Education - Grants to States	066035-6BSF-2004	84.027	7,842	
			14,861	
Special Education - Preschool Grants	066035-PGSI-2005	84.173	2,926	
Special Education - Preschool Grants	066035-PGSI-2004	84.173	3,403	
			6,329	
Total Special Education Cluster			21,190	
Innovative Education Program Strategies	066035-C2S1-2005	84.298	10	
Innovative Education Program Strategies	066035-C2S1-2004	84.298	220	
Total Innovative Education Program Strategies			230	
Total U.S. Department of Education			**21,420**	
U.S. DEPARTMENT OF JUSTICE				
Passed Through the Ohio Attorney General:				
Crime Victim Assistance	2004-VAGENE-025	16.575	52,606	
Crime Victim Assistance	2003-VAGENE-567	16.575	14,560	
			67,166	
Passed Through the Ohio Office of the Criminal Justice Service:				
Byrne Formula Grant Program	2003-DG-B01-7028	16.579	20,843	
Bulletproof Vest Partnership Program	N/A	16.607	972	
Assault Team	2002-DG-D02-7229	16.588	683	
Assault Team	2003-DG-D02-7229	16.588	18,423	
			19,106	
			40,921	
Total U.S. Department of Justice			**108,087**	

(Continued)

HIGHLAND COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY				
Passed Through the Ohio Emergency Management Agency				
Emergency Management Performance Grants	EMC-2004-GR-7007	97.042	11,250	
State and Local All Hazards Emergency Operations Planning	EMC-2003-GR-7026	97.051	13,875	
State Domestic Preparedness Equipment Support Program	2003-MUP-30015	97.004	120,165	
State Domestic Preparedness Equipment Support Program	2003-TE-TX-0199	97.004	48,000	
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0106	97.004	28,745	
			196,910	
Total Federal Agency Department of Homeland Security			**222,035**	
U.S. DEPARTMENT OF LABOR				
Passed Through the Ohio Department of Job and Family Services				
Workforce Investment Act Incentive Grant - Adult Program	N/A	17.258	72,099	
Workforce Investment Act Incentive Grant - Youth Activities	N/A	17.259	54,386	
Workforce Investment Act Incentive Grant - Dislocated Workers	N/A	17.260	23,231	
Passed Through Montgomery County				
Workforce Investment Act Incentive Grant - Adult Program	N/A	17.258	57,928	
Workforce Investment Act Incentive Grant - Youth Activities	N/A	17.259	45,883	
Workforce Investment Act Incentive Grant - Dislocated Workers	N/A	17.260	34,634	
Total U.S. Department of Labor			**288,161**	
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the Federal Aviation Administration				
Direct from Federal Government				
Airport Improvement Program	N/A	20.106	190,340	
Passed Through the Ohio Department of Transportation				
Highway Planning and Construction	N/A	20.205	301,838	
Total U.S. Department of Transportation			**492,178**	
TOTAL FEDERAL ASSISTANCE			**$2,137,178**	**$7,698**

HIGHLAND COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

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

This page intentionally left blank.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Highland County
200 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 24, 2006, wherein we noted the County prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America and wherein we issued a qualified opinion because the County's financial statements did not include financial data related to the County's legally separate component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-002 through 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses**.** In a separate letter to the County's management dated May 24, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the County's management dated May 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, County elected officials, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 24, 2006

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Highland County
200 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of County Commissioners:

Compliance

We have audited the compliance of Highland County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. In a separate letter to the County's management dated May 24, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated May 24, 2006.

We intend this report solely for the information and use of management, County elected officials, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 24, 2006

HIGHLAND COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	CDBG – Community Development Block Grant CFDA#14.228 Medical Assistance Program CFDA# 93.778 Highway Planning and Construction CFDA#20.205
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2004-001

Non-Compliance

Ohio Administrative, Code 117-2-03(B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County prepares its financial statements on a cash basis of accounting, 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, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.

The County can be fined and various other remedies may be taken against the County, as such, we recommend the County take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

FINDING NUMBER 2004-002

Non-Compliance/Reportable Condition

Ohio Revised Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. Disbursements and outstanding encumbrances exceeded appropriations and prior year encumbrances in the following funds at 12/31/2004:

Children Services Special Fund	$ 46,368
County Recorder Equipment Fund	$ 1,143
Block Grant Fund	$ 39,382
Marriage License Special Fund	$ 1,012
ODOT Grant	$301,838

By allowing expenditures in excess of appropriations, the County increases the risk that it will commit or disburse funds in excess of the amounts available. We recommend that the County monitor expenditures to keep them within the limits established by the appropriations.

FINDING NUMBER 2004-003

Non-Compliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code

1. "Then and Now" certificate **–** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts of less than $750 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate **–** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixty percent (60%) of the purchases tested were initiated without obtaining the prior certification of the County Auditor and were not subsequently approved by the County Commissioners within the aforementioned 30 day time period.

The County should use the encumbrance method of accounting by certifying funds on purchase orders. During our search for unrecorded liabilities, we found that the County had not always obtained purchase orders and encumbered for services provided at the end of the year audited and none of the exceptions listed above were utilized.

Failure to properly encumber could result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend that the auditor certify that the funds are or will be available prior to the obligation by the County. When prior certification is not possible, "then and now" certification should be used.

We recommend the County certify purchases to which 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The auditor should sign the certification at the time the auditor incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-004

Reportable Condition

The County's standard established reconciliation process is two-fold. First, the County Treasurer must reconcile the County Treasurer's book balance to the various bank and investment accounts, since she is the custodian of county funds per the Ohio Revised Code. Secondly, the County Treasurer must reconcile to the County Auditor's book balance. As of December 31, 2004, the Treasurer had not reconciled to the bank and investment accounts since April, 2003. However, the Treasurer had reconciled with the County Auditor's Fund Report.

During 2005, the County was under a contract with the Auditor of State's Local Government Services Department to provide training in reconciling the County for both 2003 and 2004. After identifying interest adjustments and various reconciling items, the County was able to reconcile through December 31, 2004 with an immaterial variance of $8,000. This variance could be due to additional unrecorded interest related income.

Accurate reconciling is the most basic and important internal control. This allows the County management and Board of County Commissioners to make sound financial decisions. It also reduces the probability of County money being misappropriated.

We recommend that timely and accurate reconciliations be performed monthly by the County Treasurer. The process that is being completed in the Treasurer's office to determine the cost basis balance of investments each month should be continued. Reconciling items such as interest and bank charges need to be accounted for properly. Once the Treasurer has reconciled with the bank, then the Treasurer can complete the reconciliation process and balance with the County Auditor. The County may want to evaluate their current investment strategy and the affect this has on the Treasurer's monthly reconciliation process.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

HIGHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2003-001	Failure to prepare annual financial report in accordance with generally accepted accounting principles. Reported on cash basis.	No	Repeated as finding 2004-001
2003-002	Failure to prior certify funds before making purchases.	No	Repeated as finding 2004-003.
2003-003	The County Failed to reconcile to the bank and investments accounts.	No	Repeated as finding 2004-004.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

HIGHLAND 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
JUNE 13, 2006