



Mary Taylor, CPA
Auditor of State

HIGHLAND COUNTY
TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets- Cash Basis as of December 31, 2008 | 13 |
| Statement of Activities- Cash Basis - For the Year Ended December 31, 2008 | 14 |
| Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances- Governmental Funds | 16 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds..... | 18 |
| Statement of Receipts, Disbursements and Changes in Fund Balances – Budget And Actual - Budget Basis - General Fund | 20 |
| Statement of Receipts, Disbursements and Changes in Fund Balance – Budget And Actual – Budget Basis – Public Assistance Fund | 21 |
| Statement of Receipts, Disbursements and Changes in Fund Balance – Budget And Actual – Budget Basis – Repair MVL Fund | 22 |
| Statement of Receipts, Disbursements and Changes in Fund Balance - Budget And Actual - Budget Basis - Board of MRDD Fund | 23 |
| Statement of Fund Net Assets –Cash Basis – Proprietary Funds | 24 |
| Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets Cash Basis – Proprietary Funds | 25 |
| Statement of Fiduciary Net Assets –Cash Basis – Fiduciary Fund | 26 |
| Notes to the Basic Financial Statements | 27 |
| Schedule of Federal Awards Expenditures..... | 57 |
| Notes to Schedule of Federal Awards Expenditures | 59 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Required by <i>Government Auditing Standards</i> | 61 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133..... | 63 |

HIGHLAND COUNTY

TABLE OF CONTENTS
(Continued)

| TITLE | PAGE |
|---------------------------------------|-------------|
| Schedule of Findings..... | 65 |
| Schedule of Prior Audit Findings..... | 71 |



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Highland County
119 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio (the County), as of and for the year ended December 31, 2008, 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 accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. 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 component units 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 includes the component unit's financial data. The County has not issued reporting entity financial statements. We cannot determine the amounts of assets, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component unit in order to comply with accounting principles generally accepted in the United States of America.

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 discretely-presented component unit of Highland County, Ohio, as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with the basis of accounting described in Note 2.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio, as of December 31, 2008, and the respective changes in cash basis financial position thereof and the respective budgetary comparison for the General, Public Assistance, Repair Motor Vehicle License, and Board of Mental Retardation and Developmental Disabilities Funds 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 September 16, 2009, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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.



Mary Taylor, CPA
Auditor of State

September 16, 2009

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

This discussion and analysis of Highland County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2008, 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 2008 are as follows:

Net assets of governmental activities decreased \$1,071,560 from the prior year.

Net assets of the County's business-type activity decreased by \$82,117 from the prior year.

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 – cash basis and the statement of activities – cash basis 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 what is required by generally accepted accounting principles. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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 – cash basis and the statement of activities – cash basis reflect how the County did financially during 2008, 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 – cash basis and the statement of activities – cash basis, 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 services. Business-type activities are financed by a fee charged to the customers receiving the service.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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 General Fund Capital Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Fund - 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 has no major enterprise funds.

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 2008 compared to 2007 on a cash basis:

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

(Table 1)
Net Assets

| | Governmental Activities | | Business-Type Activity | | Total | |
|---------------------------|-------------------------|--------------------|------------------------|------------------|--------------------|--------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Assets | | | | | | |
| Cash and Cash Equivalents | <u>\$5,634,400</u> | <u>\$6,705,960</u> | <u>\$282,024</u> | <u>\$364,141</u> | <u>\$5,916,424</u> | <u>\$7,070,101</u> |
| Net Assets | | | | | | |
| Restricted for: | | | | | | |
| Capital Projects | \$801,655 | \$804,586 | \$0 | \$0 | \$801,655 | \$804,586 |
| Debt Service | 531,858 | 645,792 | 0 | 0 | 531,858 | 645,792 |
| Other Purposes | 3,916,562 | 4,453,636 | 0 | 0 | 3,916,562 | 4,453,636 |
| Unrestricted | <u>384,325</u> | <u>801,946</u> | <u>282,024</u> | <u>364,141</u> | <u>666,349</u> | <u>1,166,087</u> |
| Total Net Assets | <u>\$5,634,400</u> | <u>\$6,705,960</u> | <u>\$282,024</u> | <u>\$364,141</u> | <u>\$5,916,424</u> | <u>\$7,070,101</u> |

As mentioned previously, net assets of governmental activities decreased by \$1,071,560 during 2008. Net assets restricted for other purposes decreased \$537,074 due mainly to decreases in Medicaid funding for public assistance as well decreases in Medicaid funding for MRDD workshop adult participants, which was related to declining enrollment. Unrestricted net assets decreased \$417,621 due primarily to a decrease in sales tax along with a decrease in conveyance and recorder fees.

The net assets of business-type activities decreased by \$82,117.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Table 2 reflects the changes in net assets in 2008 and 2007.

(Table 2)
Changes in Net Assets

| | Governmental | | Business Type | | Total | |
|---|--------------------|--------------------|------------------|------------------|--------------------|--------------------|
| | Activities | Activities | Activity | Activity | 2008 | 2007 |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Receipts | | | | | | |
| Program Receipts | | | | | | |
| Charges for Services and Sales | \$3,552,258 | \$3,212,310 | \$617,058 | \$626,522 | \$4,169,316 | \$3,838,832 |
| Operating Grants and Contributions | 14,644,652 | 15,368,819 | 0 | 0 | 14,644,652 | 15,368,819 |
| Capital Grants and Contributions | 728,282 | 839,785 | 0 | 0 | 728,282 | 839,785 |
| Total Program Receipts | 18,925,192 | 19,420,914 | 617,058 | 626,522 | 19,542,250 | 20,047,436 |
| General Receipts | | | | | | |
| Property Taxes | 3,437,250 | 3,593,950 | 0 | 0 | 3,437,250 | 3,593,950 |
| Sales Taxes Levied for General Purposes | 4,976,396 | 5,170,158 | 0 | 0 | 4,976,396 | 5,170,158 |
| Conveyance Fees | 64,193 | 329,844 | 0 | 0 | 64,193 | 329,844 |
| Payments in Lieu of Taxes | 28,034 | 15,844 | 0 | 0 | 28,034 | 15,844 |
| Grants and Entitlements Not Restricted to Specific Programs | 1,200,536 | 1,106,049 | 0 | 0 | 1,200,536 | 1,106,049 |
| Gifts and Donations | 0 | 53,408 | 0 | 0 | 0 | 53,408 |
| Interest | 252,074 | 457,981 | 0 | 0 | 252,074 | 457,981 |
| Proceeds of Ohio Water | | | | | | |
| Development Authority Loan | 126,156 | 0 | 0 | 0 | 126,156 | 0 |
| Bonds Issued | 460,000 | 0 | 0 | 0 | 460,000 | 0 |
| Notes Issued | 0 | 900,000 | 0 | 0 | 0 | 900,000 |
| Proceeds of Loans | 200,000 | 571,840 | 0 | 0 | 200,000 | 571,840 |
| Proceeds from Sale of Capital Assets | 340,091 | 0 | 0 | 0 | 340,091 | 0 |
| Miscellaneous | 805,027 | 1,151,457 | 0 | 0 | 805,027 | 1,151,457 |
| Total General Receipts | 11,889,757 | 13,350,531 | 0 | 0 | 11,889,757 | 13,350,531 |
| Total Receipts | 30,814,949 | 32,771,445 | 617,058 | 626,522 | 31,432,007 | 33,397,967 |
| Disbursements | | | | | | |
| General Government | 4,586,075 | 4,517,530 | 0 | 0 | 4,586,075 | 4,517,530 |
| Public Safety | 4,881,689 | 4,946,266 | 0 | 0 | 4,881,689 | 4,946,266 |
| Public Works | 5,462,485 | 6,070,909 | 0 | 0 | 5,462,485 | 6,070,909 |
| Health | 5,168,696 | 5,052,935 | 0 | 0 | 5,168,696 | 5,052,935 |
| Human Services | 8,832,252 | 8,743,244 | 0 | 0 | 8,832,252 | 8,743,244 |
| Other | 1,047 | 0 | 0 | 0 | 1,047 | 0 |
| Capital Outlay | 817,255 | 1,600,130 | 0 | 0 | 817,255 | 1,600,130 |
| Debt Service | 2,133,300 | 1,606,848 | 0 | 0 | 2,133,300 | 1,606,848 |
| Sewer | 0 | 0 | 702,885 | 554,800 | 702,885 | 554,800 |
| Total Disbursements | 31,882,799 | 32,537,862 | 702,885 | 554,800 | 32,585,684 | 33,092,662 |
| Excess (Deficiency) Before Transfers | (1,067,850) | 233,583 | (85,827) | 71,722 | (1,153,677) | 305,305 |
| Transfers | (3,710) | (2,579) | 3,710 | 2,579 | 0 | 0 |
| Increase (Decrease) in Net Assets | (1,071,560) | 231,004 | (82,117) | 74,301 | (1,153,677) | 305,305 |
| Net Assets at Beginning of Year | 6,705,960 | 6,474,956 | 364,141 | 289,840 | 7,070,101 | 6,764,796 |
| Net Assets at End of Year | \$5,634,400 | \$6,705,960 | \$282,024 | \$364,141 | \$5,916,424 | \$7,070,101 |

Program receipts represent 61 percent of total receipts for governmental activities and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Governmental activities general receipts represent 38 percent of the County's total receipts, and of this amount, 29 percent are property taxes and 42 percent are sales tax receipts. State and federal grants and entitlements make up ten percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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 the commissioners, 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 Services Fund, and the Child Support Enforcement Agency Fund.

Governmental Activities

If you look at the statement of activities – cash basis, 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 Public Works, which account for 28 and 17 percent of all governmental disbursements, respectively. Health also represents a significant cost, about 16 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 (Disbursements) Receipts 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.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

(Table 3)

Governmental Activities

| | Total Cost Of Services 2008 | Total Cost Of Services 2007 | Net Cost of Services 2008 | Net Cost of Services 2007 |
|---------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| General Government | \$4,586,075 | \$4,517,530 | (\$2,737,792) | (\$2,692,482) |
| Public Safety | 4,881,689 | 4,946,266 | (3,880,242) | (3,946,652) |
| Public Works | 5,462,485 | 6,070,909 | (708,012) | (1,204,114) |
| Health | 5,168,696 | 5,052,935 | (1,602,607) | (1,512,945) |
| Human Services | 8,832,252 | 8,743,244 | (1,077,352) | (1,493,562) |
| Other | 1,047 | 0 | (1,047) | 0 |
| Capital Outlay | 817,255 | 1,600,130 | (817,255) | (660,345) |
| Debt Service | 2,133,300 | 1,606,848 | (2,133,300) | (1,606,848) |
| Total Disbursements | <u>\$31,882,799</u> | <u>\$32,537,862</u> | <u>(\$12,957,607)</u> | <u>(\$13,116,948)</u> |

The total cost of General Government services only increased by \$68,545. This was due primarily to the County implementing cost control measures during 2008. Public works decreased by \$608,424 due to the completion of culvert replacement projects and chip and seal work performed by the County Engineer in 2007, which were not repeated in 2008. Health increased by \$115,761 due primarily to the retirement of long-term administrative personnel. Capital outlay decreased by \$782,875 due mainly to the completion of the Mowrystown sewer plant and the Highland-Leesburg sewer project in 2007.

Business-Type Activity

The County operates one large sewage collection and treatment facility and three smaller residential plants. Charges to the residents within the service areas maintain the infrastructure. The monthly fees cover all costs of operation. The County Prosecutor sent letters to delinquent taxpayers, so when the real estate taxes were paid, more of the special assessments for sewer fees were also paid.

The County's Funds

Total governmental funds had receipts of \$29,688,702 and disbursements of \$31,882,799. The General, Public Assistance, Board of MRDD and General Fund Capital Improvement Funds all saw decreases in fund balances for the year while the Repair MVL Fund saw an increase in fund balance. The decrease in the General Fund was the result of transfers out to other governmental funds to support debt service payments. The Public Assistance Fund saw the biggest decrease in fund balance which is due to disbursements exceeding receipts. The decrease in the Board of MRDD Fund was the result of decreased property taxes and intergovernmental receipts related to Medicaid reimbursements for adult MRDD workshop participants due to declining enrollment. The increase in the Repair MVL Fund was the result of the completion of projects by the County Engineer in 2007, which were not repeated in 2008.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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 2008, the County amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above original budgeted receipts due to an increase in sales tax collections.

Final disbursements were budgeted at \$10,062,103 while actual disbursements were \$9,765,828. The County's original appropriations were \$10,261,115. The variance between original and final appropriations was \$199,012, and was due to budget cuts made by many departments during the year, in order to minimize the decrease in the General Fund balance. The variance between final appropriations and actual disbursements of \$296,275 was due to further decreases in overall monies spent by the County.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2008, the County's outstanding debt included \$6,892,200 in general obligation bonds issued for improvements to buildings and structures, and \$12,103,524 in special assessment bonds, OWDA loans, OPWC loans, long-term notes and ODOD loans for facilities and equipment. For further information regarding the County's debt, refer to Note 11 to the basic financial statements.

Current Issues

Due to the reduction in local government funds and local government revenue assistance funds over the past few years, the County Commissioners increased the sales tax by one-half percent in 2005 which makes the County's sales tax 1.5 percent. During the past year, both residential and commercial development in Highland County have decreased considerably. There continues to be limited commercial development, primarily small strip malls, along Harry Sauner Road. Several of these shops remain unoccupied. The sales tax receipts in the County have continued to decrease.

Highland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Sales of existing homes have decreased considerably, with some homes on the market for several months. Conveyance fees and recording fees have decreased, adversely affecting county General Fund receipts. There have been several Sheriff sales, mostly by mortgage repossession. There are, however, some that are for tax delinquencies. The real estate delinquencies still remain consistent over the past few years. The county Treasurer and county Prosecutor continue to be aggressive in collecting delinquent real estate taxes.

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, Highland County Auditor, 119 Governor Foraker PL, Hillsboro, Ohio 45133.

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Highland County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2008

| | Governmental Activities | Business-Type Activity | Total |
|--|----------------------------|---------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$5,629,302 | \$282,024 | \$5,911,326 |
| Cash and Cash Equivalents in Segregated Accounts | 5,098 | 0 | 5,098 |
| <i>Total Assets</i> | <u>\$5,634,400</u> | <u>\$282,024</u> | <u>\$5,916,424</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Capital Projects | \$801,655 | \$0 | \$801,655 |
| Debt Service | 531,858 | 0 | 531,858 |
| Other Purposes | 3,916,562 | 0 | 3,916,562 |
| Unrestricted | 384,325 | 282,024 | 666,349 |
| <i>Total Net Assets</i> | <u>\$5,634,400</u> | <u>\$282,024</u> | <u>\$5,916,424</u> |

See accompanying notes to the basic financial statements

Highland County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

| | Program Receipts | | | |
|--------------------------------------|-----------------------|--------------------------------------|--|-------------------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General Government: | | | | |
| Legislative and Executive | \$3,014,151 | \$1,357,138 | \$660 | \$0 |
| Judicial | 1,571,924 | 400,594 | 89,891 | 0 |
| Public Safety | 4,881,689 | 647,623 | 353,824 | 0 |
| Public Works | 5,462,485 | 316,002 | 4,438,471 | 0 |
| Health | 5,168,696 | 616,855 | 2,949,234 | 0 |
| Human Services | 8,832,252 | 214,046 | 6,812,572 | 728,282 |
| Other | 1,047 | 0 | 0 | 0 |
| Capital Outlay | 817,255 | 0 | 0 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 1,470,954 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 662,346 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | 31,882,799 | 3,552,258 | 14,644,652 | 728,282 |
| Business-Type Activity | | | | |
| Sewer | 702,885 | 617,058 | 0 | 0 |
| <i>Total Primary Government</i> | \$32,585,684 | \$4,169,316 | \$14,644,652 | \$728,282 |

General Receipts

Property Taxes Levied for:

General Purposes

Emergency Management

Road Improvements

Mental Retardation and Developmental Disabilities

Sales Taxes Levied for General Purposes

Conveyance Fees

Payments in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Bonds Issued

Proceeds of Ohio Water Development Authority Loan

Proceeds of Loans

Proceeds from Sale of Capital Assets

Miscellaneous

Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

| Primary Government | | |
|----------------------------|---------------------------|---------------|
| Governmental Activities | Business-Type Activity | Total |
| (\$1,656,353) | \$0 | (\$1,656,353) |
| (1,081,439) | 0 | (1,081,439) |
| (3,880,242) | 0 | (3,880,242) |
| (708,012) | 0 | (708,012) |
| (1,602,607) | 0 | (1,602,607) |
| (1,077,352) | 0 | (1,077,352) |
| (1,047) | 0 | (1,047) |
| (817,255) | 0 | (817,255) |
| (1,470,954) | 0 | (1,470,954) |
| (662,346) | 0 | (662,346) |
| (12,957,607) | 0 | (12,957,607) |
| 0 | (85,827) | (85,827) |
| (12,957,607) | (85,827) | (13,043,434) |
| 1,618,578 | 0 | 1,618,578 |
| 7,574 | 0 | 7,574 |
| 9,960 | 0 | 9,960 |
| 1,801,138 | 0 | 1,801,138 |
| 4,976,396 | 0 | 4,976,396 |
| 64,193 | 0 | 64,193 |
| 28,034 | 0 | 28,034 |
| 1,200,536 | 0 | 1,200,536 |
| 252,074 | 0 | 252,074 |
| 460,000 | 0 | 460,000 |
| 126,156 | 0 | 126,156 |
| 200,000 | 0 | 200,000 |
| 340,091 | 0 | 340,091 |
| 805,027 | 0 | 805,027 |
| 11,889,757 | 0 | 11,889,757 |
| (3,710) | 3,710 | 0 |
| 11,886,047 | 3,710 | 11,889,757 |
| (1,071,560) | (82,117) | (1,153,677) |
| 6,705,960 | 364,141 | 7,070,101 |
| \$5,634,400 | \$282,024 | \$5,916,424 |

Highland County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

| | General Fund | Public Assistance Fund | Repair MVL Fund |
|--|------------------|------------------------------|-----------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$384,325 | \$169,811 | \$385,236 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 138,428 | 0 | 0 |
| Cash and Cash Equivalents in Segregated Accounts | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Total Assets</i> | <u>\$522,753</u> | <u>\$169,811</u> | <u>\$385,236</u> |
| Fund Balances | | | |
| Reserved: | | | |
| Reserved for Encumbrances | \$0 | \$0 | \$60,353 |
| Reserved for Unclaimed Monies | 138,428 | 0 | 0 |
| Unreserved: | | | |
| Undesignated, Reported in: | | | |
| General Fund | 384,325 | 0 | 0 |
| Special Revenue Funds | 0 | 169,811 | 324,883 |
| Debt Service Funds | 0 | 0 | 0 |
| Capital Projects Funds | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Total Fund Balances</i> | <u>\$522,753</u> | <u>\$169,811</u> | <u>\$385,236</u> |

See accompanying notes to the basic financial statements

| Board of MRDD Fund | General Fund Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------|---|--------------------------------|--------------------------------|
| \$775,468 | \$461,990 | \$3,314,044 | \$5,490,874 |
| 0 | 0 | 0 | 138,428 |
| 0 | 0 | 5,098 | 5,098 |
| <u>\$775,468</u> | <u>\$461,990</u> | <u>\$3,319,142</u> | <u>\$5,634,400</u> |
| \$0 | \$59,600 | \$0 | \$119,953 |
| 0 | 0 | 0 | 138,428 |
| 0 | 0 | 0 | 384,325 |
| 775,468 | 0 | 2,447,619 | 3,717,781 |
| 0 | 0 | 531,858 | 531,858 |
| 0 | 402,390 | 339,665 | 742,055 |
| <u>\$775,468</u> | <u>\$461,990</u> | <u>\$3,319,142</u> | <u>\$5,634,400</u> |

Highland County, Ohio
Statement of Cash Receipts, Disbursements
and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

| | General Fund | Public Assistance Fund | Repair MVL Fund |
|--|------------------|------------------------------|-----------------------|
| Receipts | | | |
| Property Taxes | \$1,618,578 | \$0 | \$9,960 |
| Sales Taxes | 4,976,396 | 0 | 0 |
| Charges for Services | 1,140,815 | 162,245 | 63,602 |
| Licenses and Permits | 3,315 | 0 | 0 |
| Fines and Forfeitures | 127,579 | 0 | 1,466 |
| Intergovernmental | 1,290,427 | 4,706,279 | 4,305,500 |
| Payments in Lieu of Taxes | 21,588 | 0 | 0 |
| Special Assessments | 0 | 0 | 0 |
| Interest | 236,357 | 0 | 40,945 |
| Rentals | 134,232 | 0 | 0 |
| Contributions and Donations | 0 | 0 | 0 |
| Miscellaneous | 413,777 | 0 | 110,760 |
| <i>Total Receipts</i> | <u>9,963,064</u> | <u>4,868,524</u> | <u>4,532,233</u> |
| Disbursements | | | |
| Current: | | | |
| General Government: | | | |
| Legislative and Executive | 2,401,619 | 0 | 0 |
| Judicial | 1,518,934 | 0 | 0 |
| Public Safety | 4,028,658 | 0 | 0 |
| Public Works | 775,187 | 0 | 4,477,176 |
| Health | 352,999 | 0 | 0 |
| Human Services | 481,831 | 5,240,550 | 0 |
| Other | 1,047 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 200,000 | 0 | 0 |
| Interest and Fiscal Charges | 5,553 | 0 | 0 |
| <i>Total Disbursements</i> | <u>9,765,828</u> | <u>5,240,550</u> | <u>4,477,176</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>197,236</u> | <u>(372,026)</u> | <u>55,057</u> |
| Other Financing Sources (Uses) | | | |
| Bonds Issued | 0 | 0 | 0 |
| Proceeds of Loans | 200,000 | 0 | 0 |
| Proceeds from Sale of Capital Assets | 340,091 | 0 | 0 |
| Transfers In | 21,744 | 0 | 0 |
| Transfers Out | (1,158,211) | 0 | (17,848) |
| Advances In | 183,167 | 0 | 175,000 |
| Advances Out | (181,128) | 0 | (175,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(594,337)</u> | <u>0</u> | <u>(17,848)</u> |
| <i>Net Change in Fund Balances</i> | (397,101) | (372,026) | 37,209 |
| <i>Fund Balances at Beginning of Year</i> | <u>919,854</u> | <u>541,837</u> | <u>348,027</u> |
| <i>Fund Balances at End of Year</i> | <u>\$522,753</u> | <u>\$169,811</u> | <u>\$385,236</u> |

See accompanying notes to the basic financial statements

| Board of MRDD Fund | General Fund Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------|---|--------------------------------|--------------------------------|
| \$1,801,138 | \$0 | \$7,574 | \$3,437,250 |
| 0 | 0 | 0 | 4,976,396 |
| 489,644 | 0 | 1,233,101 | 3,089,407 |
| 0 | 0 | 105,210 | 108,525 |
| 0 | 0 | 155,242 | 284,287 |
| 1,643,618 | 8,251 | 3,953,908 | 15,907,983 |
| 6,446 | 0 | 0 | 28,034 |
| 0 | 0 | 485,319 | 485,319 |
| 0 | 0 | 14,043 | 291,345 |
| 0 | 0 | 0 | 134,232 |
| 210 | 0 | 140,687 | 140,897 |
| 0 | 0 | 280,490 | 805,027 |
| <u>3,941,056</u> | <u>8,251</u> | <u>6,375,574</u> | <u>29,688,702</u> |
| 0 | 0 | 612,532 | 3,014,151 |
| 0 | 0 | 52,990 | 1,571,924 |
| 0 | 0 | 853,031 | 4,881,689 |
| 0 | 0 | 210,122 | 5,462,485 |
| 4,119,198 | 0 | 696,499 | 5,168,696 |
| 0 | 0 | 3,109,871 | 8,832,252 |
| 0 | 0 | 0 | 1,047 |
| 0 | 315,998 | 501,257 | 817,255 |
| 0 | 0 | 1,270,954 | 1,470,954 |
| 0 | 0 | 656,793 | 662,346 |
| <u>4,119,198</u> | <u>315,998</u> | <u>7,964,049</u> | <u>31,882,799</u> |
| <u>(178,142)</u> | <u>(307,747)</u> | <u>(1,588,475)</u> | <u>(2,194,097)</u> |
| 0 | 0 | 460,000 | 460,000 |
| 0 | 0 | 126,156 | 326,156 |
| 0 | 0 | | 340,091 |
| 46,425 | 0 | 1,420,349 | 1,488,518 |
| 0 | 0 | (316,169) | (1,492,228) |
| 0 | 0 | 124,128 | 482,295 |
| <u>(13,000)</u> | <u>0</u> | <u>(113,167)</u> | <u>(482,295)</u> |
| <u>33,425</u> | <u>0</u> | <u>1,701,297</u> | <u>1,122,537</u> |
| <u>(144,717)</u> | <u>(307,747)</u> | <u>112,822</u> | <u>(1,071,560)</u> |
| <u>920,185</u> | <u>769,737</u> | <u>3,206,320</u> | <u>6,705,960</u> |
| <u>\$775,468</u> | <u>\$461,990</u> | <u>\$3,319,142</u> | <u>\$5,634,400</u> |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|-------------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property Taxes | \$2,071,034 | \$2,071,035 | \$1,627,589 | (\$443,446) |
| Sales Taxes | 4,201,979 | 4,743,546 | 4,976,396 | 232,850 |
| Charges for Services | 963,284 | 1,087,435 | 1,140,815 | 53,380 |
| Licenses and Permits | 2,799 | 3,160 | 3,315 | 155 |
| Fines and Forfeitures | 107,725 | 121,609 | 127,579 | 5,970 |
| Intergovernmental | 1,089,613 | 1,230,047 | 1,290,427 | 60,380 |
| Payments in Lieu of Taxes | 18,229 | 20,578 | 21,588 | 1,010 |
| Interest | 199,576 | 225,298 | 236,357 | 11,059 |
| Rentals | 113,343 | 127,951 | 134,232 | 6,281 |
| Miscellaneous | 349,386 | 394,416 | 413,777 | 19,361 |
| <i>Total Receipts</i> | <u>9,116,968</u> | <u>10,025,074</u> | <u>9,972,075</u> | <u>(52,999)</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | | | | |
| Legislative and Executive | 2,511,215 | 2,474,479 | 2,401,619 | 72,860 |
| Judicial | 1,575,132 | 1,565,015 | 1,518,934 | 46,081 |
| Public Safety | 4,230,214 | 4,150,879 | 4,028,658 | 122,221 |
| Public Works | 864,591 | 798,705 | 775,187 | 23,518 |
| Health | 366,060 | 363,708 | 352,999 | 10,709 |
| Human Services | 499,658 | 496,449 | 481,831 | 14,618 |
| Other | 1,086 | 1,079 | 1,047 | 32 |
| Debt Service: | | | | |
| Principal Retirement | 207,400 | 206,068 | 200,000 | 6,068 |
| Interest and Fiscal Charges | 5,758 | 5,721 | 5,553 | 168 |
| <i>Total Disbursements</i> | <u>10,261,115</u> | <u>10,062,103</u> | <u>9,765,828</u> | <u>296,275</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,144,147)</u> | <u>(37,029)</u> | <u>206,247</u> | <u>243,276</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Loans | 168,876 | 190,642 | 200,000 | 9,358 |
| Proceeds from Sale of Capital Assets | 287,167 | 324,178 | 340,091 | 15,913 |
| Transfers In | 18,360 | 20,727 | 21,744 | 1,017 |
| Transfers Out | (1,201,064) | (1,193,349) | (1,158,211) | 35,138 |
| Advances In | 154,663 | 174,596 | 183,167 | 8,571 |
| Advances Out | (187,830) | (186,623) | (181,128) | 5,495 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(759,828)</u> | <u>(669,829)</u> | <u>(594,337)</u> | <u>75,492</u> |
| <i>Net Change in Fund Balance</i> | <u>(1,903,975)</u> | <u>(706,858)</u> | <u>(388,090)</u> | <u>318,768</u> |
| <i>Fund Balance at Beginning of Year</i> | 686,760 | 686,760 | 686,760 | 0 |
| Prior Year Encumbrances Appropriated | 133,963 | 133,963 | 133,963 | 0 |
| <i>Fund Balance at End of Year</i> | <u>(\$1,083,252)</u> | <u>\$113,865</u> | <u>\$432,633</u> | <u>\$318,768</u> |

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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|--------------|------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget |
| | | | | Positive (Negative) |
| Receipts | | | | |
| Charges for Services | \$208,165 | \$162,219 | \$162,245 | \$26 |
| Intergovernmental | 6,038,292 | 4,705,517 | 4,706,279 | 762 |
| <i>Total Receipts</i> | 6,246,457 | 4,867,736 | 4,868,524 | 788 |
| Disbursements | | | | |
| Current: | | | | |
| Human Services | 6,329,371 | 5,409,573 | 5,240,550 | 169,023 |
| <i>Net Change in Fund Balance</i> | (82,914) | (541,837) | (372,026) | 169,811 |
| <i>Fund Balance at Beginning of Year</i> | 458,923 | 458,923 | 458,923 | 0 |
| Prior Year Encumbrances Appropriated | 82,914 | 82,914 | 82,914 | 0 |
| <i>Fund Balance at End of Year</i> | <u>\$458,923</u> | <u>\$0</u> | <u>\$169,811</u> | <u>\$169,811</u> |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property Taxes | \$9,871 | \$9,697 | \$9,681 | (\$16) |
| Charges for Services | 63,508 | 61,550 | 63,602 | 2,052 |
| Fines and Forfeitures | 1,495 | 1,468 | 1,466 | (2) |
| Intergovernmental | 4,390,610 | 4,312,645 | 4,305,500 | (7,145) |
| Interest | 41,754 | 41,013 | 40,945 | (68) |
| Miscellaneous | 112,949 | 110,944 | 110,760 | (184) |
| <i>Total Receipts</i> | 4,620,188 | 4,537,317 | 4,531,954 | (5,363) |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 4,797,264 | 4,791,119 | 4,537,529 | 253,590 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (177,076) | (253,802) | (5,575) | 248,227 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (18,415) | (19,539) | (17,848) | 1,691 |
| Advances In | 178,459 | 175,290 | 175,000 | (290) |
| Advances Out | (174,535) | (185,184) | (175,000) | 10,184 |
| <i>Total Other Financing Sources (Uses)</i> | (14,491) | (29,432) | (17,848) | 11,584 |
| <i>Net Change in Fund Balance</i> | (191,567) | (283,234) | (23,423) | 259,811 |
| <i>Fund Balance at Beginning of Year</i> | 157,346 | 157,346 | 157,346 | 0 |
| Prior Year Encumbrances Appropriated | 190,215 | 190,215 | 190,215 | 0 |
| <i>Fund Balance at End of Year</i> | \$155,994 | \$64,327 | \$324,138 | \$259,811 |

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, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property Taxes | \$1,943,935 | \$1,943,935 | \$1,770,789 | (\$173,146) |
| Charges for Services | 411,497 | 411,497 | 489,644 | 78,147 |
| Intergovernmental | 1,381,298 | 1,381,298 | 1,643,618 | 262,320 |
| Payments in Lieu of Taxes | 5,417 | 5,417 | 6,446 | 1,029 |
| Contributions and Donations | 176 | 176 | 210 | 34 |
| <i>Total Receipts</i> | <u>3,742,323</u> | <u>3,742,323</u> | <u>3,910,707</u> | <u>168,384</u> |
| Disbursements | | | | |
| Current: | | | | |
| Health | 3,907,231 | 4,168,586 | 4,119,198 | 49,388 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(164,908)</u> | <u>(426,263)</u> | <u>(208,491)</u> | <u>217,772</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 39,016 | 39,016 | 46,425 | 7,409 |
| Advances Out | (12,043) | (13,156) | (13,000) | 156 |
| <i>Total Other Financing Sources (Uses)</i> | <u>26,973</u> | <u>25,860</u> | <u>33,425</u> | <u>7,565</u> |
| <i>Net Change in Fund Balance</i> | (137,935) | (400,403) | (175,066) | 225,337 |
| <i>Fund Balance at Beginning of Year</i> | 737,196 | 737,196 | 737,196 | 0 |
| Prior Year Encumbrances Appropriated | <u>91,179</u> | <u>91,179</u> | <u>91,179</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$690,440</u></u> | <u><u>\$427,972</u></u> | <u><u>\$653,309</u></u> | <u><u>\$225,337</u></u> |

See accompanying notes to the basic financial statements

Highland County, Ohio
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
December 31, 2008

| | <u>Enterprise Fund</u> |
|--|------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$282,024</u> |
| Net Assets | |
| Unrestricted | <u>\$282,024</u> |

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 Fund
For the Year Ended December 31, 2008

| | <u>Enterprise Fund</u> |
|--|------------------------|
| Operating Receipts | |
| Charges for Services | \$617,058 |
| Operating Disbursements | |
| Contractual Services | 702,885 |
| <i>Income before Transfers</i> | (85,827) |
| Transfers In | 3,710 |
| <i>Change in Net Assets</i> | (82,117) |
| <i>Net Assets at Beginning of Year</i> | 364,141 |
| <i>Net Assets at End of Year</i> | \$282,024 |

See accompanying notes to the basic financial statements

Highland County, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2008

| | <u>Agency Funds</u> |
|--|---------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$1,563,923 |
| Cash and Cash Equivalents in Segregated Accounts | <u>557,172</u> |
| <i>Total Assets</i> | <u><u>2,121,095</u></u> |
| | |
| Net Assets | |
| Undistributed Monies | <u><u>\$2,121,095</u></u> |

See accompanying notes to the basic financial statements

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 nine 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 of the County 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 the budget, the issuance of debt, or the levying of 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., a workshop, 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 (MRDD), provides sheltered employment for mentally and/or physically handicapped adults in Highland County.

The Highland County Board of MRDD 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. at 8919 US Rt. 50, Hillsboro, Ohio 45133.

Note 1 - Reporting Entity (continued)

The Highland Regional Airport Authority (the 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 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 Regional Airport Authority at 1939 Crampton Road, Lynchburg, Ohio 45142.

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

The County participates in three jointly governed organizations, a public entity risk pool and an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements. These organizations are:

Ross, Pickaway, Highland and Fayette Counties Joint Solid Waste District
Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services
South Central Regional Juvenile Detention Center
County Risk Sharing Authority, Inc.
County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan

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. Generally accepted accounting principles (GAAP) 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, 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. Following are the more significant of the County's accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

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 cash basis 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 – cash basis presents the cash balance of the governmental and business-type activities of the County at year-end. The statement of activities – cash basis 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain county functions or activities. 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. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. 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.

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.

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.

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.

General Fund Capital Improvement - This fund accounts for the acquisition and construction of County land and buildings, financed by transfers from the General Fund or County Sales Tax.

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

Proprietary Fund

The County classifies funds financed primarily from user charges for goods or services as proprietary. The proprietary fund is classified as an enterprise fund.

Enterprise Fund - The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The County has no major enterprise funds.

Note 2 - Summary of Significant Accounting Policies (continued)

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 therefore not available to support the County's own programs. The County did not have any trust funds in 2008. 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.

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 Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

Note 2 - Summary of Significant Accounting Policies (continued)

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 appropriations 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, including all supplemental appropriations.

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” on the financial statements.

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

During 2008, the County invested in government sponsored enterprise notes and a money market mutual fund. Investments are reported at cost, except for the money market mutual fund. The County’s money market mutual fund investment is recorded at the amount reported by Fifth Third Securities, Inc. at December 31, 2008.

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 2008 were \$236,357 which includes \$226,978 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

K. Long-Term Obligations

The County's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure 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 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. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted for other purposes. The County's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets – cash basis reports \$5,250,075 of restricted net assets, none of which are restricted by enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

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 encumbrances and unclaimed monies.

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note 3 - 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 General Fund had original appropriations in excess of original estimated resources plus available balances for the year ended December 31, 2008 in the amount of \$1,083,252. The County did not certify the availability of funds for certain commitments.

The County will monitor budgetary controls more closely in the future to alleviate such compliance issues.

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budget 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 differences between the budgetary basis and the cash basis are outstanding year-end encumbrances which are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis), and outstanding year-end advances which are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). In addition, cash that is held by agency funds on behalf of County funds on a budget basis are allocated and reported on the cash basis in the appropriate County fund. The encumbrances outstanding at year-end and agency fund distributions (budgetary basis) amounted to:

| | <u>General</u> | <u>Public Assistance</u> | <u>Repair MVL</u> | <u>Board of MRDD</u> |
|---------------------------|------------------|--------------------------|-------------------|----------------------|
| Cash Basis | \$397,101 | (\$372,026) | \$37,209 | (\$144,717) |
| Encumbrances | 0 | 0 | (60,353) | 0 |
| Agency Fund Distribution: | | | | |
| Beginning of Year | (99,131) | 0 | 466 | 91,810 |
| End of Year | 90,120 | 0 | (745) | (122,159) |
| Budget Basis | <u>\$388,090</u> | <u>(\$372,026)</u> | <u>(\$23,423)</u> | <u>(\$175,066)</u> |

Note 5 - 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.

Monies held by the County which are not considered active are classified as inactive. 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 United States treasury security that is a direct obligation of the United States;

Note 5 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to fifteen percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

Note 5 - Deposits and Investments (continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United State government.

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.

Investments

As of December 31, 2008, the County had the following investments:

| | Carrying Value | Investment Maturities (In Years) | | |
|--|--------------------|----------------------------------|------------|------------------|
| | | Less than 1 | 1 - 2 | 3 - 5 |
| Fifth Third Institutional Money Market Mutual Fund | \$5,415,323 | \$5,415,323 | \$0 | \$0 |
| Federal National Mortgage Association Medium Term Notes | 235,000 | 0 | 0 | 235,000 |
| Total Investments | \$5,650,323 | \$5,415,323 | \$0 | \$235,000 |

The carrying value of investments exceeding the value of cash and cash equivalents presented on the financial statements at year-end was the result of funds being invested overnight and yet available to meet outstanding obligations the next day.

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

Note 5 - Deposits and Investments (continued)

The money market mutual fund carries a rating of Aaa by Moodys. Federal National Mortgage Association Medium Term Notes carry a rating of Aaa by Moodys and AAA by Standard and Poor's. The County has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 6 - Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.5 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 2008, the County received a total of \$4,976,396. 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 7 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property (used in business) located in the County. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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 2008 represent the collection of 2007 taxes. 2008 public utility real and tangible personal property taxes became a lien on December 31, 2007, were levied after October 1, 2008, and are collected in 2009 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.

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 7 - Property Taxes (continued)

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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, 2008, was \$9.25 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

| | |
|------------------------------|-----------------------------|
| Real Property | |
| Residential and Agricultural | \$529,917,700 |
| Other | 84,563,040 |
| Public Utility Property | |
| Real | 147,100 |
| Personal | 26,031,460 |
| General Business Personal | 16,553,490 |
| Total Assessed Value | <u><u>\$657,212,790</u></u> |

Note 8 - 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 2008, 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:

| | Liability |
|---|-------------|
| General Liability | \$1,000,000 |
| Law Enforcement Liability | 1,000,000 |
| Automobile Liability | 1,000,000 |
| Uninsured/Underinsured Motorists | 250,000 |
| Errors and Omissions Liability (\$1,000,000 annual aggregate) | 1,000,000 |
| Excess Liability (sublimit \$5,000,000 for sexual harassment) | 9,000,000 |
| Property (total covered value) | 55,422,049 |
| Equipment Breakdown | 100,000,000 |
| Crime Insurance | 1,000,000 |
| 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 |

There has been no significant change in insurance coverage from 2007, and settled claims have not exceeded this coverage in the past five years. The County pays all elected officials' bonds by statute.

For 2008, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (See Note 17). 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 participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee 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.

Note 8 - Risk Management (continued)

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 participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and a participant leaving the Plan allows a representative of the Plan to assess loss experience for three years following the last year of participation.

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 the retirement system 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.4 percent of covered payroll. For 2008, a portion of the County's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

Note 9 - Defined Benefit Pension Plans (continued)

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$1,656,599, \$1,610,714, and \$1,567,836 respectively; The full amount has been contributed for 2008, 2007, and 2006. Contributions to the member-directed plan for 2008 were \$15,430 made by the County and \$11,022 made by the plan members.

B. State Teachers Retirement System of Ohio

Plan Description - Certified teachers employed by the school for mental retardation and developmental disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan 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.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10.0 percent of their annual covered salaries. The County was required to contribute 14.0 percent for 2008, 13.0 percent being the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10.0 percent for members and 14.0 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Note 9 - Defined Benefit Pension Plans (continued)

The County's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$39,809, \$36,929, and \$34,305, respectively. The full amount has been contributed for 2008, 2007, and 2006. There were no contributions to the DC and Combined Plans for fiscal year 2008 made by the plan members.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

Note 10 - Postemployment Benefits (continued)

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$828,300, \$639,634, and \$462,830 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System of Ohio

Plan Description - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the defined benefit or the combined pension plans and their eligible family members. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio.

STRS Ohio issued a financial report that includes financial information for the health care plan. Interested parties can view the most recent report at www.strsoh.org or obtain a copy by calling (888) 227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.0 percent employer contribution rate, one percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007, and 2006. The 14.0 percent contribution is the maximum rate allowed under Ohio law.

All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$2,844, \$1,896, and \$2,565 respectively. The full amount has been contributed for 2008, 2007 and 2006.

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 11 - Long -Term Debt

The County's long-term debt activity for the year ended December 31, 2008, was as follows:

| | Interest Rate | Balance December 31, 2007 | Additions | Reductions | Balance December 31, 2008 | Due Within One Year |
|---|------------------|---------------------------------|------------------|--------------------|---------------------------------|------------------------|
| <u>General Obligation Bonds:</u> | | | | | | |
| 1994 GO Bonds Series B | | | | | | |
| Madison Township | 4.50% | \$97,800 | \$0 | \$1,900 | \$95,900 | \$2,000 |
| 1996 GO Bonds Series A | | | | | | |
| Tec Center | 5.00% | 779,700 | 0 | 70,700 | 709,000 | 74,300 |
| 1996 GO Bonds Series B | | | | | | |
| Tec Center | 5.00% | 285,200 | 0 | 25,900 | 259,300 | 27,100 |
| 2002 GO Bonds | | | | | | |
| Correctional Facilities | 1.5 - 4.8% | 4,065,000 | 0 | 195,000 | 3,870,000 | 210,000 |
| 2004 GO Bonds | | | | | | |
| County Building Bond MRDD | 5.45% | 227,577 | 0 | 227,577 | 0 | 0 |
| 2008 GO Bonds | | | | | | |
| Various Purpose and Improvement Bond MRDD | 5.05% | 0 | 460,000 | 0 | 460,000 | 16,004 |
| 2005 GO Bonds | | | | | | |
| Various Purpose | 4.80% | 1,554,000 | 0 | 56,000 | 1,498,000 | 59,000 |
| Total GO Bonds | | <u>7,009,277</u> | <u>460,000</u> | <u>577,077</u> | <u>6,892,200</u> | <u>388,404</u> |
| <u>OPWC Loans:</u> | | | | | | |
| 1996 OPWC Rocky Fork Lake | | | | | | |
| Area Wastewater Collection System Loan | 0.00% | 230,000 | 0 | 20,000 | 210,000 | 20,000 |
| 2003 OPWC Rolling Acres | | | | | | |
| WWTP Loan | 0.00% | 30,548 | 0 | 2,107 | 28,441 | 1,053 |
| Total OPWC Loans | | <u>260,548</u> | <u>0</u> | <u>22,107</u> | <u>238,441</u> | <u>21,053</u> |
| <u>Long-Term Notes:</u> | | | | | | |
| Bond Anticipation Note | | | | | | |
| Geographic Information System | 4.21% | 428,925 | 0 | 16,000 | 412,925 | 17,000 |
| Bond Anticipation Note | | | | | | |
| Real Estate Acquisition | 4.21% | 142,000 | 0 | 5,000 | 137,000 | 6,000 |
| Bond Anticipation Note | | | | | | |
| Airport Improvement | 6.00% | 1,089,000 | 0 | 42,000 | 1,047,000 | 44,000 |
| Bond Anticipation Note | | | | | | |
| Juvenile Detention Center | 3.40% | 610,000 | 0 | 20,000 | 590,000 | 20,000 |
| Bond Anticipation Note | | | | | | |
| Various Purpose | 4.07% | 900,000 | 0 | 120,000 | 780,000 | 134,000 |
| Total Long-Term Notes | | <u>3,169,925</u> | <u>0</u> | <u>203,000</u> | <u>2,966,925</u> | <u>221,000</u> |
| <u>OWDA Loans:</u> | | | | | | |
| 1998 OWDA Rocky Fork | | | | | | |
| Water Pollution Control Loan | 2.20% | 5,388,531 | 0 | 378,947 | 5,009,584 | 192,605 |
| 2004 OWDA Highland-Leesburg | | | | | | |
| Sewer Loan | 3.98% | 729,087 | 26,761 | 14,645 | 741,203 | 7,542 |
| 2006 OWDA Mowrystown Sewer Loan | 3.92% | 1,827,400 | 99,395 | 18,560 | 1,908,235 | 0 |
| Total OWDA Loans | | <u>7,945,018</u> | <u>126,156</u> | <u>412,152</u> | <u>7,659,022</u> | <u>200,147</u> |
| <u>Other Long-Term Obligations:</u> | | | | | | |
| 1994 Special Assessment Bonds Series A | | | | | | |
| Madison Township | 4.50% | 676,700 | 0 | 13,300 | 663,400 | 13,900 |
| 2000 Salt Barn Loan | 5.75% | 16,957 | 0 | 16,957 | 0 | 0 |
| 2002 ODOT Leesburg | | | | | | |
| Industrial Park Loan | 2.10% | 602,097 | 0 | 26,361 | 575,736 | 82,288 |
| 2003 Board of Health | | | | | | |
| Building Improvement Loan | 3.50% | 216,723 | 0 | 216,723 | 0 | 0 |
| Total Other Long-Term Obligations | | <u>1,512,477</u> | <u>0</u> | <u>273,341</u> | <u>1,239,136</u> | <u>96,188</u> |
| Total Long-Term Liabilities | | <u>\$19,897,245</u> | <u>\$586,156</u> | <u>\$1,487,677</u> | <u>\$18,995,724</u> | <u>\$926,792</u> |

Note 11 - Long-Term Debt (continued)

1994 Madison Township General Obligation Bonds Series B

On December 1, 1994, the County issued \$116,638 in general obligation bonds (Series B) 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.

1996 Tec Center General Obligation 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 Tec Center General Obligation 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.

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 MRDD 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 by the MRDD board. The bonds mature in 2019 and will be paid from the MRDD Construction Debt Retirement Fund.

2008 Various Purpose Refunding and Improvement Bonds

On October 29, 2008, the County issued \$460,000 in general obligation bonds for the purpose of refunding outstanding notes issued and for paying the cost of constructing building improvements in the County. The bonds mature in 2028 and will be paid from the MRDD Construction Debt Retirement Fund.

Note 11 - Long-Term Debt (continued)

2005 Various Purpose General Obligation Bonds

On November 7, 2005, the County issued \$1,638,000 in general obligation bonds for the purpose of retiring bond anticipation notes that were used to acquire a building within the County, acquire and install a geographic information system and pay costs of renovating and making improvements to the County Courthouse. The bonds mature in 2025 and will be paid from the G.I.S. Debt Retirement, Jail Renovation Debt Retirement and Community Service Center Debt Retirement Funds.

1996 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 loan matures in 2019 and will be paid from the Rocky Fork Lake Debt Retirement Fund.

2003 Ohio Public Works Commission Rolling Acres Wastewater Treatment Plant Loan

In 2003, the County entered into a \$42,136 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 Rocky Fork Lake Debt Retirement Fund.

Bond Anticipation Note - Geographic Information System

On June 30, 2005, the County issued a \$457,925 bond anticipation note for the purpose of financing the purchase and installation of a geographic information system. The note will be paid from the G.I.S. Debt Retirement Fund. The note matures in 2025.

Bond Anticipation Note - Real Estate Acquisition

On June 30, 2005, the County issued a \$152,000 bond anticipation note for the purpose of acquiring real estate for the use of the Highland County Agricultural Society. The note will be paid from the Fairground Debt Retirement Fund. The note matures in 2025.

Bond Anticipation Note - Airport Improvement

On June 30, 2005, the County issued a \$1,165,000 bond anticipation note for the purpose of making improvements to the airport.. The note will be paid from the Airport Debt Retirement Fund. The note matures in 2025.

Note 11 - Long-Term Debt (continued)

Bond Anticipation Note - Juvenile Detention Center

On April 7, 2005, the County issued a \$650,000 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 SCORJDC Debt Retirement Fund. The note matures in 2025.

Bond Anticipation Note – Various Purpose

On December 27, 2007, the County issued a \$900,000 bond anticipation note for the purpose of installing computer hardware and software, acquiring a vehicle for emergency services, and acquiring real estate. The note will be paid from the Various Purpose Debt Retirement Fund. The note matures in 2027.

1998 Ohio Water Development Authority Rocky Fork Water Pollution Control Loan

On January 29, 1998, the County entered into an \$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.

2004 Ohio Water Development Authority Highland - Leesburg Sewer Loan

On May 27, 2004, the County entered into a loan agreement with the Ohio Water Development Authority for running sewer lines to connect the Villages of Highland and Leesburg. The final payment on the loan is due in 2036 and payments will be made from the Highland-Leesburg Sewer Debt Retirement Fund.

2006 Ohio Water Development Authority Mowrystown Sewer Loan

On April 27, 2006, the County entered into a loan agreement with the Ohio Water Development Authority for the construction of a sewer plant in Mowrystown. The work has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available. A liability was included for \$1,966,740, which represents the amount of the loan used as of year-end. The loan will be paid from the Mowrystown Sewer Debt Retirement Fund.

1994 Madison Township Series A Special Assessment Bonds

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.

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 11 - Long-Term Debt (continued)

2000 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 balance of this loan was retired in 2008.

2002 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 and will be paid from the Leesburg Industrial Park Debt Retirement Fund.

2003 Board of Health Building Improvement Loan

On June 18, 2003, the County entered into a \$288,000 loan agreement with Fifth Third Bank for making improvements to a building for use by the Board of Health. The final payment on the loan was paid in 2008 from the County Board of Health Agency Fund.

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

| Year | General Obligation Bonds | | OPWC | Long-Term Notes | |
|--------------|--------------------------|--------------------|------------------|--------------------|--------------------|
| | Principal | Interest | Loans | Principal | Interest |
| 2009 | \$388,404 | \$322,303 | \$21,053 | \$221,000 | \$126,652 |
| 2010 | 399,974 | 308,218 | 22,107 | 234,000 | 116,802 |
| 2011 | 419,110 | 290,856 | 22,107 | 243,000 | 106,460 |
| 2012 | 433,483 | 272,664 | 22,107 | 251,000 | 95,760 |
| 2013 | 453,395 | 253,243 | 22,107 | 125,000 | 87,521 |
| 2014-2018 | 2,309,888 | 932,649 | 110,534 | 688,000 | 348,034 |
| 2019-2023 | 2,029,813 | 369,319 | 18,426 | 798,000 | 182,966 |
| 2024-2028 | 425,433 | 45,616 | 0 | 406,925 | 20,251 |
| 2029-2033 | 26,600 | 5,063 | 0 | 0 | 0 |
| 2034-2036 | 6,100 | 275 | 0 | 0 | 0 |
| Total | \$6,892,200 | \$2,800,206 | \$238,441 | \$2,966,925 | \$1,084,446 |

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 11 - Long-Term Debt (continued)

| Year | OWDA Loans | | Special Assessment Bonds | |
|--------------|--------------------|--------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$200,147 | \$127,056 | \$13,900 | \$29,853 |
| 2010 | 407,127 | 132,878 | 14,600 | 29,228 |
| 2011 | 416,413 | 123,591 | 15,200 | 28,570 |
| 2012 | 425,917 | 114,087 | 15,900 | 27,886 |
| 2013 | 435,643 | 104,362 | 16,600 | 27,171 |
| 2014-2018 | 2,332,252 | 367,774 | 95,100 | 123,930 |
| 2019-2023 | 1,084,210 | 129,551 | 118,500 | 100,521 |
| 2024-2028 | 146,167 | 76,749 | 147,700 | 71,352 |
| 2029-2033 | 178,004 | 44,915 | 184,000 | 34,997 |
| 2034-2036 | 124,907 | 8,842 | 41,900 | 1,886 |
| Total | \$5,750,787 | \$1,229,805 | \$663,400 | \$475,394 |

| ODOD Loans | | |
|--------------|------------------|------------------|
| Year | Principal | Interest |
| 2009 | \$82,288 | \$21,405 |
| 2010 | 57,638 | 19,167 |
| 2011 | 59,967 | 16,839 |
| 2012 | 62,390 | 14,416 |
| 2013 | 64,910 | 11,895 |
| 2013-2017 | 248,543 | 20,277 |
| Total | \$575,736 | \$103,999 |

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 one 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 three 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 County's unvoted debt margin was \$1,256,525 at December 31, 2008.

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 12 - Short-Term Debt

A summary of the short-term note transactions for the year-ended December 31, 2008 follows:

| | Interest Rate | Balance December 31, 2007 | Additions | Reductions | Balance December 31, 2008 | Due Within One Year |
|--------------------------------|------------------|---------------------------------|------------------|------------------|---------------------------------|------------------------|
| <u>Short-Term Liabilities</u> | | | | | | |
| 2008 Building Improvement Bond | | | | | | |
| Anticipation Note | 3.00% | \$0 | \$196,000 | \$0 | \$196,000 | \$196,000 |
| 2008 Merchants National Bank | | | | | | |
| Short-Term Loan | 4.50% | 0 | 200,000 | 200,000 | 0 | 0 |
| Total Short-Term Liabilities | | <u>\$0</u> | <u>\$396,000</u> | <u>\$200,000</u> | <u>\$196,000</u> | <u>\$196,000</u> |

2008 Building Improvement Bond Anticipation Note

On June 12, 2008, the County issued \$196,000 in bond anticipation notes for the purpose of partially refunding the 2003 Board of Health Building Improvement Loan. The notes will be paid from the County Board of Health Agency Funds.

2008 Merchants National Bank Short-Term Loan

On May 23, 2008, the County issued \$200,000 for operating needs of the County. The loan was paid back during the calendar year from the General Fund.

Note 13 - Leases

In prior years, the County entered into capital leases for police cruisers, a GMC Sierra for use by the Dog Warden, two Ford F250 trucks, and a Bobcat Track Loader for use by the County Engineer's Office. In 2008, the County entered into a capital lease for three additional police cruisers. Total lease payments for 2008 totaled \$43,013.

Future lease payments are as follows:

| Year | Police Cruisers | GMC Sierra | F250 Dog Warden | F250 Sheriff | Bobcat | Total |
|-------|--------------------|----------------|--------------------|-----------------|-----------------|------------------|
| 2009 | \$33,517 | \$3,292 | \$5,089 | \$7,253 | \$13,322 | \$62,473 |
| 2010 | 22,564 | 0 | 5,089 | 7,253 | 13,323 | 48,229 |
| 2011 | 16,996 | 0 | 0 | 7,253 | 0 | 24,249 |
| Total | <u>\$73,077</u> | <u>\$3,292</u> | <u>\$10,178</u> | <u>\$21,759</u> | <u>\$26,645</u> | <u>\$134,951</u> |

Highland County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 14 - Interfund Activity

A. Interfund Transfers

During 2008 the following transfers were made:

| | | Transfer From | | | Total |
|-------------|--------------------|--------------------|-----------------|--------------------------|--------------------|
| | | General Fund | Repair MVL Fund | Other Governmental Funds | |
| Transfer To | Major Funds: | | | | |
| | General | \$0 | \$0 | \$21,744 | \$21,744 |
| | Public Assistance | 0 | 0 | 0 | 0 |
| | Board of MRDD | 0 | 0 | 46,425 | 46,425 |
| | Other Governmental | 1,154,501 | 17,848 | 248,000 | 1,420,349 |
| | Enterprise Fund | 3,710 | 0 | 0 | 3,710 |
| | Total All Funds | <u>\$1,158,211</u> | <u>\$17,848</u> | <u>\$316,169</u> | <u>\$1,492,228</u> |

The transfers to the other governmental funds mainly represent transfers of dollars to meet debt service payments. The transfer from the other governmental funds to the Board of MRDD represents transfers for operational needs. The transfer from the General Fund to the enterprise fund represents transfers for operational needs.

B. Interfund Advances

Interfund balances at December 31, 2008, consisted of the following individual fund receivables and payables:

| | | Advances Out | | | | Total |
|-------------|--------------------------|------------------|------------------|--------------------|--------------------------|------------------|
| | | General Fund | Repair MVL Fund | Board of MRDD Fund | Other Governmental Funds | |
| Advances In | Major Funds: | | | | | |
| | General | \$0 | \$175,000 | \$0 | \$8,167 | \$183,167 |
| | Repair MVL | 175,000 | 0 | 0 | 0 | 175,000 |
| | Other Governmental Funds | 6,128 | 0 | 13,000 | 105,000 | 124,128 |
| | Total All Funds | <u>\$181,128</u> | <u>\$175,000</u> | <u>\$13,000</u> | <u>\$113,167</u> | <u>\$482,295</u> |

The balances due represent loans made to provide working capital for operations or projects. All of these amounts are expected to be repaid within one year.

Note 15 - 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 16 - Jointly Governed Organizations

A. Ross, Pickaway, Highland and Fayette Counties Joint Solid Waste District

The Ross, Pickaway, Highland and Fayette Counties Joint Solid Waste District (the District) is a jointly governed organization among Ross, Pickaway, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2008. 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 Board of Alcohol, Drug Addiction and Mental Health Services

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 Commissioners 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.

Note 16 - Jointly Governed Organizations (continued)

C. South Central Regional Juvenile Detention Center

The South Central Regional Juvenile Detention Center (the 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 17 - Public Entity Risk Pool and Insurance Purchasing Pool

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among 61 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. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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 representative it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonable determinable. The County's payment to CORSA for insurance in 2008 was \$198,599.

Note 17 - Public Entity Risk Pool and Insurance Purchasing Pool (continued)

B. County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group insurance purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

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HIGHLAND COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

| FEDERAL GRANTOR Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|----------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| Food Distribution Program | N/A | 10.550 | | \$4,626 |
| National School Lunch Program | 066035-LLP4-2006 | 10.555 | 6,470 | |
| Total U.S. Department of Agriculture | | | 6,470 | 4,626 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i> | | | | |
| State Children's Health Insurance Program (SCHIP) | N/A | 93.767 | 186 | |
| Social Services Block Grant - Title XX | N/A | 93.667 | 41,519 | |
| Medical Assistance Program - Title XIX | N/A | 93.778 | 275,579 | |
| | | | 317,284 | |
| <i>Passed Through Ohio Secretary of State:</i> | | | | |
| 03OHVOTE - HHS Grants | N/A | 93.617 | 660 | |
| Total U.S. Department of Health and Human Services | | | 317,944 | |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <i>Passed Through the Ohio Department of Development:</i> | | | | |
| Community Development Block Grants | B-F-07-033-1 | 14.228 | 89,055 | |
| Community Development Block Grants | B-F-06-033-1 | 14.228 | 2,698 | |
| Community Development Block Grants | B-C-07-033-1 | 14.228 | 11,146 | |
| | | | 102,899 | |
| Home Investment Partnership Program | B-C-07-033-2 | 14.239 | 39,484 | |
| Total U.S. Department of Housing and Urban Development | | | 142,383 | |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through State Department of Education:</i> | | | | |
| Special Education Grants to States: | | | | |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 066035-6BSF-2008 | 84.027 | 15,189 | |
| Special Education - Preschool Grants | 066035-PGSI-2008 | 84.173 | 6,360 | |
| Total Special Education Cluster | | | 21,549 | |
| Innovative Education Program Strategies | 066035-C2S1-08 | 84.298 | 85 | |
| Total U.S. Department of Education | | | 21,634 | |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| <i>Passed Through the Ohio Attorney General:</i> | | | | |
| Crime Victim Assistance | 2008-VAGENE-025T | 16.575 | 81,629 | |
| Crime Victim Assistance | 2008-SAGENE-025T | 16.575 | 7,070 | |
| | | | 88,699 | |
| <i>Passed Through the Bureau of Justice Assistance:</i> | | | | |
| Bulletproof Vest Program | 2009BUBX08044455 | 16.607 | 6,376 | |
| <i>Passed Through the Office of Community Oriented Policing Services:</i> | | | | |
| Methamphetamine Initiative | 2007CKWX0219 | 16.170 | 210,401 | |
| Total U.S. Department of Justice | | | 305,476 | |

(Continued)

HIGHLAND COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008
(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 | | | | |
| <i>Passed Through the Ohio Emergency Management Agency</i> | | | | |
| Emergency Management Performance Grants | 2007-EM-E7-0024 | 97.042 | 14,798 | |
| State Homeland Security Program | 2006-GE-T6-0051 | 97.073 | 32,920 | |
| <i>Passed Through the Hamilton County Emergency Management Agency</i> | | | | |
| Law Enforcement Terrorism Prevention Program | 2007-GE-T7-0030 | 97.067 | 762 | |
| Total Federal Agency Department of Homeland Security | | | 48,480 | |
| U.S. DEPARTMENT OF LABOR | | | | |
| <i>Passed Through the Ohio Department of Job and Family Services</i> | | | | |
| Workforce Investment Act Cluster: | | | | |
| Workforce Investment Act - Adult | N/A | 17.258 | 144,003 | |
| Workforce Investment Act - Adult Administration | | | 8,190 | |
| Workforce Investment Act - Adult Total | | | <u>152,193</u> | |
| Workforce Investment Act - Youth | N/A | 17.259 | 115,961 | |
| Workforce Investment Act - Youth Administration | | | 6,595 | |
| Workforce Investment Act - Youth Total | | | <u>122,556</u> | |
| Workforce Investment Act - Dislocated Workers | N/A | 17.260 | 190,986 | |
| Workforce Investment Act - Dislocated Workers Administration | | | 10,863 | |
| Workforce Investment Act - Dislocated Workers Total | | | <u>201,849</u> | |
| Workforce Investment Act - VSTP | N/A | 17.802 | 4,000 | |
| Workforce Investment Act - VSTP Administration | | | 400 | |
| Workforce Investment Act - VSTP Total | | | <u>4,400</u> | |
| Total U.S. Department of Labor | | | 480,998 | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | |
| <i>Passed Through the Federal Aviation Administration</i> | | | | |
| Direct from Federal Government | | | | |
| FAA Reimbursement of Construction Projects | AIP-3-39-0040-0404 | 20.106 | 5,438 | |
| <i>Passed through the Governor's Highway Safety Office</i> | | | | |
| Airborne Traffic Enforcement Grant | HVEO-2008-36-00-00-00212-00 | 20.601 | 21,672 | |
| Total U.S. Department of Transportation | | | 27,110 | |
| U.S. ELECTION ASSISTANCE COMMISSION | | | | |
| <i>Passed Through the Ohio Secretary of State:</i> | | | | |
| HAVA Title II | N/A | 90.401 | 440 | |
| Total U.S. Election Assistance Commission | | | 440 | |
| U.S. Environmental Protection Agency | | | | |
| SARA Section 123 Local Government Reimbursement | LGRA0493 | | 1,522 | |
| Total U.S. Environmental Protection Agency | | | 1,522 | |
| TOTAL FEDERAL ASSISTANCE | | | \$1,352,457 | \$4,626 |

HIGHLAND COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

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.

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Mary Taylor, CPA

Auditor of State

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

Highland County
119 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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 16, 2009, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the financial statements do not include financial data for 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-003 and 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-003 is also a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated September 16, 2009.

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 2008-001, 2008-002 and 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 16, 2009.

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

We intend this report solely for the information and use of management, County elected officials, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 16, 2009



Mary Taylor, CPA

Auditor of State

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
119 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, 2008. 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, Highland 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, 2008. In a separate letter to the County's management dated September 16, 2009, we reported a 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 the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted other matters 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 September 16, 2009.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 16, 2009

HIGHLAND COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Qualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA #93.778 – Title XIX CFDA #17.258, #17.259, #17.260, #17.802 --Workforce Investment Act Cluster |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code, Section 117.38, provides, in part, that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38.

**FINDING NUMBER 2008-001
(Continued)**

Ohio Admin. Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County prepares its financial statements in accordance with the 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.

Officials' Response:

Highland County has contacted counties of comparable size to learn of the cost and benefits of converting to GAAP. County officials have concluded that, especially during these tough economic times, the additional annual conversion and auditing costs would far exceed any benefits the County would experience. Therefore, the County will continue on the cash basis of financial reporting.

FINDING NUMBER 2008-002

Noncompliance Citation

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 \$100 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.

**FINDING NUMBER 2008-002
(Continued)**

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.

Thirty-one percent (31%) 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.

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.

Officials’ Response:

The County will continue to encourage all departments to follow the Ohio Revised Code 5705.41(D) as it pertains to purchase orders. The use of “Then and Now” Certificates and Blanket Certificates will also be explained to department heads and samples provided.

FINDING NUMBER 2008-003

Material Weakness

The County lacked management oversight in the proper reporting of tax, intergovernmental receipts, proceeds of loans on the financial statements. This lack of oversight is illustrated by the following:

- Property tax exemptions and public utility reimbursements reported as taxes instead of intergovernmental receipts resulting in reclassifications of \$216,954 in the Board of MRDD fund.
- Homestead and rollback disbursements were reported as taxes instead of intergovernmental receipts resulting in reclassifications of \$243,122 in the Board of MRDD fund.

**FINDING NUMBER 2008-003
 (Continued)**

- Proceeds of loans were reported as intergovernmental receipts resulting in a reclassification of \$157,900 in Remaining Funds.
- Intergovernmental receipts were reported as other receipts resulting in a reclassification of \$8,251 in the General Fund Capital Improvement fund.

Audit adjustments were made to the County's financial statements and accounting records to properly account for the above errors.

The following posting errors were also noted; however; the financial statements were not adjusted for these amounts:

| Line Item | General Fund | Public Assistance Fund | Board of MRDD Fund | Remaining Funds |
|----------------------|--------------|------------------------|--------------------|-----------------|
| Intergovernmental | \$66,912 | (\$15,065) | \$10,269 | \$38,015 |
| Other | (32,581) | | | 91,744 |
| Charges for Services | (34,056) | | (10,269) | (39,484) |
| Rent | | 15,065 | | 47,058 |
| Licenses and Permits | (275) | | | |
| Capital Outlay | | | | 137,333 |

Also, during 2008, the County had various transfers recorded on their financial records. Our review of these transfers revealed that some of these transactions were actually reimbursements between funds and not true transfers. Reclassifications in the amount of \$598,612 were made in the financial statements to properly reflect these transactions on the statements.

All public officials shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code rule 117-2-03. In addition, management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

Failure to properly post and report transactions could result in material errors in the County's financial statements and reduces the County's ability and the ability of individual departments within the County to monitor financial activity and to make sound decisions which effect the overall available cash position of the County. We recommend officials review the chart of accounts to assure that items are being posted to the proper account codes. We also recommend officials review all transfers to assure they are accurately reported.

Furthermore, we recommend the County implement additional procedures over the completeness and accuracy of financial information recorded in the accounting records and reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**FINDING NUMBER 2008-003
(Continued)**

Officials' Response:

Even though some of the errors in reporting of funds to the proper classification have been corrected, the County will continue to work with the departments and more closely monitor the classification of funds. The County Commissioners and County Auditor will work more closely together to try to avoid using transfers and reimbursements incorrectly.

FINDING NUMBER 2008-004

Significant Deficiency

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. The County

Treasurer must perform this step in the process due to the fact that Ohio Revised Code establishes the County Treasurer as the custodian of County funds. Secondly, the County Treasurer must reconcile to the County Auditor's book balance. As of December 31, 2008, 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 our review of the County's cash reconciliation process, we noted the following:

- Gain and Loss on Investments and Amortized interest were not posted to the accounting records in the amount of \$1,070.
- Each cashier does not have a separate drawer.
- Cash drawer in the vault is not counted daily.

The County's December 31, 2008 reconciliation has an unidentified variance of \$12,479.

Audit adjustments were made to the County's financial statements to properly account for the above errors.

Accurate reconciling is a basic and very 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. Each cashier having their own cash drawer would help pin point any errors that may occur.

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. Once the Treasurer has reconciled with the bank, then the Treasurer can complete the reconciliation process and balance with the County Auditor. The County should consider evaluating their current investment strategy and the affect this has on the Treasurer's monthly reconciliation process. To maintain accountability, we recommend that each cashier have a separate cash drawer. During the daily close out procedure, we recommend that all drawers be counted and that cashiers count each other's drawers to provide adequate segregation of duties.

**FINDING NUMBER 2008-004
(Continued)**

Officials' Response:

The County is pleased to have worked with the Auditor of State's Office to complete the reconciliation of the bank and investment accounts. The County Commissioners passed a resolution on September 2, 2009 to make the necessary adjustments to the financial statements to bring these accounts into balance. The Treasurer is now balancing with the bank and the Auditor as required.

FINDING NUMBER 2008-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission on the official certificate of estimated resources. During 2008, original appropriations exceeded the original estimated resources in the General Fund in the amount of \$1,083,252.

The management of the County should monitor the budgetary receipts and expenditures. By regularly reviewing the budgetary documents throughout the year, the County will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the County.

Officials' Response:

The County acknowledges this error and will make every effort to avoid such oversights in the future.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None.

HIGHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2008

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007-001 | Failure to prepare annual financial report in accordance with generally accepted principles. Reported on cash basis. | No | Repeated as finding 2008-001 |
| 2007-002 | Failure to prior certify funds before making purchases. | No | Repeated as finding 2008-002 |
| 2007-003 | Failure to properly classify receipts and to post transfers. | No | Repeated as finding 2008-003 |
| 2007-004 | Failure to reconcile the bank and investments accounts. | No | Repeated as finding 2008-004 |



Mary Taylor, CPA
Auditor of State

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
OCTOBER 6, 2009**