



Mary Taylor, CPA  
Auditor of State



HIGHLAND COUNTY

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HIGHLAND COUNTY

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# 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, 2009, 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. The County has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, Governmental Auditing Standards permit the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code §117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due and seeking payment through the office of budget and management. 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 units. 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 units' financial data. The County has not issued reporting entity financial statements. We cannot determine the amounts of assets, liabilities, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component units 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 units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the cash financial position of the aggregate discretely-presented component units of Highland County, Ohio, as of December 31, 2009, and the changes in its financial position for the year then ended.

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, and each major fund, and the aggregate remaining fund information of Highland County, Ohio, as of December 31, 2009, and the respective changes in cash financial position thereof and the respective budgetary comparison for the General, Public Assistance, Real Estate Assessment, Repair Motor Vehicle License, and Board of 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 15, 2010, 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 15, 2010

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009

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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, 2009, within the limitations of the County's cash basis of 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 2009 are as follows:

Net assets of governmental activities increased \$132,411 from the prior year.

Net assets of the County's business-type activity increased \$21,198 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, 2009

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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 2009 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, 2009

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**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, Real Estate Assessment, Repair MVL and Board of Developmental Disabilities 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 2009 compared to 2008 on a cash basis:

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Cash and Cash Equivalents	\$5,885,915	\$5,753,504	\$303,222	\$282,024	\$6,189,137	\$6,035,528
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$491,204	\$801,655	\$0	\$0	\$491,204	\$801,655
Debt Service	465,219	531,858	0	0	465,219	531,858
Other Purposes	4,406,629	4,035,666	0	0	4,406,629	4,035,666
Unrestricted	522,863	384,325	303,222	282,024	826,085	666,349
Total Net Assets	\$5,885,915	\$5,753,504	\$303,222	\$282,024	\$6,189,137	\$6,035,528

As mentioned previously, net assets of governmental activities increased \$132,411 during 2009. Net assets restricted for capital projects decreased \$310,451 due to disbursements for computer upgrades in the Auditor's, Treasurer's and Clerk of Court's offices. Net assets restricted for other purposes increased \$370,963, due mainly to a large increase in Payments in Lieu of Taxes to the Board of Developmental Disabilities related to delays in billing and collections from 2008, as well as an accumulation of resources that will be utilized for the 2012 tax year reappraisal. Unrestricted net assets increased \$138,538 due to budget cuts and overall decreases in spending.

The net assets of business-type activities increased \$21,198.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009

Table 2 reflects the changes in net assets in 2009 and 2008.

(Table 2)  
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
<b>Receipts</b>						
<b>Program Receipts</b>						
Charges for Services and Sales	\$3,516,262	\$3,552,258	\$559,846	\$617,058	\$4,076,108	\$4,169,316
Operating Grants and Contributions	14,954,561	14,644,652	0	0	14,954,561	14,644,652
Capital Grants and Contributions	1,482,705	728,282	0	0	1,482,705	728,282
<b>Total Program Receipts</b>	<b>19,953,528</b>	<b>18,925,192</b>	<b>559,846</b>	<b>617,058</b>	<b>20,513,374</b>	<b>19,542,250</b>
<b>General Receipts</b>						
Property Taxes	3,310,838	3,437,250	0	0	3,310,838	3,437,250
Sales Taxes Levied for General Purposes	4,826,987	4,976,396	0	0	4,826,987	4,976,396
Conveyance Fees	263,436	64,193	0	0	263,436	64,193
Payments in Lieu of Taxes	148,665	28,034	0	0	148,665	28,034
Grants and Entitlements Not Restricted to Specific Programs	1,223,927	1,200,536	0	0	1,223,927	1,200,536
Interest	33,302	252,074	0	0	33,302	252,074
Proceeds of Ohio Water Development Authority Loan	160,883	126,156	0	0	160,883	126,156
Bonds Issued	0	460,000	0	0	0	460,000
Proceeds of Notes	0	0	0	0	0	0
Proceeds of Loans	180,408	200,000	0	0	180,408	200,000
Proceeds from Sale of Capital Assets	28,732	340,091	0	0	28,732	340,091
Miscellaneous	583,412	805,027	0	0	583,412	805,027
<b>Total General Receipts</b>	<b>10,760,590</b>	<b>11,889,757</b>	<b>0</b>	<b>0</b>	<b>10,760,590</b>	<b>11,889,757</b>
<b>Total Receipts</b>	<b>30,714,118</b>	<b>30,814,949</b>	<b>559,846</b>	<b>617,058</b>	<b>31,273,964</b>	<b>31,432,007</b>
<b>Disbursements</b>						
General Government	3,950,824	4,586,075	0	0	3,950,824	4,586,075
Public Safety	4,320,809	4,881,689	0	0	4,320,809	4,881,689
Public Works	5,274,214	5,462,485	0	0	5,274,214	5,462,485
Health	5,123,745	5,168,696	0	0	5,123,745	5,168,696
Human Services	8,723,554	8,832,252	0	0	8,723,554	8,832,252
Other	10,841	1,047	0	0	10,841	1,047
Capital Outlay	1,433,734	817,255	0	0	1,433,734	817,255
Debt Service	1,743,986	2,133,300	0	0	1,743,986	2,133,300
Sewer	0	0	538,648	702,885	538,648	702,885
<b>Total Disbursements</b>	<b>30,581,707</b>	<b>31,882,799</b>	<b>538,648</b>	<b>702,885</b>	<b>31,120,355</b>	<b>32,585,684</b>
Excess (Deficiency) Before Transfers	132,411	(1,067,850)	21,198	(85,827)	153,609	(1,153,677)
Transfers	0	(3,710)	0	3,710	0	0
Increase (Decrease) in Net Assets	132,411	(1,071,560)	21,198	(82,117)	153,609	(1,153,677)
Net Assets at Beginning of Year, restated	5,753,504	6,825,064	282,024	364,141	6,035,528	7,189,205
Net Assets at End of Year	\$5,885,915	\$5,753,504	\$303,222	\$282,024	\$6,189,137	\$6,035,528

Program receipts represent 65 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, 2009

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Capital grants and contributions in the governmental activities increased \$754,423, due primarily to an increases in Ohio Public Works Commission Issue II and Ohio Water Development Authority funding for the Lakeside Wastewater Treatment Plant.

Operating grants and contributions in the governmental activities increased \$309,909, due to a large increase in funding received through the Workforce Investment Act, related to the high rate of unemployment in the County. This increase was offset by decreases in funding for Public Assistance, Children's Services, Child Support Enforcement and Board of Developmental Disabilities Residential Assistance.

Payments in lieu of taxes increased \$120,631, due to delays in billing and receipts of 2008 payments from businesses. Interest revenue decreased \$218,772 due to declining interest rates and changes in the County's investment portfolio.

Proceeds from the sale of capital assets decreased by \$311,359, due to the County's sale of a portion of the County farm in 2008.

Miscellaneous receipts decreased by \$221,615, due primarily to reclassifications of miscellaneous receipts in 2009, that were not reclassified in 2008, in addition to receipts from the County Prosecuting Attorney's Furtherance of Justice account and an insurance settlement that were received in 2008, but were not repeated in 2009.

Governmental activities general receipts represent 35 percent of the County's total receipts, and of this amount, 31 percent are property taxes and 45 percent are sales tax receipts. Grants and entitlements not restricted to specific programs make up 11 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 Governmental 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 the Board of Developmental Disabilities 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.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009

**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, Public Works and Health which account for 29, 17 and 17 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 14 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.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2009	Total Cost Of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
General Government	\$3,950,824	\$4,586,075	\$2,162,553	\$2,737,792
Public Safety	4,320,809	4,881,689	3,422,230	3,880,242
Public Works	5,274,214	5,462,485	675,355	708,012
Health	5,123,745	5,168,696	1,481,115	1,602,607
Human Services	8,723,554	8,832,252	1,265,475	1,077,352
Other	10,841	1,047	10,841	1,047
Capital Outlay	1,433,734	817,255	(133,376)	817,255
Debt Service	1,743,986	2,133,300	1,743,986	2,133,300
Total Disbursements	<u>\$30,581,707</u>	<u>\$31,882,799</u>	<u>\$10,628,179</u>	<u>\$12,957,607</u>

The total cost of General Government services decreased \$635,251. This was due primarily to the County continuing cost control measures during 2009 that were implemented in 2008. Public Safety expenditures decreased \$560,880, also due to major cost saving measures in the Sheriff's department. Public works decreased \$188,271 mainly to overall cuts in spending. Human services decreased \$108,698, due primarily to reductions in spending as intergovernmental funding declined. Capital outlay increased \$616,479 due primarily to the construction of the Lakeside Wastewater Treatment Plant. Debt Service decreased \$389,314, due to a decline in principal and interest payments, as the County received a loan deferral from the Ohio Department of Development on the Leesburg Industrial Park loan.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009

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**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 \$30,344,095 and disbursements of \$30,581,707. The Public Assistance Fund had a slight decrease of \$9,118. The General, Real Estate Assessment, Repair MVL and Board of Developmental Disabilities all saw increases in fund balances for the year. The \$162,949 increase in the General Fund was the result of overall decreases in disbursements, which resulted in a 9.5 percent increase in receipts over disbursements from 2008 to 2009. The \$98,025 increase in the Real Estate Assessment Fund was due simply to revenues exceeding disbursements for the year, as the County accumulates resources to fund the 2012 tax year reappraisal. The \$59,932 increase in the Repair MVL Fund was due to increases in Miscellaneous receipts. The \$187,281 increase in the Board of Developmental Disabilities Fund was due to an increase in Payments in Lieu of Taxes receipts.

**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 2009, the County amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above original and final budgeted receipts due to an increase in sales tax collections and fines and forfeitures, offset by decreases in property taxes.

Final disbursements were budgeted at \$8,666,272 while actual disbursements were \$8,276,049. The County's original appropriations were \$9,001,057. The variance between original and final appropriations was \$334,785, 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 \$390,223 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.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009

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**Debt**

At December 31, 2009, the County's outstanding debt included \$6,678,796 in general obligation bonds issued for improvements to buildings and structures, and \$11,566,620 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 12 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 few years, both residential and commercial development in Highland County have decreased considerably. There continues to be limited commercial development, primarily in the form of small strip malls along Harry Sauner Road. Several of these shops remain unoccupied. Some of the shops have closed. Highland County has been severely affected by the closing of DHL in Wilmington. Johnson Controls, a major employer in the Greenfield area has also closed. Highland County continues to be among the highest in unemployment in the State.

Sales of existing homes have continued to decrease, with several homes being on the market for many months. The only sales that have held even close are vacant agricultural land. Conveyance fees and recording fees have decreased, adversely affecting County General Fund receipts. There have been many Sheriff sales, mostly due to mortgage repossession. There are a few delinquent tax sales. The County Treasurer and 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, 2009

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,698,251	\$303,222	\$6,001,473
Cash and Cash Equivalents in Segregated Accounts	2,866	0	2,866
Cash and Cash Equivalents with Fiscal Agents	184,798		184,798
<i>Total Assets</i>	<u>\$5,885,915</u>	<u>\$303,222</u>	<u>\$6,189,137</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$491,204	\$0	\$491,204
Debt Service	465,219	0	465,219
Other Purposes	4,406,629	0	4,406,629
Unrestricted	522,863	303,222	826,085
<i>Total Net Assets</i>	<u>\$5,885,915</u>	<u>\$303,222</u>	<u>\$6,189,137</u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2009

	Program Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$2,495,703	\$1,270,784	\$5,748	\$0
Judicial	1,455,121	389,117	122,622	0
Public Safety	4,320,809	518,893	379,686	0
Public Works	5,274,214	98,766	4,500,093	0
Health	5,123,745	873,526	2,769,104	0
Human Services	8,723,554	280,771	7,177,308	0
Other	10,841	0	0	0
Capital Outlay	1,433,734	84,405	0	1,482,705
Debt Service:				
Principal Retirement	1,086,191	0	0	0
Interest and Fiscal Charges	657,795	0	0	0
<i>Total Governmental Activities</i>	<u>30,581,707</u>	<u>3,516,262</u>	<u>14,954,561</u>	<u>1,482,705</u>
<b>Business-Type Activity</b>				
Sewer	538,648	559,846	0	0
<i>Total Primary Government</i>	<u>\$31,120,355</u>	<u>\$4,076,108</u>	<u>\$14,954,561</u>	<u>\$1,482,705</u>

**General Receipts**

Property Taxes Levied for:

General Purposes

Emergency Management

Road Improvements

Board of Developmental Disabilities

Sales Taxes Levied for General Purposes

Conveyance Fees

Payments in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Proceeds of Ohio Water Development Authority Loan

Proceeds of Notes

Proceeds from Sale of Capital Assets

Miscellaneous

*Total General Receipts*

Change in Net Assets

*Net Assets at Beginning of Year , Restated*

*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
(\$1,219,171)	\$0	(\$1,219,171)
(943,382)	0	(943,382)
(3,422,230)	0	(3,422,230)
(675,355)	0	(675,355)
(1,481,115)	0	(1,481,115)
(1,265,475)	0	(1,265,475)
(10,841)	0	(10,841)
133,376	0	133,376
(1,086,191)	0	(1,086,191)
(657,795)	0	(657,795)
(10,628,179)	0	(10,628,179)
0	21,198	21,198
(10,628,179)	21,198	(10,606,981)
1,647,951	0	1,647,951
8,361	0	8,361
6,624	0	6,624
1,647,902	0	1,647,902
4,826,987	0	4,826,987
263,436	0	263,436
148,665	0	148,665
1,223,927	0	1,223,927
33,302	0	33,302
160,883	0	160,883
180,408	0	180,408
28,732	0	28,732
583,412	0	583,412
10,760,590	0	10,760,590
132,411	21,198	153,609
5,753,504	282,024	6,035,528
\$5,885,915	\$303,222	\$6,189,137

Highland County, Ohio  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2009

	General Fund	Public Assistance Fund	Real Estate Assessment Fund
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$522,863	\$160,693	\$591,895
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	162,839	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
<i>Total Assets</i>	<u>\$685,702</u>	<u>\$160,693</u>	<u>\$591,895</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$0	\$0	\$0
Reserved for Unclaimed Monies	162,839	0	0
Reserved for Southern Ohio Council of Governments	0	0	0
Unreserved:			
Undesignated, Reported in:			
General Fund	522,863	0	0
Special Revenue Funds	0	160,693	591,895
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>\$685,702</u>	<u>\$160,693</u>	<u>\$591,895</u>

See accompanying notes to the basic financial statements

Repair MVL Fund	Board of Developmental Disabilities Fund	Other Governmental Funds	Total Governmental Funds
\$445,168	\$897,055	\$2,917,738	\$5,535,412
0	0	0	162,839
0	0	2,866	2,866
0	184,798		184,798
<u>\$445,168</u>	<u>\$1,081,853</u>	<u>\$2,920,604</u>	<u>\$5,885,915</u>
\$106,959	\$0	\$0	\$106,959
0	0	0	162,839
0	184,798	0	184,798
0	0	0	522,863
338,209	897,055	1,964,181	3,952,033
0	0	465,219	465,219
0		491,204	491,204
<u>\$445,168</u>	<u>\$1,081,853</u>	<u>\$2,920,604</u>	<u>\$5,885,915</u>

Highland County, Ohio  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2009

	General Fund	Public Assistance Fund	Real Estate Assessment Fund
<b>Receipts</b>			
Property Taxes	\$1,647,951	\$0	\$0
Sales Taxes	4,826,987	0	0
Charges for Services	1,060,624	163,701	422,704
Licenses and Permits	2,845	0	0
Fines and Forfeitures	101,614	0	0
Intergovernmental	1,318,654	4,380,084	0
Payments in Lieu of Taxes	18,901	0	0
Special Assessments	0	0	0
Interest	24,112	0	0
Rentals	64,560	0	0
Contributions and Donations	0	0	0
Miscellaneous	275,518	0	0
<i>Total Receipts</i>	<u>9,341,766</u>	<u>4,543,785</u>	<u>422,704</u>
<b>Disbursements</b>			
Current:			
General Government:			
Legislative and Executive	1,874,613	0	324,679
Judicial	1,335,931	0	0
Public Safety	3,522,127	0	0
Public Works	792,825	0	0
Health	282,886	0	0
Human Services	456,826	4,552,903	0
Other	10,841	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Disbursements</i>	<u>8,276,049</u>	<u>4,552,903</u>	<u>324,679</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,065,717</u>	<u>(9,118)</u>	<u>98,025</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Ohio Water Development Authority Loan	0	0	0
Proceeds of Notes	0	0	0
Proceeds from Sale of Capital Assets	28,732	0	0
Transfers In	16,499	0	0
Transfers Out	(947,999)	0	0
Advances In	30,500	0	0
Advances Out	(30,500)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(902,768)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	162,949	(9,118)	98,025
<i>Fund Balances at Beginning of Year, Restated</i>	<u>522,753</u>	<u>169,811</u>	<u>493,870</u>
<i>Fund Balances at End of Year</i>	<u>\$685,702</u>	<u>\$160,693</u>	<u>\$591,895</u>

See accompanying notes to the basic financial statements

Repair MVL Fund	Board of Developmental Disabilities Fund	Other Governmental Funds	Total Governmental Funds
\$6,624	\$1,647,902	\$8,361	\$3,310,838
0	0	0	4,826,987
43,684	484,644	1,192,115	3,367,472
0	0	105,829	108,674
1,097	0	136,281	238,992
4,223,172	1,616,249	5,288,188	16,826,347
0	129,764	0	148,665
0	0	484,401	484,401
4,878	3,016	9,190	41,196
0	0	0	64,560
0	7,389	270,807	278,196
11,472	62,678	298,099	647,767
<u>4,290,927</u>	<u>3,951,642</u>	<u>7,793,271</u>	<u>30,344,095</u>
0	0	296,411	2,495,703
0	0	119,190	1,455,121
0	0	798,682	4,320,809
4,230,995	0	250,394	5,274,214
0	3,746,122	1,094,737	5,123,745
0	0	3,713,825	8,723,554
0	0	0	10,841
0	0	1,433,734	1,433,734
0	0	1,086,191	1,086,191
0	0	657,795	657,795
<u>4,230,995</u>	<u>3,746,122</u>	<u>9,450,959</u>	<u>30,581,707</u>
<u>59,932</u>	<u>205,520</u>	<u>(1,657,688)</u>	<u>(237,612)</u>
0	0	160,883	160,883
0	0	180,408	180,408
0	0	0	28,732
0	56,014	1,193,524	1,266,037
0	(34,253)	(283,785)	(1,266,037)
0	0	128,500	159,000
0	(40,000)	(88,500)	(159,000)
<u>0</u>	<u>(18,239)</u>	<u>1,291,030</u>	<u>370,023</u>
59,932	187,281	(366,658)	132,411
<u>385,236</u>	<u>894,572</u>	<u>3,287,262</u>	<u>5,753,504</u>
<u>\$445,168</u>	<u>\$1,081,853</u>	<u>\$2,920,604</u>	<u>\$5,885,915</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,006,635	\$2,006,635	\$1,662,411	(\$344,224)
Sales Taxes	3,780,301	4,561,148	4,826,987	265,839
Charges for Services	830,638	1,002,212	1,060,624	58,412
Licenses and Permits	2,228	2,688	2,845	157
Fines and Forfeitures	79,580	96,018	101,614	5,596
Intergovernmental	1,032,717	1,246,031	1,318,654	72,623
Payments in Lieu of Taxes	14,803	17,860	18,901	1,041
Interest	18,884	22,784	24,112	1,328
Rentals	50,561	61,004	64,560	3,556
Miscellaneous	215,775	260,344	275,518	15,174
<i>Total Receipts</i>	<u>8,032,122</u>	<u>9,276,724</u>	<u>9,356,226</u>	<u>79,502</u>
<b>Disbursements</b>				
Current:				
General Government				
Legislative and Executive	2,038,835	1,963,003	1,874,613	88,390
Judicial	1,452,963	1,398,921	1,335,931	62,990
Public Safety	3,830,676	3,688,199	3,522,127	166,072
Public Works	862,279	830,207	792,825	37,382
Health	307,668	296,224	282,886	13,338
Human Services	496,845	478,366	456,826	21,540
Other	11,791	11,352	10,841	511
<i>Total Disbursements</i>	<u>9,001,057</u>	<u>8,666,272</u>	<u>8,276,049</u>	<u>390,223</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(968,935)</u>	<u>610,452</u>	<u>1,080,177</u>	<u>469,725</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	22,502	27,150	28,732	1,582
Transfers In	12,921	15,590	16,499	909
Transfers Out	(1,031,047)	(992,698)	(947,999)	44,699
Advances In	23,886	28,820	30,500	1,680
Advances Out	(33,172)	(31,938)	(30,500)	1,438
<i>Total Other Financing Sources (Uses)</i>	<u>(1,004,910)</u>	<u>(953,076)</u>	<u>(902,768)</u>	<u>50,308</u>
<i>Net Change in Fund Balance</i>	<u>(1,973,845)</u>	<u>(342,624)</u>	<u>177,409</u>	<u>520,033</u>
<i>Fund Balance at Beginning of Year</i>	<u>432,633</u>	<u>432,633</u>	<u>432,633</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$1,541,212)</u>	<u>\$90,009</u>	<u>\$610,042</u>	<u>\$520,033</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$234,010	\$163,681	\$163,701	\$20
Intergovernmental	6,261,316	4,379,547	4,380,084	537
<i>Total Receipts</i>	<u>6,495,326</u>	<u>4,543,228</u>	<u>4,543,785</u>	<u>557</u>
<b>Disbursements</b>				
Current:				
Human Services	6,495,326	4,713,039	4,552,903	160,136
<i>Total Disbursements</i>	<u>6,495,326</u>	<u>4,713,039</u>	<u>4,552,903</u>	<u>160,136</u>
<i>Net Change in Fund Balance</i>	0	(169,811)	(9,118)	160,693
<i>Fund Balance at Beginning of Year</i>	<u>169,811</u>	<u>169,811</u>	<u>169,811</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$169,811</u></u>	<u><u>\$0</u></u>	<u><u>\$160,693</u></u>	<u><u>\$160,693</u></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  
Real Estate Assessment Fund  
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$304,144	\$304,144	\$426,166	\$122,022
<i>Total Receipts</i>	<u>304,144</u>	<u>304,144</u>	<u>426,166</u>	<u>122,022</u>
<b>Disbursements</b>				
Current:				
General Government				
Legislative and Executive	347,817	357,817	324,679	33,138
<i>Total Disbursements</i>	<u>347,817</u>	<u>357,817</u>	<u>324,679</u>	<u>33,138</u>
<i>Net Change in Fund Balance</i>	(43,673)	(53,673)	101,487	155,160
<i>Fund Balance at Beginning of Year</i>	<u>467,314</u>	<u>467,314</u>	<u>467,314</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$423,641</u></u>	<u><u>\$413,641</u></u>	<u><u>\$568,801</u></u>	<u><u>\$155,160</u></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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$7,370	\$6,864	\$6,875	\$11
Charges for Services	46,828	43,613	43,684	71
Fines and Forfeitures	1,176	1,095	1,097	2
Intergovernmental	4,527,100	4,216,354	4,223,172	6,818
Interest	5,229	4,870	4,878	8
Miscellaneous	12,297	11,454	11,472	18
<i>Total Receipts</i>	<u>4,600,000</u>	<u>4,284,250</u>	<u>4,291,178</u>	<u>6,928</u>
<b>Disbursements</b>				
Current:				
Public Works	4,600,000	4,615,316	4,337,954	277,362
<i>Total Disbursements</i>	<u>4,600,000</u>	<u>4,615,316</u>	<u>4,337,954</u>	<u>277,362</u>
<i>Net Change in Fund Balance</i>	0	(331,066)	(46,776)	284,290
<i>Fund Balance at Beginning of Year</i>	324,138	324,138	324,138	0
Prior Year Encumbrances Appropriated	<u>60,353</u>	<u>60,353</u>	<u>60,353</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$384,491</u>	<u>\$53,425</u>	<u>\$337,715</u>	<u>\$284,290</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  
Board of Developmental Disabilities Fund  
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$1,849,750	\$1,849,750	\$1,718,761	(\$130,989)
Charges for Services	497,917	456,971	484,644	27,673
Intergovernmental	1,660,513	1,523,962	1,616,249	92,287
Payments in Lieu of Taxes	133,318	122,355	129,764	7,409
Contributions and Donations	7,591	6,967	7,389	422
<i>Total Receipts</i>	<u>4,149,089</u>	<u>3,960,005</u>	<u>3,956,807</u>	<u>(3,198)</u>
<b>Disbursements</b>				
Current:				
Health	3,960,917	4,143,832	3,746,122	397,710
<i>Total Disbursements</i>	<u>3,960,917</u>	<u>4,143,832</u>	<u>3,746,122</u>	<u>397,710</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>188,172</u>	<u>(183,827)</u>	<u>210,685</u>	<u>394,512</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	57,548	52,816	56,014	3,198
Transfers Out	(36,217)	(37,889)	(34,253)	3,636
Advances Out	(42,294)	(44,247)	(40,000)	4,247
<i>Total Other Financing Sources (Uses)</i>	<u>(20,963)</u>	<u>(29,320)</u>	<u>(18,239)</u>	<u>11,081</u>
<i>Net Change in Fund Balance</i>	167,209	(213,147)	192,446	405,593
<i>Fund Balance at Beginning of Year</i>	<u>653,309</u>	<u>653,309</u>	<u>653,309</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$820,518</u></u>	<u><u>\$440,162</u></u>	<u><u>\$845,755</u></u>	<u><u>\$405,593</u></u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Fund Net Assets - Cash Basis  
Proprietary Fund  
December 31, 2009

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	<u>Enterprise Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$303,222</u>
<b>Net Assets</b>	
Unrestricted	<u>\$303,222</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, 2009

	<u>Enterprise Fund</u>
<b>Operating Receipts</b>	
Charges for Services	\$559,846
<b>Operating Disbursements</b>	
Contractual Services	538,648
<i>Change in Net Assets</i>	21,198
<i>Net Assets at Beginning of Year</i>	282,024
<i>Net Assets at End of Year</i>	\$303,222

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
December 31, 2009

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	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,641,598
Cash and Cash Equivalents in Segregated Accounts	<u>707,245</u>
<i>Total Assets</i>	<u><u>2,348,843</u></u>
<b>Net Assets</b>	
Undistributed Monies	<u><u>\$2,348,843</u></u>

See accompanying notes to the basic financial statements

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**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 Developmental Disabilities 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 Board of Developmental Disabilities. The workshop, under contractual agreement with the Highland County Board of Developmental Disabilities, provides sheltered employment for mentally and/or physically handicapped adults in Highland County.

The Highland County Board of Developmental Disabilities 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**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 four 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  
Southern Ohio Council of Governments  
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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies** (continued)

and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**B. Fund Accounting**

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. 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.

Real Estate Assessment – This fund accounts for State mandated county-wide real estate reappraisals that are funded by charges to the political subdivisions located in the County.

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 Developmental Disabilities – 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.

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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

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 2009. 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

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 2009, the County invested in 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, 2009.

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 2009 were \$24,112, which includes \$22,653 assigned from other County funds.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies** (continued)

F. Restricted Assets

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

G. Capital Assets

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

H. Interfund Receivables/Payables

The County reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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 \$5,363,052 of restricted net assets, none of which are restricted by enabling legislation.

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 receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**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 balance for the year ended December 31, 2009 in the amount of \$1,541,212. 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.

**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). 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>Real Estate Assessment</u>	<u>Repair MVL</u>	<u>Board of Developmental Disabilities</u>
Cash Basis	\$162,949	(\$9,118)	\$98,025	\$59,932	\$187,281
Encumbrances	0	0	0	(106,959)	0
Agency Fund Distribution:					
Beginning of Year	90,120	0	26,556	745	56,465
End of Year	<u>(75,660)</u>	<u>0</u>	<u>(23,094)</u>	<u>(494)</u>	<u>(51,300)</u>
Budget Basis	<u>\$177,409</u>	<u>(\$9,118)</u>	<u>\$101,487</u>	<u>(\$46,776)</u>	<u>\$192,446</u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**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;
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;

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 5 - Deposits and Investments** (continued)

9. Up to 25 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 \$500 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 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Up to 15 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;
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, 2009, the County's only investment was in the Fifth Third Institutional Money Market Mutual Fund. It had a carrying value of \$5,670,885, and matures in less than one year.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 5 - Deposits and Investments** (continued)

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.

The money market mutual fund carries a rating of Aaa by Moodys. 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 2009, the County received a total of \$4,826,987. 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 45 days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**Note 7 - Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the County. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 7 - Property Taxes** (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all County operations for the year ended December 31, 2009, was \$9.25 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential and Agricultural	\$539,067,900
Other	84,735,760
Public Utility Property	
Real	144,730
Personal	26,989,500
General Business Personal	4,013,730
Total Assessed Value	<u><u>\$654,951,620</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes. 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**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 2009, 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)	60,037,307
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 2008, and settled claims have not exceeded this coverage in the past five years. The County pays all elected officials' bonds by statute.

For 2009, 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 8 - Risk Management** (continued)

The County may withdraw from the Plan if written notice is provided 60 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 Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 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, 2009, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The County's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, 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; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 9 - Defined Benefit Pension Plans** (continued)

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$1,523,020, \$1,656,599, and \$1,610,714, respectively; The full amount has been contributed for 2009, 2008 and 2007. Contributions to the Member-Directed Plan for 2009 were \$10,064 made by the County and \$7,189 made by plan members.

B. State Teachers Retirement System of Ohio

Plan Description – Certified teachers employed by the school for 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 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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.



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 9 - Defined Benefit Pension Plans** (continued)

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent for 2009, 13 percent was 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$38,022, \$39,809, and \$36,929, respectively. The full amount has been contributed for 2009, 2008, and 2007. There were no contributions to the DC and Combined Plans for fiscal year 2009 made by the plan members.

**Note 10 - Post-Employment 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 Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability 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 administrated 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 OPERS is set aside for the funding of post-retirement health care.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 10 - Post-Employment Benefits** (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$761,510, \$828,300, and \$639,634, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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](http://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, 2009, 2008, and 2007. The 14.0 percent contribution is the maximum rate allowed under Ohio law.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 10 - Post-Employment Benefits** (continued)

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, 2009, 2008, and 2007 were \$2,925, \$2,844, and \$1,896, respectively. The full amount has been contributed for 2009, 2008 and 2007.

**Note 11 - Short-Term Debt**

A summary of the short-term note transactions for the year-ended December 31, 2009 follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
<u>Short-Term Liabilities</u>					
2008 Building Improvement Bond					
Anticipation Note	3.00%	\$196,000	\$0	\$196,000	\$0
2009 Childrens Services Tax					
Anticipation Note	0.00%	0	180,408	0	180,408
Total Short-Term Liabilities		<u>\$196,000</u>	<u>\$180,408</u>	<u>\$196,000</u>	<u>\$180,408</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 County paid \$21,000 on the bond anticipation note in 2009 and the remaining notes were bonded on June 3, 2009.

**2009 Children's Services Tax Anticipation Note**

On August 12, 2009, the County entered into a \$180,408 note agreement with an individual for the purpose of making payments to foster parents. The final payment on the note is due August 12, 2010 from the Childrens Services Special Revenue Fund.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 12 - Long -Term Debt**

The County's long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>General Obligation Bonds:</u>						
1994 GO Bonds Series B						
Madison Township	4.50%	\$95,900	\$0	\$2,000	\$93,900	\$2,100
1996 GO Bonds Series A						
Tec Center	5.00%	709,000	0	74,300	634,700	77,900
1996 GO Bonds Series B						
Tec Center	5.00%	259,300	0	27,100	232,200	28,600
2002 GO Bonds						
Correctional Facilities	1.5 - 4.8%	3,870,000	0	210,000	3,660,000	215,000
2008 GO Bonds Various Purpose						
Refunding and Improvement Bonds Board of Developmental Disabilities	5.05%	460,000	0	16,004	443,996	14,375
2005 GO Bonds						
Various Purpose	4.80%	1,498,000	0	59,000	1,439,000	62,000
2009 GO Bonds Board of Health						
Building Improvement	3.50%	0	175,000	0	175,000	17,500
Total GO Bonds		<u>6,892,200</u>	<u>175,000</u>	<u>388,404</u>	<u>6,678,796</u>	<u>417,475</u>
<u>OPWC Loans:</u>						
1996 OPWC Rocky Fork Lake						
Area Wastewater Collection System Loan	0.00%	210,000	0	20,000	190,000	20,000
2003 OPWC Rolling Acres						
WWTP Loan	0.00%	28,441	0	2,107	26,334	2,107
Total OPWC Loans		<u>238,441</u>	<u>0</u>	<u>22,107</u>	<u>216,334</u>	<u>22,107</u>
<u>Long-Term Notes:</u>						
Bond Anticipation Note						
Geographic Information System	4.21%	412,925	0	17,000	395,925	18,000
Bond Anticipation Note						
Real Estate Acquisition	4.21%	137,000	0	6,000	131,000	6,000
Bond Anticipation Note						
Airport Improvement	6.00%	1,047,000	0	44,000	1,003,000	45,000
Bond Anticipation Note						
Juvenile Detention Center	3.40%	590,000	0	20,000	570,000	25,000
Bond Anticipation Note						
Various Purpose	4.07%	780,000	0	134,000	646,000	140,000
Total Long-Term Notes		<u>2,966,925</u>	<u>0</u>	<u>221,000</u>	<u>2,745,925</u>	<u>234,000</u>
<u>OWDA Loans:</u>						
1998 OWDA Rocky Fork						
Water Pollution Control Loan	2.20%	5,009,584	0	387,329	4,622,255	395,897
2004 OWDA Highland-Leesburg						
Sewer Loan	3.98%	741,203	0	15,234	725,969	15,846
2006 OWDA Mowrystown Sewer Loan	3.92%	1,908,235	160,883	38,217	2,030,901	39,730
Total OWDA Loans		<u>7,659,022</u>	<u>160,883</u>	<u>440,780</u>	<u>7,379,125</u>	<u>451,473</u>
<u>Other Long-Term Obligations:</u>						
1994 Special Assessment Bonds Series A						
Madison Township	4.50%	663,400	0	13,900	649,500	14,600
2002 ODOD Leesburg						
Industrial Park Loan	2.10%	575,736	0	0	575,736	67,250
Total Other Long-Term Obligations		<u>1,239,136</u>	<u>0</u>	<u>13,900</u>	<u>1,225,236</u>	<u>81,850</u>
Total Long-Term Liabilities		<u>\$18,995,724</u>	<u>\$335,883</u>	<u>\$1,086,191</u>	<u>\$18,245,416</u>	<u>\$1,206,905</u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 12 - 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.

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 Board of Developmental Disabilities Construction Debt Retirement Fund.

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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 12 - Long-Term Debt** (continued)

2009 Board of Health Building Improvement General Obligation Bonds

On June 3, 2009, the County issued \$175,000 in general obligation bonds for the purpose of refunding 2008 bond anticipation notes that were used for making improvements to a building for use by the Board of Health. The bonds mature in 2019 and will be paid from the County Board of Health Agency Fund.

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 Wastewater 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.

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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 12 - Long-Term Debt** (continued)

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 final payment on the loan is due in 2036 and payments will be made 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.

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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 12 - Long-Term Debt** (continued)

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

Year	General Obligation Bonds		OPWC Loans	Long-Term Notes	
	Principal	Interest	Principal	Principal	Interest
2010	\$417,475	\$316,092	\$22,107	\$234,000	\$116,802
2011	436,610	297,943	22,107	243,000	106,460
2012	450,983	278,964	22,107	251,000	95,760
2013	470,895	258,755	22,107	125,000	87,521
2014	491,949	237,627	22,107	130,000	81,807
2015-2019	2,362,558	831,156	100,534	703,000	314,939
2020-2024	1,741,990	269,013	5,265	837,000	147,243
2025-2029	278,536	27,797	0	222,925	7,262
2030-2034	27,800	3,866	0	0	0
<b>Total</b>	<b>\$6,678,796</b>	<b>\$2,521,213</b>	<b>\$216,334</b>	<b>\$2,745,925</b>	<b>\$957,794</b>

Year	OWDA Loans		Special Assessment Bonds		ODOD Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$451,473	\$115,262	\$14,600	\$29,228	\$67,250	\$22,364
2011	462,441	118,867	15,200	28,570	69,967	19,647
2012	473,690	109,253	15,900	27,886	72,794	16,820
2013	485,228	99,414	16,600	27,171	75,735	13,879
2014	497,064	258,236	17,400	26,424	78,794	10,819
2015-2019	2,673,853	121,051	99,400	119,651	211,196	47,383
2020-2024	689,353	95,583	123,800	95,189	0	0
2025-2029	506,474	56,770	154,300	64,706	0	0
2030-2034	648,913	41,372	192,300	26,716	0	0
2035-2036	490,636	6,357	0	0	0	0
<b>Total</b>	<b>\$7,379,125</b>	<b>\$1,022,165</b>	<b>\$649,500</b>	<b>\$445,541</b>	<b>\$575,736</b>	<b>\$130,912</b>



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 12 - Long-Term Debt** (continued)

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 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 \$1,778,469 at December 31, 2009.

**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. Total lease payments for 2009 totaled \$62,473.

Future lease payments are as follows:

Year	Police Cruisers	F250 Dog Warden	F250 Sheriff	Bobcat	Total
2010	\$22,564	\$5,089	\$7,253	\$13,323	\$48,229
2011	16,996	0	7,253	0	24,249
Total	<u>\$39,560</u>	<u>\$5,089</u>	<u>\$14,506</u>	<u>\$13,323</u>	<u>\$72,478</u>

**Note 14 - Interfund Activity**

A. Interfund Transfers

During 2009 the following transfers were made:

		Transfer From			
		General Fund	Board of Developmental Disabilities	Other Governmental Funds	Total
Transfer To	Major Funds:				
	General	\$0	\$0	\$16,499	\$16,499
	Board of Developmental Disabilities	0	0	56,014	56,014
	Other Governmental	947,999	34,253	211,272	1,193,524
Total All Funds		<u>\$947,999</u>	<u>\$34,253</u>	<u>\$283,785</u>	<u>\$1,266,037</u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 14 - Interfund Activity** (continued)

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 Developmental Disabilities represents transfers for operational needs.

**B. Interfund Advances**

Interfund balances at December 31, 2009, consisted of the following individual fund receivables and payables:

		Advances Out			Total
		General Fund	Board of MRDD Fund	Other Governmental Funds	
Advances In	Major Funds:				
	General	\$0	\$0	\$30,500	\$30,500
	Other Governmental Funds	30,500	40,000	58,000	128,500
	Total All Funds	<u>\$30,500</u>	<u>\$40,000</u>	<u>\$88,500</u>	<u>\$159,000</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 2009. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of 12 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 16 - Jointly Governed Organizations** (continued)

**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 18 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.

**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.

**D. Southern Ohio Council of Governments**

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a 15 member board with each participating County represented by its Director of its Board of Developmental Disabilities. Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio, 45601

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**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 reasonably determinable. The County's payment to CORSA for insurance in 2009 was \$150,372.

**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 of Ohio 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

**Note 18 – Restatement of Net Assets/Fund Balance**

The cash and investment balances held on hand with the Southern Ohio Council of Governments on behalf of the County were understated on the prior year report. The prior period adjustment increases the cash balances for 2008 and reflects the balance within the Board of Developmental Disabilities fund. This restatement had the following effect on beginning net assets/fund balance:

	Governmental Activities	Board of Developmental Disabilities Fund
Net Assets/Fund Balance, December 31, 2008	\$5,634,400	\$775,468
Restatement for Cash Balance with COG	119,104	119,104
Restated Net Assets/Fund Balance, January 1, 2009	5,753,504	894,572

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**HIGHLAND COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through the Ohio Department of Education:</i>				
Board of Developmental Disabilities				
<b>Food Distribution Program</b>	N/A	10.550		\$6,211
<b>National School Lunch Program</b>	066035-LLP4-2009	10.555	5,075	
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Job and Family Services				
FSET	G-1011-11-5054 / G-89-20-1079	10.561	2,537	
ARRA - Supplemental Nutrition Assistance Program (Administrative Costs)	G-1011-11-5054 / G-89-20-1079	10.561	26,012	
Supplemental Nutrition Assistance Program (Administrative Costs)	G-1011-11-5054 / G-89-20-1079	10.561	257,933	
<b>Total CFDA Number 10.561</b>			<b>286,482</b>	
<b>Total U.S. Department of Agriculture</b>			<b>291,557</b>	<b>6,211</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department Developmental Disabilities:</i>				
Board of Developmental Disabilities				
Social Services Block Grant - Title XX	N/A	93.667	28,522	
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Job and Family Services				
Social Services Block Grant - Title XX	G-1011-11-5054 / G-89-20-1079	93.667	196,537	
<b>Total CFDA Number 93.667</b>			<b>225,059</b>	
<i>Passed Through Ohio Department Developmental Disabilities:</i>				
Board of Developmental Disabilities				
Medical Assistance Program - Title XIX (retro efmap)		93.778	37,287	
Medical Assistance Program - Title XIX (Level 1 efmap)		93.778	1,162	
Medical Assistance Program - Title XIX (TCM efmap)		93.778	2,626	
Medical Assistance Program - Title XIX (I/O efmap)		93.778	9,813	
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Children's Services Board				
Medical Assistance Program - Child Welfare Related	G-1011-11-5055 / G-89-20-1080	93.778	26,517	
Job and Family Services				
Medical Assistance Program - NET	G-1011-11-5054 / G-89-20-1079	93.778	364,567	
Medical Assistance Program - PRST	G-1011-11-5054 / G-89-20-1079	93.778	5,873	
Medical Assistance Program - Title XIX	G-1011-11-5054 / G-89-20-1079	93.778	229,633	
<b>Total CFDA Number 93.778</b>			<b>677,478</b>	
Children's Services Board				
KPIP Admin/Outreach	G-1011-11-5055 / G-89-20-1080	93.558	1,416	
TANF Independent Living	G-1011-11-5055 / G-89-20-1080	93.558	1,421	
Job and Family Services				
Child Care Services CCDF	G-1011-11-5054 / G-89-20-1079	93.558	207,213	
County Child Care Adm 2	G-1011-11-5054 / G-89-20-1079	93.558	93,105	
Early Start Help Me Grow	G-1011-11-5054 / G-89-20-1079	93.558	123,214	
TANF	G-1011-11-5054 / G-89-20-1079	93.558	1,164,061	
<b>Total CFDA Number 93.558</b>			<b>1,590,430</b>	
Job and Family Services				
Child Care Services CCDF	G-1011-11-5054 / G-89-20-1079	93.575	228,275	
Quality Child Care	G-1011-11-5054 / G-89-20-1079	93.575	13,247	
<b>Total CFDA Number 93.575</b>			<b>241,522</b>	
Child Care Services CCDF	G-1011-11-5054 / G-89-20-1079	93.596	189,611	
County Child Care Adm.	G-1011-11-5054 / G-89-20-1079	93.596	90,275	
<b>Total CFDA Number 93.596</b>			<b>279,886</b>	
<b>CCDF Stimulus</b>	G-1011-11-5054 / G-89-20-1079	93.713	84,126	
<b>Total Child Care Cluster</b>			<b>605,534</b>	
<b>State Children's Health Insurance Program (SCHIP)</b>	G-1011-11-5054 / G-89-20-1079	93.767	10,270	

(Continued)

**HIGHLAND COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
Job and Family Services				
Child Support	G-1011-11-5054 / G-89-20-1079	93.563	361,561	
Child Support Stimulus	G-1011-11-5054 / G-89-20-1079	93.563	121,207	
Children's Services Board				
ESAA	G-1011-11-5055 / G-89-20-1080	93.563	4,928	
<b>Total CFDA Number 93.563</b>			<b>487,696</b>	
Children's Services Board				
<b>Child Welfare Services - IV-B</b>	G-1011-11-5055 / G-89-20-1080	<b>93.645</b>	<b>63,911</b>	
<b>Child Abuse and Neglect</b>	G-1011-11-5055 / G-89-20-1080	<b>93.669</b>	<b>2,000</b>	
<b>Chafee Foster Care Independence Program</b>	G-1011-11-5055 / G-89-20-1080	<b>93.674</b>	<b>6,374</b>	
<b>Foster Care - Protect Ohio</b>	G-1011-11-5055 / G-89-20-1080	<b>93.658</b>	<b>197,556</b>	
Adoption Assistance	G-1011-11-5055 / G-89-20-1080	93.659	79,286	
Non-Recurring Adoption	G-1011-11-5055 / G-89-20-1080	93.659	1,811	
<b>Total CFDA Number 93.659</b>			<b>81,097</b>	
<b>Promoting Safe and Stable Families</b>	G-1011-11-5055 / G-89-20-1080	<b>93.556</b>	<b>19,448</b>	
<i>Passed Through Ohio Department of Health:</i>				
Job and Family Services				
<b>Help Me Grow</b>	03610021HG0209	<b>84.181</b>	<b>38,283</b>	
<b>Help Me Grow - Stimulus</b>	03610021HG0209	<b>84.181</b>	<b>13,426</b>	
<b>Total CFDA Number 84.181</b>			<b>51,709</b>	
<i>Passed Through Ohio Secretary of State:</i>				
<b>03OHVOTE - HHS Grants</b>	<b>N/A</b>	<b>93.617</b>	<b>5,176</b>	
<b>Total U.S. Department of Health and Human Services</b>			<b>4,023,738</b>	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through the Ohio Department of Development:</i>				
Community Development Block Grants	B-F-08-033-1	14.228	83,945	
Community Development Block Grants	B-F-07-033-1	14.228	25,854	
Community Development Block Grants	B-C-07-033-1	14.228	25,854	
<b>Total CFDA Number 14.228</b>			<b>135,653</b>	
Home Investment Partnership Program	B-C-07-033-2	14.239	298,516	
<b>Total U.S. Department of Housing and Urban Development</b>			<b>434,169</b>	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States:				
Special Education Cluster:				
Special Education - Grants to States	066035-6BSF-2009	84.027	14,654	
Special Education - Preschool Grants	066035-PGSI-2009	84.173	5,543	
<b>Total Special Education Cluster</b>			<b>20,197</b>	
<b>Innovative Education Program Strategies</b>	<b>066035-C2S1-09</b>	<b>84.298</b>	<b>29</b>	
<b>Total U.S. Department of Education</b>			<b>20,226</b>	
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through the Ohio Attorney General:</i>				
Crime Victim Assistance	2009-VAGENE-025T	16.575	76,953	
Crime Victim Assistance	2009-SAGENE-025T	16.575	7,019	
<b>Total CFDA Number 16.575</b>			<b>83,972</b>	



**HIGHLAND COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<i>Passed Through the Bureau of Justice Assistance:</i>				
<b>Bulletproof Vest Program</b>	<b>2009BUBX08044455</b>		<b>16.607</b>	<b>295</b>
<i>Passed Through the Office of Community Oriented Policing Services:</i>				
<b>Methamphetamine Initiative</b>	<b>2007CKWX0219</b>		<b>16.170</b>	<b>86,081</b>
<b>Total U.S. Department of Justice</b>			<b>170,348</b>	
<b>FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through the Ohio Emergency Management Agency</i>				
<b>Emergency Management Performance Grants</b>	<b>2008-EM-E8-0002</b>		<b>97.042</b>	<b>10,299</b>
<b>State Homeland Security Program</b>	<b>2007-GE-T7-0030</b>		<b>97.073</b>	<b>53,388</b>
<b>Total Federal Agency Department of Homeland Security</b>			<b>63,687</b>	
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through the Ohio Department of Job and Family Services</i>				
<i>Workforce Investment Act Cluster:</i>				
Workforce Investment Act - Adult	N/A		17.258	86,702
Workforce Investment Act - Adult Administration				21,516
Workforce Investment Act - Adult Stimulus				76,277
<b>Total CFDA Number 17.258</b>				<b>184,495</b>
<i>Workforce Investment Act - Youth</i>				
Workforce Investment Act - Youth	N/A		17.259	119,213
Workforce Investment Act - Youth Stimulus				160,239
<b>Total CFDA Number 17.259</b>				<b>279,452</b>
<i>Workforce Investment Act - Dislocated Workers</i>				
Workforce Investment Act - Dislocated Workers Administration	N/A		17.260	115,691
Workforce Investment Act - Dislocated Workers Stimulus				23,333
Workforce Investment Act - Dislocated Workers Stimulus				139,603
Workforce Investment Act - Career Advancement Act				7,250
Workforce Investment Act - National Emergency Grant				675,172
Workforce Investment Act - Rapid Response Stimulus				6,842
<b>Total CFDA Number 17.260</b>				<b>967,891</b>
<b>Total U.S. Department of Labor</b>			<b>1,431,838</b>	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed Through the Federal Aviation Administration</i>				
<i>Direct from Federal Government</i>				
<b>FAA Reimbursement of Construction Projects</b>	<b>AIP-3-39-0040-0708</b>		<b>20.106</b>	<b>197,428</b>
<i>Passed through the Ohio Department of Transportation</i>				
<b>Highway Planning and Construction Cluster</b>			<b>23.003</b>	<b>198,332</b>
<b>HIGHLAND COUNTY SHERIFF'S OFFICE</b>				
<i>Passed through the Governor's Highway Safety Office</i>				
<b>Airborne Traffic Enforcement Grant</b>	<b>HVEO-2009-36-00-00-00230-00</b>		<b>20.601</b>	<b>14,944</b>
<b>Total U.S. Department of Transportation</b>			<b>410,704</b>	
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>				
<i>Passed Through the Ohio Secretary of State:</i>				
HAVA Title II - Pollworker Training	N/A		90.401	3,694
HAVA Title II - Paper Ballots	N/A		90.401	3,867
<b>Total CFDA Number 90.401</b>				<b>7,561</b>
<b>Total U.S. Election Assistance Commission</b>			<b>7,561</b>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$6,853,828</b>	<b>\$6,211</b>

## HIGHLAND COUNTY

### NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE FISCAL YEAR ENDED DECEMBER 31, 2009

#### **NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE B - SUBRECIPIENTS**

Highland County passes certain federal awards received from Ohio Department of Jobs and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, Highland County reports expenditures of Federal awards to subrecipients when paid in cash.

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

#### **NOTE C - CHILD NUTRITION CLUSTER**

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

#### **NOTE D - MATCHING REQUIREMENTS**

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



# 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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 15, 2010, 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 units. We also noted the County has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code §117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule of payment of the amount due and seeking payment through the office of budget and management. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 15, 2010.

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, the audit committee, elected officials, and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 15, 2010



# 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, 2009. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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, 2009.

#### 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

We noted matters involving federal compliance or 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 15, 2010.

We intend this report solely for the information and use of the audit committee, management, 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 15, 2010

**HIGHLAND COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Support Enforcement, CFDA #93.563; Child Care Block Grant, CFDA #93.575/93.596/93.713; TANF, CFDA #93.558; Medical Assistance Program, CFDA #93.778; WIA Cluster: CFDA # 17.258/17.259/17.260
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2009-001**

**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.

**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:**

Due to the cost of conversion and increased audit costs, the County has no current plans to convert to GAAP.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1)**, 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.



**FINDING NUMBER 2009-002  
(Continued)**

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.

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.

Twenty-eight percent (28%) 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 has made some progress in reducing the number of purchases that were made before the purchase order was obtained. The County will continue to work with department heads to see that this improvement continues.

**FINDING NUMBER 2009-003**

**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 2009, original appropriations exceeded the original estimated resources in the General Fund in the amount of \$1,541,213.

**FINDING NUMBER 2009-003  
(Continued)**

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 will make every effort to see that his finding is not repeated.

**FINDING NUMBER 2009-004**

**Noncompliance Citation**

**Finding For Recovery – Repaid Under Audit**

During the testing of the Highland County Probation Department supervision fees, discrepancies were noted between duplicate manual receipts issued and recorded in the Department's computer system and the amounts deposited into the county treasury. The Probation Department collects money for various fees. These fees include supervision, drug testing fees, electronic monitoring fees, in-house education and awareness classes, and community service payments. The Probation Department also collects restitution fees. Probation does not have a separate bank account; all activity is run through the County's accounting system and deposited into the County treasury.

During the period December 1, 2008 through July 31, 2010, the Highland County Probation Department collected \$184,288 in fees but only \$170,653 was deposited into the County treasury. The remaining \$13,635 was not deposited into the County treasury.

At the time Probation officers collected fees from probationers, a duplicate receipt was recorded and payment was posted to the Probation Department's computer system. It was the Probation Department's practice to have Probation officers place monies collected into an unlocked desk drawer in the Department Coordinator Jodie Staggs' office, until a pay-in was prepared by Mr. Staggs. Mr. Staggs was responsible for the deposit of Probation Department receipts to the County Treasury.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Jodie Staggs, Probation Department Coordinator, in the amount of \$13,635 and in favor of the Highland County Adult Probation Department. The County received \$13,635 as payment for this finding while under audit.

**Officials' Response from the Highland County Board of Commissioners:**

The Probation Department has enacted the policies recommended by the State Auditor to correct the problems found in the 2009 audit: maintain money in a secure location, deposit money in a timely manner, segregate the cash collection from the cash reconciliation, adopt written policies for handling money, and improve the controls over the receipt process. The sum of \$13,635.00 was recovered and paid to the County by the Probation Department on September 24, 2010.

The Highland County Board of Commissioners directed the Chief Probation Officer of the Highland County Probation Department to provide a written response to the findings of the most recent state audit. It is the understanding of this board that all the recommendations made by your staff to improve and strengthen the accounting and record keeping have been implemented; however, we have additionally asked for this to be documented to us in a written plan of action. We have also informed the Chief Probation Officer that the additional expense resulting from the increased audit time is the responsibility of the Probation Department and must be repaid to the county's General Fund.

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

**None.**

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HIGHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2008-001	Failure to prepare annual financial report in accordance with generally accepted principles. Reported on cash basis.	No.	Repeated as finding 2009-001.
2008-002	Failure to properly certify funds before making purchases.	No.	Repeated as finding 2009-002.
2008-003	Failure to properly classify receipts and to post transfers.	Yes	
2008-004	Failure to reconcile the bank and investment accounts.	Yes	
2008-005	Original appropriations exceeded original estimated resources in General fund.	No	Repeated as finding 2009-003.

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**Mary Taylor, CPA**  
Auditor of State

**HIGHLAND COUNTY 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  
SEPTEMBER 30, 2010**