



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  
114 Governor Foraker Place  
Hillsboro, Ohio 45133

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements of Highland County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash receipts and disbursements basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, where applicable, of the County as of and for the year ended December 31, 2007 in accordance with accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component unit's financial data. The County has not issued reporting entity financial statements. We cannot determine the amounts of assets, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component unit in order to comply with accounting principles generally accepted in the United States of America. In addition, the assets, fund balances, revenues and expenditures of the aggregate remaining fund information are understated by amounts which we cannot determine.

In our opinion, because of the omission of the discretely-presented component unit, as discussed above, the financial statements referred to above do not present fairly, the cash basis financial position of the discretely-presented component unit of Highland County, Ohio, as of December 31, 2007 and the changes in its cash basis financial position, for the year then ended in conformity with the basis of accounting described in Note 2.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of Highland County, Ohio, as of December 31, 2007, and the respective changes in cash basis financial position thereof and the respective budgetary comparison for the General, Public Assistance, Repair MVL, and Board of Mental Retardation and Developmental Disabilities for the year then ended in conformity with basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, 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

December 17, 2008

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

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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, 2007, within the limitations of the County's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$231,004 from the prior year.

Net assets of the County's business-type activity increased by \$74,301 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.

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

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

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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 2007, 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.

**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



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For the Year Ended December 31, 2007  
(Unaudited)

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the intended purpose. The funds of the County are split into three categories: governmental, proprietary and fiduciary.

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

Proprietary Fund - When the County charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The County has no major enterprise funds.

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

**The County as a Whole**

Table 1 provides a summary of the County's net assets for 2007 compared to 2006 on a cash basis:

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Cash and Cash Equivalents	\$6,705,960	\$6,474,956	\$364,141	\$289,840	\$7,070,101	\$6,764,796
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$804,586	\$180,944	\$0	\$0	\$804,586	\$180,944
Debt Service	645,792	615,769	0	0	645,792	615,769
Other Purposes	4,453,636	4,770,660	0	0	4,453,636	4,770,660
Unrestricted	801,946	907,583	364,141	289,840	1,166,087	1,197,423
Total Net Assets	\$6,705,960	\$6,474,956	\$364,141	\$289,840	\$7,070,101	\$6,764,796

As mentioned previously, net assets of governmental activities increased by \$231,004, offset by decreases in unrestricted net assets and net assets restricted for other purposes during 2007. The increase in net assets restricted for capital projects was due to the County's receiving \$900,000 in note proceeds during 2007 which were partially offset by debt service payments.

The net assets of business-type activities increased by \$74,301. The main reasons for the increase was due to increases in sewer fee rates and collections. The increases were necessary to offset contractual services paid to provide sewer upkeep and for future maintenance on the system.

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Table 2 reflects the changes in net assets in 2007 and 2006.

(Table 2)  
Changes in Net Assets

	Governmental Activities		Business Type Activity		Total	
	2007	2006	2007	2006	2007	2006
<b>Receipts</b>						
<b>Program Receipts</b>						
Charges for Services and Sales	\$3,212,310	\$3,331,092	\$626,522	\$419,073	\$3,838,832	\$3,750,165
Operating Grants and Contributions	15,368,819	12,452,751	0	0	15,368,819	12,452,751
Capital Grants and Contributions	839,785	830,265	0	0	839,785	830,265
<b>Total Program Receipts</b>	<b>19,420,914</b>	<b>16,614,108</b>	<b>626,522</b>	<b>419,073</b>	<b>20,047,436</b>	<b>17,033,181</b>
<b>General Receipts</b>						
Property Taxes	3,593,950	3,692,395	0	0	3,593,950	3,692,395
Sales Taxes Levied for General Purposes	5,170,158	5,108,166	0	0	5,170,158	5,108,166
Conveyance Fees	329,844	404,175	0	0	329,844	404,175
Payments in Lieu of Taxes	15,844	18,789	0	0	15,844	18,789
Grants and Entitlements Not Restricted to Specific Programs	1,106,049	2,948,206	0	0	1,106,049	2,948,206
Gifts and Donations	53,408	575	0	0	53,408	575
Interest	457,981	390,865	0	0	457,981	390,865
Proceeds of Ohio Water Development Authority Loan	0	1,558,498	0	0	0	1,558,498
Bonds Issued	0	0	0	0	0	0
Notes Issued	900,000	0	0	0	900,000	0
Proceeds of Loans	571,840	0	0	0	571,840	0
Miscellaneous	1,151,457	574,496	0	0	1,151,457	574,496
<b>Total General Receipts</b>	<b>13,350,531</b>	<b>14,696,165</b>	<b>0</b>	<b>0</b>	<b>13,350,531</b>	<b>14,696,165</b>
<b>Total Receipts</b>	<b>32,771,445</b>	<b>31,310,273</b>	<b>626,522</b>	<b>419,073</b>	<b>33,397,967</b>	<b>31,729,346</b>
<b>Disbursements</b>						
General Government	4,517,530	4,618,935	0	0	4,517,530	4,618,935
Public Safety	4,946,266	4,948,651	0	0	4,946,266	4,948,651
Public Works	6,070,909	5,614,155	0	0	6,070,909	5,614,155
Health	5,052,935	4,549,823	0	0	5,052,935	4,549,823
Human Services	8,743,244	7,940,491	0	0	8,743,244	7,940,491
Capital Outlay	1,600,130	2,292,126	0	0	1,600,130	2,292,126
Debt Service	1,606,848	1,600,027	0	0	1,606,848	1,600,027
Sewer	0	0	554,800	516,746	554,800	516,746
<b>Total Disbursements</b>	<b>32,537,862</b>	<b>31,564,208</b>	<b>554,800</b>	<b>516,746</b>	<b>33,092,662</b>	<b>32,080,954</b>
Excess (Deficiency) Before Transfers	233,583	(253,935)	71,722	(97,673)	305,305	(351,608)
Transfers	(2,579)	0	2,579	0	0	0
Increase (Decrease) in Net Assets	231,004	(253,935)	74,301	(97,673)	305,305	(351,608)
Net Assets at Beginning of Year	6,474,956	6,728,891	289,840	387,513	6,764,796	7,116,404
Net Assets at End of Year	\$6,705,960	\$6,474,956	\$364,141	\$289,840	\$7,070,101	\$6,764,796

Program receipts represent 59 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money. Operating Grants and Contributions increased due to receipt of a highway grant for county roads, increased interest and increased funding in children services and workforce investment act grants. Grant and Entitlements Not Restricted decreased due to decrease in general type grant funding and decrease

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

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in county's share of sales tax. Miscellaneous Receipts increased due to an increase in reimbursements.

General receipts represent 41 percent of the County's total receipts, and of this amount, 27 percent are property taxes and 39 percent are sales tax receipts. State and federal grants and entitlements make up eight percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

If you look at the statement of activities – cash basis, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Human Services and Public Works, which account for 27 and 19 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 15 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The Net (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.

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For the Year Ended December 31, 2007  
(Unaudited)

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
General Government	\$4,517,530	\$4,618,935	(\$2,692,482)	(\$2,669,082)
Public Safety	4,946,266	4,948,651	(3,946,652)	(3,481,150)
Public Works	6,070,909	5,614,155	(1,204,114)	(2,962,149)
Health	5,052,935	4,549,823	(1,512,945)	(1,064,670)
Human Services	8,743,244	7,940,491	(1,493,562)	(1,843,604)
Capital Outlay	1,600,130	2,292,126	(660,345)	(1,329,418)
Debt Service	1,606,848	1,600,027	(1,606,848)	(1,600,027)
Total Disbursements	<u>\$32,537,862</u>	<u>\$31,564,208</u>	<u>(\$13,116,948)</u>	<u>(\$14,950,100)</u>

The total cost of General Government services decreased by \$101,405. This was due primarily to higher levels of disbursements by the County Board of Elections during the 2005 fall election season, which were not repeated during 2007, combined with slight overall decreases in departmental spending. Public works increased by \$456,754 due to culvert replacement projects and chip and seal work performed by the County Engineer, including increased costs for paving materials. Human services increased by \$802,753 due primarily to increased costs related to Children's Services, as the County continues to see increases in the number children being placed in foster care each year. Capital outlay decreased by \$691,996 due to monies spent in 2006 on the Mowrystown sewer replacement project, which was funded by grants and loans received by the County.

**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 \$31,299,605 and disbursements of \$32,537,862. The General, Public Assistance, and General Fund Capital Improvement Funds all saw increases in fund balances for the year while the Repair MVL Fund and the Board of MRDD Fund both saw decreases in fund balance. The increase in the General Fund was the result of receipts exceeding disbursements. The General Fund Capital Improvement Fund saw the biggest increase in fund balance which is due to the issuance of various purpose notes in the amount of \$900,000. The decrease in the Repair MVL Fund was the result of increased expenditures for culvert and chip

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and seal projects during the year, and the decrease in the Board of MRDD Fund was the result of expenditures continually exceeding revenues. The Board of MRDD has been utilizing reserve funds for the excess, which results in decreases in overall fund balance.

**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 2007, the County amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above original budgeted receipts due to an increase in sales tax collections.

Final disbursements were budgeted at \$9,814,346 while actual disbursements were \$9,539,173. The County's original appropriations were \$9,746,319. The variance between original and final appropriations was \$68,027, and was due to adjustments related to slight increases in overall spending throughout the year. The variance between final appropriations and actual disbursements of \$275,173 was due to overall decreases in monies spent by the County.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2007, the County's outstanding debt included \$7,009,277 in general obligation bonds issued for improvements to buildings and structures, and \$12,903,733 in special assessment bonds, OWDA loans, OPWC loans, long-term notes and ODOD loans for facilities and equipment. For further information regarding the County's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The State has frozen the amount of local government funds and local government revenue assistance funds the County receives. As a result of the previous reduction and then the freezing of these funds, the County Commissioners increased the sales tax by one-half percent in 2005, that takes the County's sales tax to one and one-half percent. The only major area of commercial development in the County continues to be along Harry Sauner Road at the northern edge of Hillsboro. In the past few years Kroger, Wal-Mart and Lowe's have been constructed, and have attracted several smaller retail stores and restaurants. The sales tax receipts in the County have decreased from previous years.

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The balance of Highland County has seen low to moderate growth in residential housing. One major concern to the County is the continued high number of sales due to mortgage foreclosures. There have also been a small number of delinquent real estate tax sales. However, the real estate tax delinquencies have seen a small reduction due to more aggressive collections procedures by the County Treasurer and County Prosecutor.

**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, 2007

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,703,353	\$364,141	\$7,067,494
Cash and Cash Equivalents in Segregated Accounts	2,607	0	2,607
<i>Total Assets</i>	<u>\$6,705,960</u>	<u>\$364,141</u>	<u>\$7,070,101</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$804,586	\$0	\$804,586
Debt Service	645,792	0	645,792
Other Purposes	4,453,636	0	4,453,636
Unrestricted	801,946	364,141	1,166,087
<i>Total Net Assets</i>	<u>\$6,705,960</u>	<u>\$364,141</u>	<u>\$7,070,101</u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2007

	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	\$2,968,490	\$1,295,498	\$0	\$0
Judicial	1,549,040	440,144	89,406	0
Public Safety	4,946,266	666,662	332,952	0
Public Works	6,070,909	137,691	4,729,104	0
Health	5,052,935	279,678	3,260,312	0
Human Services	8,743,244	277,637	6,957,045	15,000
Capital Outlay	1,600,130	115,000	0	824,785
Debt Service:				
Principal Retirement	946,858	0	0	0
Interest and Fiscal Charges	659,990	0	0	0
<i>Total Governmental Activities</i>	<u>32,537,862</u>	<u>3,212,310</u>	<u>15,368,819</u>	<u>839,785</u>
<b>Business-Type Activity</b>				
Sewer	554,800	626,522	0	0
<i>Total Primary Government</i>	<u>\$33,092,662</u>	<u>\$3,838,832</u>	<u>\$15,368,819</u>	<u>\$839,785</u>

**General Receipts**

Property Taxes Levied for:

General Purposes

Emergency Management

Road Improvements

Mental Retardation and Developmental Disabilities

Sales Taxes Levied for General Purposes

Conveyance Fees

Payments in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Gifts and Donations

Interest

Notes Issued

Proceeds of Loans

Miscellaneous

*Total General Receipts*

Transfers

*Total General Receipts and Transfers*

Change in Net Assets

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts  
and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activity	Total
(\$1,672,992)	\$0	(\$1,672,992)
(1,019,490)	0	(1,019,490)
(3,946,652)	0	(3,946,652)
(1,204,114)	0	(1,204,114)
(1,512,945)	0	(1,512,945)
(1,493,562)	0	(1,493,562)
(660,345)	0	(660,345)
(946,858)	0	(946,858)
(659,990)	0	(659,990)
(13,116,948)	0	(13,116,948)
0	71,722	71,722
(13,116,948)	71,722	(13,045,226)
1,708,294	0	1,708,294
8,345	0	8,345
10,080	0	10,080
1,867,231	0	1,867,231
5,170,158	0	5,170,158
329,844	0	329,844
15,844	0	15,844
1,106,049	0	1,106,049
53,408	0	53,408
457,981	0	457,981
900,000	0	900,000
571,840	0	571,840
1,151,457	0	1,151,457
13,350,531	0	13,350,531
(2,579)	2,579	0
13,347,952	2,579	13,350,531
231,004	74,301	305,305
6,474,956	289,840	6,764,796
\$6,705,960	\$364,141	\$7,070,101

Highland County, Ohio  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007

	General Fund	Public Assistance Fund	Repair MVL Fund
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$801,946	\$541,837	\$348,027
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	117,908	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0
<i>Total Assets</i>	<u>\$919,854</u>	<u>\$541,837</u>	<u>\$348,027</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$133,963	\$82,914	\$190,215
Reserved for Unclaimed Monies	117,908	0	0
Unreserved:			
Undesignated, Reported in:			
General Fund	667,983	0	0
Special Revenue Funds	0	458,923	157,812
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>\$919,854</u>	<u>\$541,837</u>	<u>\$348,027</u>

See accompanying notes to the basic financial statements

Board of MRDD Fund	General Fund Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$920,185	\$769,737	\$3,203,713	\$6,585,445
0	0	0	117,908
0	0	2,607	2,607
<u>\$920,185</u>	<u>\$769,737</u>	<u>\$3,206,320</u>	<u>\$6,705,960</u>
\$91,179	\$4,310	\$26,881	\$529,462
0	0	0	117,908
0	0	0	667,983
829,006	0	2,507,774	3,953,515
0	0	645,792	645,792
0	765,427	25,873	791,300
<u>\$920,185</u>	<u>\$769,737</u>	<u>\$3,206,320</u>	<u>\$6,705,960</u>

Highland County, Ohio  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007

	General Fund	Public Assistance Fund	Repair MVL Fund
<b>Receipts</b>			
Property Taxes	\$1,708,294	\$0	\$10,080
Sales Taxes	5,170,158	0	0
Charges for Services	1,304,337	223,419	63,496
Licenses and Permits	3,195	0	0
Fines and Forfeitures	139,392	0	1,357
Intergovernmental	1,195,455	4,855,482	4,345,167
Payments in Lieu of Taxes	15,844	0	0
Special Assessments	0	0	0
Interest	465,541	0	82,029
Rentals	90,411	0	0
Contributions and Donations	0	0	0
Miscellaneous	235,601	154,435	32,931
<i>Total Receipts</i>	<u>10,328,228</u>	<u>5,233,336</u>	<u>4,535,060</u>
<b>Disbursements</b>			
Current:			
General Government:			
Legislative and Executive	2,374,714	0	0
Judicial	1,467,827	0	0
Public Safety	4,022,917	0	0
Public Works	679,880	0	4,842,740
Health	331,067	0	0
Human Services	528,805	4,958,218	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>9,405,210</u>	<u>4,958,218</u>	<u>4,842,740</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>923,018</u>	<u>275,118</u>	<u>(307,680)</u>
<b>Other Financing Sources (Uses)</b>			
Notes Issued	0	0	0
Proceeds of Loans	0	0	0
Transfers In	72,124	0	0
Transfers Out	(1,085,047)	0	(75,000)
Advances In	14,167	0	0
Advances Out	(14,228)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,012,984)</u>	<u>0</u>	<u>(75,000)</u>
<i>Net Change in Fund Balances</i>	(89,966)	275,118	(382,680)
<i>Fund Balances at Beginning of Year</i>	<u>1,009,820</u>	<u>266,719</u>	<u>730,707</u>
<i>Fund Balances at End of Year</i>	<u>\$919,854</u>	<u>\$541,837</u>	<u>\$348,027</u>

See accompanying notes to the basic financial statements

Board of MRDD Fund	General Fund Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$1,867,231	\$0	\$8,345	\$3,593,950
0	0	0	5,170,158
116,269	0	1,346,012	3,053,533
0	0	50,783	53,978
0	0	203,483	344,232
1,676,703	0	4,541,375	16,614,182
0	0	0	15,844
0	0	486,460	486,460
0	0	16,348	563,918
0	0	0	90,411
41,624	0	119,858	161,482
0	125,833	602,657	1,151,457
3,701,827	125,833	7,375,321	31,299,605
0	0	593,776	2,968,490
0	0	81,213	1,549,040
0	0	923,349	4,946,266
0	0	548,289	6,070,909
3,796,038	0	925,830	5,052,935
0	0	3,256,221	8,743,244
0	407,471	1,192,659	1,600,130
0	0	946,858	946,858
0	0	659,990	659,990
3,796,038	407,471	9,128,185	32,537,862
(94,211)	(281,638)	(1,752,864)	(1,238,257)
0	900,000	0	900,000
0	0	571,840	571,840
17,986	0	1,357,494	1,447,604
(200,000)	0	(90,136)	(1,450,183)
0	0	40,612	54,779
0	0	(40,551)	(54,779)
(182,014)	900,000	1,839,259	1,469,261
(276,225)	618,362	86,395	231,004
1,196,410	151,375	3,119,925	6,474,956
\$920,185	\$769,737	\$3,206,320	\$6,705,960

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$2,119,795	\$2,119,795	\$1,685,247	(\$434,548)
Sales Taxes	4,941,247	4,941,247	5,170,158	228,911
Charges for Services	1,246,587	1,246,587	1,304,337	57,750
Licenses and Permits	3,054	3,054	3,195	141
Fines and Forfeitures	133,220	133,220	139,392	6,172
Intergovernmental	1,142,526	1,142,526	1,195,455	52,929
Payments in Lieu of Taxes	15,142	15,142	15,844	702
Interest	444,929	444,929	465,541	20,612
Rentals	86,408	86,408	90,411	4,003
Miscellaneous	225,169	225,169	235,601	10,432
<i>Total Receipts</i>	<u>10,358,077</u>	<u>10,358,077</u>	<u>10,305,181</u>	<u>(52,896)</u>
<b>Disbursements</b>				
Current:				
General Government				
Legislative and Executive	2,490,754	2,464,490	2,395,454	69,036
Judicial	1,490,808	1,510,235	1,467,827	42,408
Public Safety	4,139,225	4,193,139	4,075,417	117,722
Public Works	752,198	762,103	740,603	21,500
Health	336,250	340,345	331,067	9,278
Human Services	537,084	544,034	528,805	15,229
<i>Total Disbursements</i>	<u>9,746,319</u>	<u>9,814,346</u>	<u>9,539,173</u>	<u>275,173</u>
<i>Excess of Receipts Over Disbursements</i>	<u>611,758</u>	<u>543,731</u>	<u>766,008</u>	<u>222,277</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	68,931	68,931	72,124	3,193
Transfers Out	(1,102,035)	(1,109,772)	(1,085,047)	24,725
Advances In	13,540	13,540	14,167	627
Advances Out	(14,451)	(14,552)	(14,228)	324
<i>Total Other Financing Sources (Uses)</i>	<u>(1,034,015)</u>	<u>(1,041,853)</u>	<u>(1,012,984)</u>	<u>28,869</u>
<i>Net Change in Fund Balance</i>	(422,257)	(498,122)	(246,976)	251,146
<i>Fund Balance at Beginning of Year</i>	875,935	875,935	875,935	0
Prior Year Encumbrances Appropriated	57,801	57,801	57,801	0
<i>Fund Balance at End of Year</i>	<u>\$511,479</u>	<u>\$435,614</u>	<u>\$686,760</u>	<u>\$251,146</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Charges for Services	\$272,667	\$223,281	\$223,419	\$138
Intergovernmental	5,925,781	4,852,481	4,855,482	3,001
Miscellaneous	181,545	139,833	154,435	14,602
<i>Total Receipts</i>	6,379,993	5,215,595	5,233,336	17,741
<b>Disbursements</b>				
Current:				
Human Services	6,302,470	5,566,802	5,041,132	525,670
<i>Excess of Receipts Over (Under) Disbursements</i>	77,523	(351,207)	192,204	543,411
<i>Fund Balance at Beginning of Year</i>	196,738	196,738	196,738	0
Prior Year Encumbrances Appropriated	69,981	69,981	69,981	0
<i>Fund Balance at End of Year</i>	\$344,242	(\$84,488)	\$458,923	\$543,411

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$10,212	\$9,897	\$9,853	(\$44)
Charges for Services	65,809	63,780	63,496	(284)
Fines and Forfeitures	1,406	1,357	1,357	0
Intergovernmental	4,503,426	4,364,592	4,345,167	(19,425)
Interest	85,017	82,396	82,029	(367)
Miscellaneous	34,130	33,078	32,931	(147)
<i>Total Receipts</i>	4,700,000	4,555,100	4,534,833	(20,267)
<b>Disbursements</b>				
Current:				
Public Works	4,746,671	5,029,222	5,032,955	(3,733)
<i>Excess of Receipts Under Disbursements</i>	(46,671)	(474,122)	(498,122)	(24,000)
<b>Other Financing Uses</b>				
Transfers Out	(69,010)	(73,221)	(75,000)	(1,779)
<i>Net Change in Fund Balance</i>	(115,681)	(547,343)	(573,122)	(25,779)
<i>Fund Balance at Beginning of Year</i>	614,788	614,788	614,788	0
Prior Year Encumbrances Appropriated	115,680	115,680	115,680	0
<i>Fund Balance at End of Year</i>	<u>\$614,787</u>	<u>\$183,125</u>	<u>\$157,346</u>	<u>(\$25,779)</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 MRDD Fund  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,990,690	\$1,990,690	\$1,851,283	(\$139,407)
Charges for Services	114,819	106,732	116,269	9,537
Intergovernmental	1,655,799	1,539,170	1,676,703	137,533
Contributions and Donations	41,105	38,210	41,624	3,414
<i>Total Receipts</i>	3,802,413	3,674,802	3,685,879	11,077
<b>Disbursements</b>				
Current:				
Health	3,705,105	3,912,424	3,887,217	25,207
<i>Excess of Receipts Over (Under) Disbursements</i>	97,308	(237,622)	(201,338)	36,284
<b>Other Financing Sources (Uses)</b>				
Transfers In	17,762	16,511	17,986	1,475
Transfers Out	(187,320)	(197,987)	(200,000)	(2,013)
<i>Total Other Financing Sources (Uses)</i>	(169,558)	(181,476)	(182,014)	(538)
<i>Net Change in Fund Balance</i>	(72,250)	(419,098)	(383,352)	35,746
<i>Fund Balance at Beginning of Year</i>	1,056,218	1,056,218	1,056,218	0
Prior Year Encumbrances Appropriated	64,330	64,330	64,330	0
<i>Fund Balance at End of Year</i>	<u>\$1,048,298</u>	<u>\$701,450</u>	<u>\$737,196</u>	<u>\$35,746</u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Fund Net Assets - Cash Basis  
Proprietary Fund  
December 31, 2007

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	<u>Enterprise Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$364,141</u>
<b>Net Assets</b>	
Unrestricted	<u>\$364,141</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, 2007

	<u>Enterprise Fund</u>
<b>Operating Receipts</b>	
Charges for Services	\$626,522
<b>Operating Disbursements</b>	
Contractual Services	554,800
<i>Income before Transfers</i>	71,722
Transfers In	2,579
<i>Change in Net Assets</i>	74,301
<i>Net Assets at Beginning of Year</i>	289,840
<i>Net Assets at End of Year</i>	\$364,141

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
December 31, 2007

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	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,689,445
Cash and Cash Equivalents in Segregated Accounts	<u>299,775</u>
<i>Total Assets</i>	<u><u>1,989,220</u></u>
<b>Net Assets</b>	
Undistributed Monies	<u><u>\$1,989,220</u></u>

See accompanying notes to the basic financial statements

**Note 1 - Reporting Entity**

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

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. The County is also financially accountable for any organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, are accessible to the County and are significant in amount to the County.

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

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(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 three jointly governed organizations, a public entity risk pool and an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the basic financial statements. These organizations are:

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the County's accounting policies.



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

A. Basis of Presentation

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

Government-Wide Financial Statements

The cash basis statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the County.

Fund Financial Statements

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

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

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

**B. Fund Accounting**

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain county functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following are the County's major governmental funds:

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

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

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

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

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

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

**Proprietary Fund**

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County did not have any trust funds in 2007. Agency funds are purely custodial in nature and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, State-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

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

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

**E. Cash and Investments**

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

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 2007, the County invested in federal agency securities, a repurchase agreement and a money market mutual fund. Investments are reported at cost, except for the money market mutual fund. The County’s money market mutual fund investment is recorded at the amount reported by Fifth Third Securities, Inc. at December 31, 2007.

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 2007 were \$465,541 which includes \$436,589 assigned from other County funds.

**F. Restricted Assets**

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

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted for other purposes. The County's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets – cash basis reports \$5,904,014 of restricted net assets, none of which are restricted by enabling legislation.

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

**M. Fund Balance Reserves**

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

**N. Internal Activity**

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Note 3 - Compliance**

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

The County did not properly certify the availability of funds for certain commitments as required by Ohio Revised Code, section 5705.41 (D).

Actual budgetary basis disbursements exceeded final budgeted disbursements in the Repair MVL Fund by \$3,733.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budget basis presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances which are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis), and outstanding year-end advances which are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). In addition, cash that is held by agency funds on behalf 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:

	General	Public Assistance	Repair MVL	Board of MRDD
Cash Basis	(\$89,966)	\$275,118	(\$382,680)	(\$276,225)
Encumbrances	(133,963)	(82,914)	(190,215)	(91,179)
Agency Fund Distribution:				
Beginning of Year	76,084	0	239	75,862
End of Year	(99,131)	0	(466)	(91,810)
Budget Basis	<u>(\$246,976)</u>	<u>\$192,204</u>	<u>(\$573,122)</u>	<u>(\$383,352)</u>

**Note 5 - Deposits and Investments**

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked 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 simultaneously exchange either securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to fifteen percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

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

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

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

Investments

As of December 31, 2007, the County had the following investments:

	Carrying Value	Investment Maturities (In Years)		
		Less than 1	1 - 2	3 - 5
Fifth Third Institutional Money Market Mutual Fund	\$1,030,274	\$1,030,274	\$0	\$0
Repurchase Agreement	3,160,643	3,160,643	0	0
Federal Home Loan Bank Bonds	870,443	0	720,677	149,766
Federal Home Loan Bank Notes	454,031	0	0	454,031
Federal Home Loan Bank Step Up Coupon Bonds	950,675	149,672	150,516	650,487
Federal Home Loan Mortgage Corporation Medium Term Notes	202,002	0	0	202,002
Federal National Mortgage Association Notes	1,003,130	0	0	1,003,130
Federal National Mortgage Association Medium Term Notes	1,414,917	0	0	1,414,917
Total Investments	<u>\$9,086,115</u>	<u>\$4,340,589</u>	<u>\$871,193</u>	<u>\$3,874,333</u>

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.

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Medium Term Notes, and the Federal Home Loan Bank Bonds and Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.35(J)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**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 2007, the County received a total of \$5,170,158. The allocation of the sales tax is 100 percent to the County's General Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**Note 7 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The full tax rate for all County operations for the year ended December 31, 2007, was \$9.25 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

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

Real Property	
Residential and Agricultural	\$519,573,670
Other	87,817,670
Public Utility Property	
Real	153,960
Personal	27,488,750
Tangible Personal Property	30,949,379
Total Assessed Value	\$665,983,429

**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 2007, 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)	53,990,823
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 2006, and settled claims have not exceeded this coverage in the past five years. The County pays all elected officials' bonds by statute.

For 2007, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (See Note 16). 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.

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

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.

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

**Note 9 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions, plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the County's contribution equal to 5.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6.0 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.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$1,610,714, \$1,567,836, and \$1,511,814 respectively; The full amount has been contributed for 2007, 2006, and 2005. Contributions to the member-directed plan for 2007 were \$13,763 made by the County and \$9,440 made by the plan members.

**B. State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent for 2007, 13 percent being the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 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, 2007, 2006, and 2005, were \$36,929, \$35,916, and \$34,305, respectively. The full amount has been contributed for 2007, 2006, and 2005. There were no contributions to the DC and Combined Plans for fiscal year 2007 made by the plan members.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

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

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

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

**Note 10 - Postemployment Benefits** (continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.0 percent of covered payroll from January 1 through June 30, 2007, and 6.0 percent from July 1 through December 31, 2007.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$639,634, \$462,830, and \$446,292 respectively; 100 percent has been contributed for 2007, 2006, and 2005.

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

**B. State Teachers Retirement System of Ohio**

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

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

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



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(Continued)

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**Note 10 - Postemployment Benefits** (continued)

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2007, 2006, and 2005. The 14 percent contribution is the maximum rate allowed under Ohio law.

All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$1,896, \$2,565, and \$1,750 respectively. The full amount has been contributed for 2007, 2006 and 2005.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

**Note 11 - Debt**

The County's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>General Obligation Bonds:</u>						
1994 GO Bonds Series B						
Madison Township	4.50%	\$99,600	\$0	\$1,800	\$97,800	\$1,900
1996 GO Bonds Series A						
Tec Center	5.00%	847,000	0	67,300	779,700	70,700
1996 GO Bonds Series B						
Tec Center	5.00%	309,800	0	24,600	285,200	25,900
2002 GO Bonds						
Correctional Facilities	1.5 - 4.8%	4,265,000	0	200,000	4,065,000	195,000
2004 GO Bonds						
County Building Bond MRDD	5.45%	240,796	0	13,219	227,577	13,949
2005 GO Bonds						
Various Purpose	4.80%	1,608,000	0	54,000	1,554,000	56,000
Total GO Bonds		<u>7,370,196</u>	<u>0</u>	<u>360,919</u>	<u>7,009,277</u>	<u>363,449</u>
<u>OPWC Loans:</u>						
1996 OPWC Rocky Fork Lake						
Area Wastewater Collection System Loan	0.00%	250,000	0	20,000	230,000	20,000
2003 OPWC Rolling Acres						
WWTP Loan	0.00%	32,655	0	2,107	30,548	1,053
Total OPWC Loans		<u>282,655</u>	<u>0</u>	<u>22,107</u>	<u>260,548</u>	<u>21,053</u>
<u>Long-Term Notes:</u>						
2005 Bond Anticipation Note						
Geographic Information System	4.21%	443,925	0	15,000	428,925	16,000
2005 Bond Anticipation Note						
Real Estate Acquisition	4.21%	147,000	0	5,000	142,000	5,000
2005 Bond Anticipation Note						
Airport Improvement	6.00%	1,129,000	0	40,000	1,089,000	42,000
2005 Bond Anticipation Note						
Juvenile Detention Center	3.40%	630,000	0	20,000	610,000	20,000
2007 Bond Anticipation Note						
Various Purpose	4.07%	0	900,000	0	900,000	120,000
Total Long-Term Notes		<u>2,349,925</u>	<u>900,000</u>	<u>80,000</u>	<u>3,169,925</u>	<u>203,000</u>
<u>OWDA Loans:</u>						
1998 OWDA Rocky Fork						
Water Pollution Control Loan	2.20%	5,759,276	0	370,745	5,388,531	374,824
2006 OWDA Highland-Leesburg						
Sewer Loan	3.98%	440,228	302,938	14,079	729,087	14,359
2006 OWDA Mowrystown Sewer Loan						
Sewer Loan	3.92%	1,558,498	268,902	0	1,827,400	0
Total OWDA Loans		<u>7,758,002</u>	<u>571,840</u>	<u>384,824</u>	<u>7,945,018</u>	<u>389,183</u>
<u>Other Long-Term Obligations:</u>						
1994 Special Assessment Bonds Series A						
Madison Twp.	4.50%	689,500	0	12,800	676,700	13,300
2000 Salt Barn Loan						
Salt Barn Loan	5.75%	91,027	0	58,305	32,722	32,722
2002 ODOB Leesburg						
Industrial Park Loan	2.10%	630,000	0	27,903	602,097	53,249
2003 Board of Health						
Building Improvement Loan	3.50%	233,538	0	16,815	216,723	216,723
Total Other Long-Term Obligations		<u>1,644,065</u>	<u>0</u>	<u>115,823</u>	<u>1,528,242</u>	<u>315,994</u>
Total Long-Term Liabilities		<u>\$19,404,843</u>	<u>\$1,471,840</u>	<u>\$963,673</u>	<u>\$19,913,010</u>	<u>\$1,292,679</u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

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**Note 11 - Debt** (continued)

1994 Madison Township General Obligation Bonds Series B

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

1996 Tec Center General Obligation Bonds Series A

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

1996 Tec Center General Obligation Bonds Series B

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

2002 Correctional Facilities General Obligation Bonds

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

2004 County Building Bond MRDD General Obligation Bonds

On September 22, 2004, the County issued \$266,500 in general obligation bonds for the purpose of refunding outstanding bond anticipation notes that were used to finance the improvements to a building and constructing a garage for use by the MRDD board. The bonds mature in 2019 and will be paid from the MRDD Construction Debt Retirement Fund.

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, 2007  
(Continued)

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**Note 11 - Debt** (continued)

1996 Ohio Public Works Commission Rocky Fork Lake Area Wastewater Collection System Loan

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

2003 Ohio Public Works Commission Rolling Acres Wastewater Treatment Plant Loan

In 2003, the County entered into a \$42,136 loan with the Ohio Public Works Commission for the purpose of replacing a wastewater treatment plant in the Rolling Acres subdivision. The final payment on the loan is due in 2022 and payments will be made from the Rocky Fork Lake Debt Retirement Fund.

Bond Anticipation Note - Geographic Information System

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

Bond Anticipation Note - Real Estate Acquisition

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

Bond Anticipation Note - Airport Improvement

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

Bond Anticipation Note - Juvenile Detention Center

On April 7, 2005, the County issued a \$650,000 bond anticipation note for the purpose of constructing and improving the South Central Ohio Regional Juvenile Detention Center. The note will be paid from the SCORJDC Debt Retirement Fund. The note matures in 2025.

Bond Anticipation Note – Various Purpose

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

**Note 11 - Debt** (continued)

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 work has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available. A liability was included for \$729,087, which represents the amount of the loan used as of year-end.

2006 Ohio Water Development Authority Mowrystown Sewer Loan

On April 27, 2006, the County entered into a loan agreement with the Ohio Water Development Authority for the construction of a sewer plant in Mowrystown. The work has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule is not available. A liability was included for \$1,827,400, which represents the amount of the loan used as of year-end.

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.

2000 Salt Barn Loan

On October 19, 2000, the County entered into a \$500,000 loan agreement for the purpose of constructing a salt storage building. The loan matures in 2010 and will be paid from the Salt Barn 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, 2007  
(Continued)

**Note 11 - Debt** (continued)

2003 Board of Health Building Improvement Loan

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

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

Year	General Obligation Bonds		OPWC	Long-Term Notes	
	Principal	Interest	Loans Principal	Principal	Interest
2008	\$363,449	\$329,162	\$21,053	\$203,000	\$133,173
2009	387,119	313,206	22,107	221,000	126,652
2010	401,133	296,678	22,107	234,000	116,802
2011	420,391	279,193	22,107	243,000	106,460
2012	434,896	260,869	22,107	251,000	95,760
2013-2017	2,353,313	983,896	110,533	674,000	378,521
2018-2022	2,233,176	422,268	40,534	764,000	218,147
2023-2027	378,400	38,381	0	579,925	42,104
2028-2032	25,500	6,210	0	0	0
2033-2036	11,900	810	0	0	0
<b>Total</b>	<b>\$7,009,277</b>	<b>\$2,930,673</b>	<b>\$260,548</b>	<b>\$3,169,925</b>	<b>\$1,217,619</b>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

**Note 11 - Debt** (continued)

Year	OWDA Loans		Special Assessment Bonds		Salt Barn Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$202,796	\$150,822	\$13,300	\$30,451	\$32,722	\$9,769
2009	398,052	141,953	13,900	29,853	0	6,372
2010	407,127	132,879	14,600	29,228	0	2,804
2011	416,413	103,591	15,200	28,570	0	0
2012	425,917	114,088	15,900	27,887	0	0
2013-2017	2,280,101	419,924	91,000	128,025	0	0
2018-2022	1,546,069	163,113	113,400	105,624	0	0
2023-2027	140,519	82,398	141,300	77,711	0	0
2028-2032	171,125	51,793	176,100	42,921	0	0
2033-2036	163,368	14,965	82,000	5,575	0	0
<b>Total</b>	<b>\$6,151,487</b>	<b>\$1,375,526</b>	<b>\$676,700</b>	<b>\$505,845</b>	<b>\$32,722</b>	<b>\$18,945</b>

Year	ODOD Loans		Board of Health Loan	
	Principal	Interest	Principal	Interest
2008	\$53,249	\$23,557	\$216,723	\$3,793
2009	55,400	21,405	0	0
2010	57,638	19,167	0	0
2011	59,967	16,839	0	0
2012	62,390	14,416	0	0
2013-2017	313,453	32,172	0	0
<b>Total</b>	<b>\$602,097</b>	<b>\$127,556</b>	<b>\$216,723</b>	<b>\$3,793</b>

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 \$1,355,044 at December 31, 2007.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

**Note 12 - Leases**

In prior years, the County entered into capital leases for police sedans and a GMC Sierra for use by the Dog Warden. In 2007, three new leases were entered into. One lease is for a Ford F250 for use by the Dog Warden, another is for a Ford F250 for use by the Sheriff, and another is for a new Bobcat Track Loader for use by the County Engineer's Office. Total lease payments for 2007 totaled \$55,946.

Future lease payments are as follows:

Year	2005 Police Sedans	GMC Sierra	F250 Dog Warden	F250 Sheriff	Bobcat	Total
2008	\$10,859	\$3,243	\$5,088	\$7,252	\$13,322	\$39,764
2009	0	3,243	5,089	7,253	13,322	28,907
2010	0	0	5,089	7,253	13,323	25,665
Total	<u>\$10,859</u>	<u>\$6,486</u>	<u>\$15,266</u>	<u>\$21,758</u>	<u>\$39,967</u>	<u>\$94,336</u>

**Note 13 - Interfund Activity**

**A. Interfund Transfers**

During 2007 the following transfers were made:

		Transfer From				
		General	Repair MVL	Board of MRDD	Other Governmental	Total
Transfer To	Major Funds:					
	General	\$0	\$0	\$0	\$72,124	\$72,124
	Board of MRDD	0	0	0	17,986	17,986
	Other Governmental	1,082,468	75,000	200,000	26	1,357,494
	Mowrystown Sewer District	2,579	0	0	0	2,579
Total All Funds		<u>\$1,085,047</u>	<u>\$75,000</u>	<u>\$200,000</u>	<u>\$90,136</u>	<u>\$1,450,183</u>

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

**B. Interfund Advances**

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007  
(Continued)

**Note 13 - Interfund Activity** (continued)

		Advances Out		
		General	Other Governmental	Total
Advances In	Major Funds:			
	General	\$0	\$14,167	\$14,167
	Other Governmental	14,228	26,384	40,612
	Total All Funds	<u>\$14,228</u>	<u>\$40,551</u>	<u>\$54,779</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 14 - 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 15 - 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 2007. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

**Note 15 - 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 eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioner of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and State funding through grant monies which are applied for and received by the Board of Trustees.

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

**C. South Central Regional Juvenile Detention Center**

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

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

**Note 16 - Public Entity Risk Pool and Insurance Purchasing Pool**

**A. County Risk Sharing Authority, Inc.**

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among 61 counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representative it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonable determinable. The County's payment to CORSA for insurance in 2007 was \$202,576.

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

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

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

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**HIGHLAND COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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>				
Nutrition Cluster:				
Food Distribution Program	N/A	10.550		\$5,896
National School Lunch Program	066035-LLP4-2006	10.555	\$3,582	
<b>Total U.S. Department of Agriculture</b>			<b>3,582</b>	<b>5,896</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
State Children's Health Insurance Program (SCHIP)	N/A	93.767	1,099	
Social Services Block Grant - Title XX	N/A	93.667	41,443	
Medical Assistance Program - Title XIX	N/A	93.778	322,359	
<b>Total U.S. Department of Health and Human Services</b>			<b>364,901</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-05-033-1	14.228	102,178	
Community Development Block Grants	B-F-06-033-1	14.228	175,302	
Community Development Block Grants	B-C-05-033-1	14.228	241,634	
			519,114	
Home Investment Partnership Program	B-C-05-033-2	14.239	101,583	
Home Investment Partnership Program	B-C-07-033-2	14.239	53	
			101,636	
<b>Total U.S. Department of Housing and Urban Development</b>			<b>620,750</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-2007	84.027	13,794	
Special Education - Grants to States	066035-6BSF-2008	84.027	1,688	
			15,482	
Special Education - Preschool Grants	066035-PGSI-2007	84.173	5,334	
Special Education - Preschool Grants	066035-PGSI-2008	84.173	696	
			6,030	
<b>Total Special Education Cluster</b>			<b>21,512</b>	
Innovative Education Program Strategies	066035-C2S1-07	84.298	72	
Innovative Education Program Strategies	066035-C2S1-08	84.298	6	
<b>Total Innovative Education Program Strategies</b>			<b>78</b>	
<b>Total U.S. Department of Education</b>			<b>21,590</b>	
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through the Ohio Attorney General:</i>				
Crime Victim Assistance	2007-VAGENE-025T	16.575	81,309	
Crime Victim Assistance	2007-SAGENE-025T	16.575	5,488	
			86,797	
<i>Passed Through the Office of the Criminal Justice Service:</i>				
Tactical Equipment Grant	2006-JG-AOV-6571	16.738	16,608	
SQL Wireless Grant	2006-JG-E01-6564	16.738	29,904	
			46,512	
<i>Passed Through the Office of Community Oriented Policing Services:</i>				
Methamphetamine Initiative	2007CKWX0219	16.710	11,199	
<b>Total U.S. Department of Justice</b>			<b>144,508</b>	

(Continued)

**HIGHLAND COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through the Ohio Emergency Management Agency</i>				
Emergency Management Performance Grants	2006-EME-60042	97.042	13,907	
State Homeland Security Program	2005-GE-T5-0001	97.073	20,856	
State Homeland Security Program	DPS-FM-467	97.073	1,180	
			22,036	
<b>Total Federal Agency Department of Homeland Security</b>			<b>35,943</b>	
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through the Ohio Department of Job and Family Services</i>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult	N/A	17.258	163,784	
Workforce Investment Act - Adult Administration			14,580	
Workforce Investment Act - Adult Total			178,364	
Workforce Investment Act - Youth	N/A	17.259	87,417	
Workforce Investment Act - Youth Administration			7,788	
Workforce Investment Act - Youth Total			95,205	
Workforce Investment Act - Dislocated Workers	N/A	17.260	134,005	
Workforce Investment Act - Dislocated Workers Administration			11,938	
Workforce Investment Act - Dislocated Workers Total			145,943	
<b>Total U.S. Department of Labor</b>			<b>419,512</b>	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed Through the Federal Aviation Administration</i>				
Direct from Federal Government				
FAA Reimbursement of Construction Projects	AIP-3-39-0040-0706	20.106	19,326	
FAA Reimbursement of Construction Projects	AIP-3-39-0040-0404	20.106	117	
			19,443	
<i>Passed through the Ohio Department of Public Safety</i>				
Traffic Safety Action Grant	GHSO	20.600	8,749	
<i>Passed through the Governor's Highway Safety Office</i>				
Airborne Traffic Enforcement Grant	HVEO-2007-36-00-00-00331-00	20.601	22,795	
<b>Total U.S. Department of Transportation</b>			<b>50,987</b>	
<b>U.S. Environmental Protection Agency</b>				
SARA Section 123 Local Government Reimbursement	LGRA0468		10,182	
<b>Total U.S. Environmental Protection Agency</b>			<b>10,182</b>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$1,671,955</b>	<b>\$5,896</b>

**HIGHLAND COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – MATCHING REQUIREMENTS**

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

**NOTE C – HOMELAND SECURITY GRANTS**

The State Homeland Security Program (CFDA #97.073) for federal fiscal years 2006 and 2005 was incorporated in the Homeland Security Grant Program (CFDA #97.067) in accordance with the guidance from the U.S. Department of Homeland Security.

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# Mary Taylor, CPA

Auditor of State

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

Highland County  
114 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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 17, 2008, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the financial statements do not include financial data for the County's legally separate component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated December 17, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated December 17, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

December 17, 2008



# 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  
114 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, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Highland County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007. In a separate letter to the County's management dated December 17, 2008, we reported other matters related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Highland County  
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  
Page 2

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 17, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

December 17, 2008

**HIGHLAND COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2007**

**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>	Yes
<b>(d)(1)(iii)</b>	<b>Were 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>	CFDA # 14.228 CDBG CFDA #17.258, 17.259, and 17.260 WIA
<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 2007-001**

**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:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

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

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

**FINDING NUMBER 2007-002  
(Continued)**

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

Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

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-seven percent (27%) 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:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2007-003**

**Significant Deficiency**

**Ohio Admin. Code, Section 117-2-02(A)**, states that all public officials shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03.

**Ohio Admin. Code, Section 117-2-02(B)**, states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The County lacked management oversight in the proper posting of tax and intergovernmental receipts. This lack of oversight is illustrated by the following:

- Property tax exemptions and public utility reimbursements reported as taxes instead of intergovernmental receipts resulting in reclassifications of \$163,406 in the Board of MRDD fund.
- Homestead and rollback disbursements were reported as taxes instead of intergovernmental receipts resulting in reclassifications of \$197,104 in the Board of MRDD fund.

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

Line Item	General Fund	Public Assistance Fund	Board of MRDD Fund	Repair-MVL Fund	Remaining Funds
Intergovernmental	\$110,188	\$154,435			\$158,353
Taxes	(110,188)		(\$7,881)	(\$9,833)	(8,175)
Other		(154,435)			(54,913)
Fines and Forfeitures					(47,551)
Charges for Services					(51,019)
Special Assessments				9,833	
Donations					3,305
Payment in Lieu of Taxes			7,881		

Also, during 2007, the County had various transfers recorded on their financial records. Our review of these transfers revealed that some of these transactions were actually reimbursements between funds and not true transfers. Reclassifications in the amount of \$359,928 were made in the financial statements to properly reflect these transactions on the statements.



**FINDING NUMBER 2007-003  
(Continued)**

Failure to properly post and report transactions could result in material errors in the County's financial statements and reduces the County's ability and the ability of individual departments within the County to monitor financial activity and to make sound decisions which effect the overall available cash position of the County. We recommend officials review the chart of accounts to assure that items are being posted to the proper account codes. We also recommend officials review all transfers prior to them being made to assure compliance with ORC 5705.14, .15, and .16.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2007-004**

**Significant Deficiency**

The County's standard established reconciliation process is two-fold. First, the County Treasurer must reconcile the County Treasurer's book balance to the various bank and investment accounts. The County Treasurer must perform this step in the process due to the fact that Ohio Revised Code establishes the County Treasurer as the custodian of County funds. Secondly, the County Treasurer must reconcile to the County Auditor's book balance. As of December 31, 2007, the Treasurer had not reconciled to the bank and investment accounts since April, 2003. However, the Treasurer had reconciled with the County Auditor's Fund Report.

During our review of the County's cash reconciliation process, we noted the following:

- Investments in the Fifth Third Securities account were not properly carried at cost, and interest was not properly and accurately recorded resulting in adjustments in the amount of \$10,505.
- Outstanding warrants were not cleared timely or accurately. Warrants are cleared and documented by the financial institution using a check number, whereas, they are cleared from the County's system by the warrant number which resulted in inconsistencies. As a result, cleared warrants in the amount of \$54,606 were mistakenly posted to the unclaimed moneys fund.
- Bank service charges in the amount of \$5,880 were not recorded to the County's ledgers.
- Interest earnings in the amount of \$10,512 from the checking account were not properly or completely recorded.

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

However, the County's December 31, 2007 reconciliation had an unreconciled variance of \$21,377.

**FINDING NUMBER 2007-004  
(Continued)**

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

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

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

HIGHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2006-001	Failure to prepare annual financial report in accordance with generally accepted accounting principles. Reported on cash basis.	No	Repeated as finding 2007-001
2006-002	Failure to prior certify funds before making purchases	No	Repeated as finding 2007-002
2006-003	Failure to reconcile the bank and investments accounts.	No	Repeated as finding 2007-004
2006-004	Failure to properly post transfers.	No	Repeated as finding 2007-003
2006-005	Failure to post On Behalf OWDA Payments to Contractors.	Yes	
2006-006	Failure to properly classify receipts.	No	Repeated as finding 2007-003





**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 13, 2009**