

Highland County  
Single Audit  
For the Year Ended December 31, 2011



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# Dave Yost • Auditor of State

Board of County Commissioners  
Highland County  
119 Governor Foraker Place  
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Recommendation:**

The Business Manager in place until April 25, 2012, and the Administrative Assistant in place until June 3, 2011 did not have a signed employment contract for 2011; instead each was paid and performed duties in accordance with their prior contracts, due to the superintendent's failure to notify these individuals of the Board's intent to renew their contracts as outlined in the prior contract language. We were able to determine that the amount paid each pay period was reasonable based on the prior contract amounts plus the bonus authorized in the Board minutes for 2011. We recommend that Highland County DD have contracts which are approved by the Board and in place for all employees to show authorized salary rates and support that employees are paid according to the contracts for the period outlined in the contract.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Highland County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 25, 2013

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**Highland County**  
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*For the Fiscal Year Ended December 31, 2011*

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**Independent Auditor's Report**

Board of Commissioners  
Highland County  
119 Governor Foraker Place  
Hillsboro, Ohio 45133

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Highland County, Ohio, (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

The financial statements do not include financial data for the County's legally separate component unit, Highco Inc. Accounting principles generally accepted in the United States of America require the financial data for component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component units' financial data. The County has not issued reporting entity financial statements. We cannot determine the amount of assets, liabilities, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component unit in order to comply with accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the cash financial position of the aggregate discretely presented component units of Highland County, Ohio, as of December 31, 2011, and the changes in its financial position for the year then ended.

Further, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland County, Ohio, as of December 31, 2011, and the respective changes in cash basis financial position thereof, and the respective budgetary comparisons for the General Fund, Public Assistance Fund, Real Estate Assessment Fund, Repair MVL Fund, Board of Developmental Disabilities Fund, and Children Services Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

As described in Note 18, the County implemented Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Natalie Millhuff-Stang, CPA, President/Owner  
Millhuff-Stang, CPA, Inc.

November 5, 2012



Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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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, 2011, within the limitations of the County's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

**Highlights**

Key highlights for 2011 are as follows:

Net assets of governmental activities increased \$3,261,913 from the prior year.

Net assets of the County's business-type activity decreased \$52,243 from the prior year.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than what is required by generally accepted accounting principles. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the County as a Whole**

The statement of net assets – cash basis and the statement of activities – cash basis reflect how the County did financially during 2011 within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the County at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the County's general receipts.

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

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

Governmental activities: Most of the County's basic services are reported here including general government, judicial, public safety, public works, health, and human services. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity: The County has one business-type activity, the provision of sewer services. Business-type activities are financed by a fee charged to the customers receiving the service.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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The financial activities of the Highland County Regional Airport Authority, the component unit of Highland County, is presented in a separate column on the Statement of Net Assets and as separately identified activities on the Statement of Activities. While the County provides services and resources to the Highland County Regional Airport Authority, the discrete presentation is made in order to emphasize that it is still a legally separate organization from the County. However, focus on the government-wide financial statements remains clearly on the County as the primary government.

**Reporting the County's Most Significant Funds**

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

**Governmental Funds** - Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major governmental funds are the General, Public Assistance, Real Estate Assessment, Repair MVL, Board of Developmental Disabilities, and Children Services 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's only enterprise fund is the Sewer Fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the County's programs. The County has two private purpose trust funds which account for monies to be used by the Children Services Department as authorized in the wills of Carey B. Emery and Fannie L. Polk. 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 act as fiscal agent and for taxes, State-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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**The County as a Whole**

Table 1 provides a summary of the County's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Cash and Cash Equivalents	\$12,257,432	\$8,995,519	\$283,574	\$335,817	\$12,541,006	\$9,331,336
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$210,729	\$347,583	\$0	\$0	\$210,729	\$347,583
Debt Service	254,277	847,520	0	0	254,277	847,520
Other Purposes	8,966,897	6,623,763	0	0	8,966,897	6,623,763
Unrestricted	2,825,529	1,176,653	283,574	335,817	3,109,103	1,512,470
Total Net Assets	\$12,257,432	\$8,995,519	\$283,574	\$335,817	\$12,541,006	\$9,331,336

As mentioned previously, net assets of governmental activities increased \$3,261,913 during 2011. Net assets restricted for other purposes increased \$2,343,134, due to cost-cutting measures outpacing decreases in revenues. Net assets restricted for debt service decreased \$593,243 due to the County making annual debt payments. Unrestricted net assets increased \$1,648,876 due to the County's diligence in maintaining spending levels.

The net assets of business-type activities decreased \$52,243 due to the lift station and grinder pumps being replaced.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

Table 2 reflects the changes in net assets in 2011 and 2010.

(Table 2)  
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010*	2011	2010	2011	2010*
<b>Receipts</b>						
<b>Program Receipts</b>						
Charges for Services and Sales	\$3,453,071	\$3,127,209	\$636,161	\$609,947	\$4,089,232	\$3,737,156
Operating Grants and Contributions	14,247,682	15,153,855	0	0	14,247,682	15,153,855
Capital Grants and Contributions	1,695,702	1,973,711	0	0	1,695,702	1,973,711
Total Program Receipts	<u>19,396,455</u>	<u>20,254,775</u>	<u>636,161</u>	<u>609,947</u>	<u>20,032,616</u>	<u>20,864,722</u>
<b>General Receipts</b>						
Property Taxes	4,772,330	4,807,476	0	0	4,772,330	4,807,476
Sales Taxes Levied for General Purposes	5,292,013	5,176,155	0	0	5,292,013	5,176,155
Payments in Lieu of Taxes	17,241	17,100	0	0	17,241	17,100
Grants and Entitlements Not Restricted to Specific Programs	1,060,241	1,119,780	0	0	1,060,241	1,119,780
Interest	40,981	26,781	0	0	40,981	26,781
Miscellaneous	604,787	1,090,453	0	0	604,787	1,090,453
Total General Receipts	<u>11,787,593</u>	<u>12,237,745</u>	<u>0</u>	<u>0</u>	<u>11,787,593</u>	<u>12,237,745</u>
Total Receipts	<u>31,184,048</u>	<u>32,492,520</u>	<u>636,161</u>	<u>609,947</u>	<u>31,820,209</u>	<u>33,102,467</u>
<b>Disbursements</b>						
General Government	3,990,557	3,931,096	0	0	3,990,557	3,931,096
Public Safety	4,962,339	4,362,463	0	0	4,962,339	4,362,463
Public Works	5,007,692	5,601,272	0	0	5,007,692	5,601,272
Health	4,369,196	4,574,925	0	0	4,369,196	4,574,925
Human Services	6,352,442	7,287,302	0	0	6,352,442	7,287,302
Capital Outlay	1,357,085	1,549,369	0	0	1,357,085	1,549,369
Debt Service	1,864,402	2,076,489	0	0	1,864,402	2,076,489
Sewer	0	0	706,826	577,352	706,826	577,352
Total Disbursements	<u>27,903,713</u>	<u>29,382,916</u>	<u>706,826</u>	<u>577,352</u>	<u>28,610,539</u>	<u>29,960,268</u>
Excess (Deficiency) Before Transfers/Advances	3,280,335	3,109,604	(70,665)	32,595	3,209,670	3,142,199
Transfers In	3	0	0	0	3	0
Transfers Out	0	0	(3)	0	(3)	0
Advances In	5,000	0	23,425	0	28,425	0
Advances Out	<u>(23,425)</u>	<u>0</u>	<u>(5,000)</u>	<u>0</u>	<u>(28,425)</u>	<u>0</u>
Increase (Decrease) in Net Assets	3,261,913	3,109,604	(52,243)	32,595	3,209,670	3,142,199
Net Assets at Beginning of Year	8,995,519	5,885,915	335,817	303,222	9,331,336	6,189,137
Net Assets at End of Year	<u>\$12,257,432</u>	<u>\$8,995,519</u>	<u>\$283,574</u>	<u>\$335,817</u>	<u>\$12,541,006</u>	<u>\$9,331,336</u>

\* Certain reclassifications were made for consistency in reporting between years.

Program receipts represent 62 percent of total receipts for governmental activities and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Property taxes decreased \$35,146, due to relatively stable collections between years.

Governmental activities general receipts represent 38 percent of the County's total receipts, and of this amount, 40 percent are property taxes and 45 percent are sales tax receipts. Grants and entitlements not restricted to specific programs make up 9 percent.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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

Public Safety disbursements represent costs associated with the sheriff's office and probation and correction departments. Public Works disbursements represent disbursements associated with the engineer's office that maintain the infrastructure within the County. Health disbursements consisted mostly of disbursements related to the Board of Developmental Disabilities and the Dog and Kennel Fund. Human Services disbursements consisted of disbursements 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, Public Works and Public Safety which account for 23, 18 and 18 percent of all governmental disbursements, respectively. Health also represents a significant cost, about 16 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010*
General Government	\$3,990,557	\$3,931,096	\$1,793,059	\$1,706,669
Public Safety	4,962,339	4,362,463	3,328,157	3,323,249
Public Works	5,007,692	5,601,272	276,564	535,446
Health	4,369,196	4,574,925	1,423,622	834,186
Human Services	6,352,442	7,287,302	160,071	1,076,444
Capital Outlay	1,357,085	1,549,369	(338,617)	(424,342)
Debt Service	1,864,402	2,076,489	1,864,402	2,076,489
<b>Total Disbursements</b>	<b>\$27,903,713</b>	<b>\$29,382,916</b>	<b>\$8,507,258</b>	<b>\$9,128,141</b>

\* Certain reclassifications were made for consistency in reporting between years.

Highland County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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The total cost of General Government services only increased \$59,461. This was due primarily to the County continuing cost control measures during 2011 that were implemented in prior years. Public Safety disbursements increased \$599,876 due to the County reimbursing Turning Point for services provided to criminal offenders. In 2011, the County received a stimulus grant which allowed for the reimbursement to occur. Public Works decreased \$593,580 due to a decrease in CDBG/Home program disbursements. Health decreased \$205,729, which is also insignificant. Human Services decreased \$934,860 due primarily to reductions in spending as intergovernmental funding for public assistance declined. Capital outlay decreased \$192,284 due to a decrease in grants received for construction relating to Issue II funding. Debt Service decreased \$212,087 due mainly to the County taking on no new debt in 2011.

### **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 \$31,184,048 and disbursements of \$27,903,713. The Public Assistance Fund, Repair MVL Fund, Board of Developmental Disabilities Fund, and Children Services Fund all saw increases in fund balances for the year. The \$145,151 increase in the Public Assistance Fund is due mainly to a transfer in. The \$277,353 increase in the Repair MVL Fund, the increase of \$1,019,951 in the Board of Developmental Disabilities Fund, and the increase of \$757,104 in the Children Services Fund is due to the County monitoring disbursements more closely in an effort to better control its spending situation. The \$502,382 decrease in the General Fund was due to increases in transfers out. The \$22,582 decrease in the Real Estate Assessment Fund was insignificant.

### **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 2011, the County amended its General Fund budget several times to reflect changing circumstances. Actual receipts were below final budgeted receipts due to property tax collections being lower than expected, but above original budgeted receipts due to intergovernmental receipts being higher than expected.

Final disbursements were budgeted at \$7,861,590 while actual disbursements were \$7,692,208. The County's original appropriations were \$6,258,014. The variance between original and final appropriations was \$1,603,576, due to increases in estimates for overall disbursements. The variance between final appropriations and actual disbursements of \$169,382 was insignificant.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

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

#### **Debt**

At December 31, 2011, the County's outstanding debt included \$5,595,111 in general obligation bonds issued for improvements to buildings and structures and \$10,677,592 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**

In 2005, the County Commissioners increased the sales tax by one half percent. The increase was necessary as there had been reductions in local government funds and local government revenue assistance funds over the past few years. The County's residential and commercial development has decreased considerably in the past few years. The continuing reason for the decline is the closing of DHL in Wilmington which was one of the County's major employers. Johnson Controls, another major employer has also closed. Highland County continues to be among the highest in unemployment in the State.

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

The County's interest income has dropped to an almost insignificant amount due to interest rates declining. Just a few years ago, interest income was over \$500,000 annually.

#### **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.



Highland County, Ohio  
Statement of Net Assets - Cash Basis  
December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activity	Total	Highland County Airport Authority
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,882,496	\$283,574	\$12,166,070	\$35,141
Cash and Cash Equivalents in Segregated Accounts	2,408	0	2,408	0
Cash and Cash Equivalents with Fiscal Agents	372,528	0	372,528	0
<i>Total Assets</i>	<u>\$12,257,432</u>	<u>\$283,574</u>	<u>\$12,541,006</u>	<u>\$35,141</u>
<b>Net Assets</b>				
Restricted for:				
Capital Projects	\$210,729	\$0	\$210,729	\$0
Debt Service	254,277	0	254,277	0
Other Purposes	8,966,897	0	8,966,897	0
Unrestricted	2,825,529	283,574	3,109,103	35,141
<i>Total Net Assets</i>	<u>\$12,257,432</u>	<u>\$283,574</u>	<u>\$12,541,006</u>	<u>\$35,141</u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2011

	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	\$2,481,289	\$1,715,482	\$100	\$0
Judicial	1,509,268	372,489	109,427	0
Public Safety	4,962,339	724,661	909,521	0
Public Works	5,007,692	100,130	4,630,998	0
Health	4,369,196	251,308	2,694,266	0
Human Services	6,352,442	289,001	5,903,370	0
Capital Outlay	1,357,085	0	0	1,695,702
Debt Service:				
Principal Retirement	1,226,404	0	0	0
Interest and Fiscal Charges	637,998	0	0	0
<i>Total Governmental Activities</i>	27,903,713	3,453,071	14,247,682	1,695,702
<b>Business-Type Activity</b>				
Sewer	706,826	636,161	0	0
<i>Total Primary Government</i>	\$28,610,539	\$4,089,232	\$14,247,682	\$1,695,702
<b>Component Unit</b>				
Highland County Airport Authority	\$184,992	\$77,234	\$2,042	\$68,410

**General Receipts**

Property Taxes Levied for:

General Purposes

Road Improvements

Board of Developmental Disabilities

Human Services

Sales Taxes Levied for General Purposes

Payments in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

*Total General Receipts*

Transfers In

Transfers Out

Advances In

Advances Out

*Total General Receipts, Transfers and Advances*

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

Governmental Activities	Primary Government Business-Type Activity	Total	Component Unit Highland County Airport Authority
(\$765,707)	\$0	(\$765,707)	\$0
(1,027,352)	0	(1,027,352)	0
(3,328,157)	0	(3,328,157)	0
(276,564)	0	(276,564)	0
(1,423,622)	0	(1,423,622)	0
(160,071)	0	(160,071)	0
338,617	0	338,617	0
(1,226,404)	0	(1,226,404)	0
(637,998)	0	(637,998)	0
(8,507,258)	0	(8,507,258)	0
0	(70,665)	(70,665)	0
(8,507,258)	(70,665)	(8,577,923)	0
0	0	0	(37,306)
1,871,246	0	1,871,246	0
20,653	0	20,653	0
2,347,249	0	2,347,249	0
533,182	0	533,182	0
5,292,013	0	5,292,013	0
17,241	0	17,241	0
1,060,241	0	1,060,241	0
40,981	0	40,981	11
604,787	0	604,787	30,108
11,787,593	0	11,787,593	30,119
3	0	3	0
0	(3)	(3)	0
5,000	23,425	28,425	0
(23,425)	(5,000)	(28,425)	0
11,769,171	18,422	11,787,593	30,119
3,261,913	(52,243)	3,209,670	(7,187)
8,995,519	335,817	9,331,336	42,328
<u>\$12,257,432</u>	<u>\$283,574</u>	<u>\$12,541,006</u>	<u>\$35,141</u>

Highland County, Ohio  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2011

	General Fund	Public Assistance Fund	Real Estate Assessment Fund
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$682,499	\$272,409	\$710,409
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	170,217	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
<i>Total Assets</i>	<u>\$852,716</u>	<u>\$272,409</u>	<u>\$710,409</u>
<b>Fund Balances</b>			
Nonspendable	\$170,893	\$0	\$0
Restricted	0	272,409	710,409
Committed	0	0	0
Assigned	0	0	0
Unassigned	681,823	0	0
<i>Total Fund Balances</i>	<u>\$852,716</u>	<u>\$272,409</u>	<u>\$710,409</u>

See accompanying notes to the basic financial statements

Repair MVL Fund	Board of Developmental Disabilities Fund	Children Services Fund	Other Governmental Funds	Total Governmental Funds
\$881,238	\$3,362,070	\$1,259,820	\$4,543,834	\$11,712,279
0	0	0	0	170,217
0	0	0	2,408	2,408
0	372,528	0	0	372,528
<u>\$881,238</u>	<u>\$3,734,598</u>	<u>\$1,259,820</u>	<u>\$4,546,242</u>	<u>\$12,257,432</u>
\$0	\$0	\$0	\$0	\$170,893
881,238	3,734,598	1,259,820	2,573,429	9,431,903
0	0	0	1,434	1,434
0	0	0	1,971,379	1,971,379
0	0	0	0	681,823
<u>\$881,238</u>	<u>\$3,734,598</u>	<u>\$1,259,820</u>	<u>\$4,546,242</u>	<u>\$12,257,432</u>

Highland County, Ohio  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2011

	General Fund	Public Assistance Fund	Real Estate Assessment Fund
<b>Receipts</b>			
Property Taxes	\$1,871,246	\$0	\$0
Sales Taxes	5,292,013	0	0
Charges for Services	1,170,264	264,858	567,630
Licenses and Permits	3,425	0	0
Fines and Forfeitures	104,418	0	0
Intergovernmental	1,128,775	3,297,773	0
Payments in Lieu of Taxes	17,241	0	0
Special Assessments	0	0	0
Interest	21,248	0	268
Rentals	4,350	0	0
Contributions and Donations	0	0	0
Miscellaneous	100,769	0	0
<i>Total Receipts</i>	<u>9,713,749</u>	<u>3,562,631</u>	<u>567,898</u>
<b>Disbursements</b>			
Current:			
General Government:			
Legislative and Executive	1,641,371	0	590,480
Judicial	1,383,672	0	0
Public Safety	3,479,756	0	0
Public Works	584,513	0	0
Health	56,084	0	0
Human Services	546,812	3,495,491	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>7,692,208</u>	<u>3,495,491</u>	<u>590,480</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,021,541</u>	<u>67,140</u>	<u>(22,582)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	3	78,011	0
Transfers Out	(2,503,673)	0	0
Advances In	11,376	0	0
Advances Out	(31,629)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,523,923)</u>	<u>78,011</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(502,382)	145,151	(22,582)
<i>Fund Balances at Beginning of Year - Restated (See Note 18)</i>	<u>1,355,098</u>	<u>127,258</u>	<u>732,991</u>
<i>Fund Balances at End of Year</i>	<u>\$852,716</u>	<u>\$272,409</u>	<u>\$710,409</u>

See accompanying notes to the basic financial statements

Repair MVL Fund	Board of Developmental Disabilities Fund	Children Services Fund	Other Governmental Funds	Total Governmental Funds
\$20,653	\$2,347,249	\$533,182	\$0	\$4,772,330
0	0	0	0	5,292,013
50,529	160,927	4,906	795,311	3,014,425
0	0	0	93,457	96,882
1,116	0	0	231,880	337,414
4,345,106	2,098,462	938,401	4,577,205	16,385,722
0	0	0	0	17,241
0	0	0	489,901	489,901
3,672	19,465	0	0	44,653
0	0	0	0	4,350
0	0	80,000	44,330	124,330
37,893	7,838	3,204	455,083	604,787
<u>4,458,969</u>	<u>4,633,941</u>	<u>1,559,693</u>	<u>6,687,167</u>	<u>31,184,048</u>
0	0	0	249,438	2,481,289
0	0	0	125,596	1,509,268
0	0	0	1,482,583	4,962,339
4,181,616	0	0	241,563	5,007,692
0	3,577,373	0	735,739	4,369,196
0	0	802,589	1,507,550	6,352,442
0	0	0	1,357,085	1,357,085
0	0	0	1,226,404	1,226,404
0	0	0	637,998	637,998
<u>4,181,616</u>	<u>3,577,373</u>	<u>802,589</u>	<u>7,563,956</u>	<u>27,903,713</u>
<u>277,353</u>	<u>1,056,568</u>	<u>757,104</u>	<u>(876,789)</u>	<u>3,280,335</u>
0	0	0	2,462,305	2,540,319
0	(36,617)	0	(26)	(2,540,316)
0	0	0	109,203	120,579
0	0	0	(107,375)	(139,004)
<u>0</u>	<u>(36,617)</u>	<u>0</u>	<u>2,464,107</u>	<u>(18,422)</u>
277,353	1,019,951	757,104	1,587,318	3,261,913
<u>603,885</u>	<u>2,714,647</u>	<u>502,716</u>	<u>2,958,924</u>	<u>8,995,519</u>
<u>\$881,238</u>	<u>\$3,734,598</u>	<u>\$1,259,820</u>	<u>\$4,546,242</u>	<u>\$12,257,432</u>

Highland County, Ohio  
Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,112,210	\$2,112,210	\$1,704,177	(\$408,033)
Sales Taxes	4,149,588	5,417,384	5,292,013	(125,371)
Charges for Services	866,211	1,130,859	1,170,264	39,405
Licenses and Permits	2,686	3,506	3,425	(81)
Fines and Forfeitures	81,877	106,892	104,418	(2,474)
Intergovernmental	885,098	1,155,516	1,128,775	(26,741)
Payments in Lieu of Taxes	13,519	17,649	17,241	(408)
Interest	16,661	21,751	21,248	(503)
Rentals	3,411	4,453	4,350	(103)
Miscellaneous	79,015	103,156	100,769	(2,387)
<i>Total Receipts</i>	<u>8,210,276</u>	<u>10,073,376</u>	<u>9,546,680</u>	<u>(526,696)</u>
<b>Disbursements</b>				
Current:				
General Government				
Legislative and Executive	1,335,334	1,677,505	1,641,371	36,134
Judicial	1,125,691	1,414,142	1,383,672	30,470
Public Safety	2,830,968	3,556,385	3,479,756	76,629
Public Works	475,533	597,385	584,513	12,872
Health	45,627	57,319	56,084	1,235
Human Services	444,861	558,854	546,812	12,042
<i>Total Disbursements</i>	<u>6,258,014</u>	<u>7,861,590</u>	<u>7,692,208</u>	<u>169,382</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,952,262</u>	<u>2,211,786</u>	<u>1,854,472</u>	<u>(357,314)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	83,591	109,131	3	(109,128)
Transfers Out	(2,038,529)	(2,560,889)	(2,503,673)	57,216
Advances In	8,920	11,646	11,376	(270)
Advances Out	(25,732)	(32,326)	(31,629)	697
<i>Total Other Financing Sources (Uses)</i>	<u>(1,971,750)</u>	<u>(2,472,438)</u>	<u>(2,523,923)</u>	<u>(51,485)</u>
<i>Net Change in Fund Balance</i>	(19,488)	(260,652)	(669,451)	(408,799)
<i>Fund Balance at Beginning of Year - Restated</i>	1,141,086	1,141,086	1,141,086	0
Prior Year Encumbrances Appropriated	<u>108,632</u>	<u>108,632</u>	<u>108,632</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,230,230</u>	<u>\$989,066</u>	<u>\$580,267</u>	<u>(\$408,799)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Charges for Services	\$196,689	\$114,789	\$264,858	\$150,069
Intergovernmental	6,038,637	3,524,209	3,297,773	(226,436)
<i>Total Receipts</i>	6,235,326	3,638,998	3,562,631	(76,367)
<b>Disbursements</b>				
Current:				
Human Services	6,218,436	3,749,366	3,495,491	253,875
<i>Excess of Receipts Over (Under) Disbursements</i>	16,890	(110,368)	67,140	177,508
<b>Other Financing Sources (Uses)</b>				
Transfers In	403,984	0	78,011	78,011
Transfers Out	(16,890)	(16,890)	0	16,890
<i>Total Other Financing Sources (Uses)</i>	387,094	(16,890)	78,011	94,901
<i>Net Change in Fund Balance</i>	403,984	(127,258)	145,151	272,409
<i>Fund Balance at Beginning of Year</i>	89,899	89,899	89,899	0
Prior Year Encumbrances Appropriated	37,359	37,359	37,359	0
<i>Fund Balance at End of Year</i>	\$531,242	\$0	\$272,409	\$272,409

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual - Budget Basis  
Real Estate Assessment Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Charges for Services	\$460,282	\$460,050	\$565,080	\$105,030
Interest	218	218	268	50
<i>Total Receipts</i>	460,500	460,268	565,348	105,080
<b>Disbursements</b>				
Current:				
General Government				
Legislative and Executive	443,472	643,472	590,480	52,992
<i>Net Change in Fund Balance</i>	17,028	(183,204)	(25,132)	158,072
<i>Fund Balance at Beginning of Year - Restated</i>	693,051	693,051	693,051	0
<i>Fund Balance at End of Year</i>	<u>\$710,079</u>	<u>\$509,847</u>	<u>\$667,919</u>	<u>\$158,072</u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual - Budget Basis  
Repair MVL Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$15,394	\$19,004	\$19,253	\$249
Charges for Services	40,401	49,874	50,529	655
Fines and Forfeitures	892	1,102	1,116	14
Intergovernmental	4,110,079	5,073,790	4,345,106	(728,684)
Interest	2,936	3,624	3,672	48
Miscellaneous	30,298	37,402	37,893	492
<i>Total Receipts</i>	4,200,000	5,184,796	4,457,569	(727,227)
<b>Disbursements</b>				
Current:				
Public Works	4,200,000	5,184,796	4,515,151	669,645
<i>Net Change in Fund Balance</i>	0	0	(57,582)	(57,582)
<i>Fund Balance at Beginning of Year</i>	576,740	576,740	576,740	0
Prior Year Encumbrances Appropriated	25,917	25,917	25,917	0
<i>Fund Balance at End of Year</i>	<u>\$602,657</u>	<u>\$602,657</u>	<u>\$545,075</u>	<u>(\$57,582)</u>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Receipts, Disbursements and Changes  
in Fund Balance - Budget and Actual - Budget Basis  
Board of Developmental Disabilities Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,544,430	\$2,544,430	\$2,366,889	(\$177,541)
Charges for Services	86,508	108,062	160,927	52,865
Intergovernmental	1,042,263	1,301,956	2,098,462	796,506
Interest	0	0	19,465	19,465
Other	4,213	5,263	7,838	2,575
<i>Total Receipts</i>	3,677,414	3,959,711	4,653,581	693,870
<b>Disbursements</b>				
Current:				
Health	3,637,166	3,637,792	3,577,373	60,419
<i>Excess of Receipts Over Disbursements</i>	40,248	321,919	1,076,208	754,289
<b>Other Financing Uses</b>				
Transfers Out	(37,861)	(37,235)	(36,617)	618
<i>Net Change in Fund Balance</i>	2,387	284,684	1,039,591	754,907
<i>Fund Balance at Beginning of Year - Restated</i>	2,273,816	2,273,816	2,273,816	0
Prior Year Encumbrances Appropriated	12,180	12,180	12,180	0
<i>Fund Balance at End of Year</i>	<u>\$2,288,383</u>	<u>\$2,570,680</u>	<u>\$3,325,587</u>	<u>\$754,907</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  
Children Services Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$541,640	\$541,640	\$541,935	\$295
Charges for Services	4,065	4,828	4,906	78
Intergovernmental	777,528	923,550	938,401	14,851
Contributions and Donations	66,285	78,734	80,000	1,266
Other	2,655	3,153	3,204	51
<i>Total Receipts</i>	1,392,173	1,551,905	1,568,446	16,541
<b>Disbursements</b>				
Current:				
Human Services	2,027,100	1,159,056	802,589	356,467
<i>Net Change in Fund Balance</i>	(634,927)	392,849	765,857	373,008
<i>Fund Balance at Beginning of Year</i>	486,278	486,278	486,278	0
<i>Fund Balance at End of Year</i>	(\$148,649)	\$879,127	\$1,252,135	\$373,008

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Fund Net Assets - Cash Basis  
Proprietary Fund  
December 31, 2011

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	<u>Sewer Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$283,574</u>
<b>Net Assets</b>	
Unrestricted	<u>\$283,574</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, 2011

	Sewer Fund
<b>Operating Receipts</b>	
Charges for Services	\$636,161
<b>Operating Disbursements</b>	
Contractual Services	706,826
<i>Operating Loss</i>	<i>(70,665)</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Advances In	23,425
Advances Out	<i>(5,000)</i>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>18,425</i>
<i>Income before Transfers</i>	<i>(52,240)</i>
Transfers Out	(3)
<i>Change in Net Assets</i>	<i>(52,243)</i>
<i>Net Assets at Beginning of Year</i>	<i>335,817</i>
<i>Net Assets at End of Year</i>	<i>\$283,574</i>

See accompanying notes to the basic financial statements

Highland County, Ohio  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
December 31, 2011

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	Private Purpose Trust Funds	Agency Funds
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$67,404	\$2,154,503
Cash and Cash Equivalents In Segregated Accounts	0	310,326
<i>Total Assets</i>	\$67,404	\$2,464,829
<b><u>Net Assets:</u></b>		
Held on Behalf of Others	\$0	\$2,464,829
Held in Trust for Private Purposes	67,404	0
<i>Total Net Assets</i>	\$67,404	\$2,464,829

See accompanying notes to the basic financial statements



Highland County  
Statement of Changes in Fiduciary Net Assets - Cash Basis  
Private Purpose Trust Funds  
For the Year Ended December 31, 2011

	Private Purpose Trust Funds
<b><u>Additions:</u></b>	
Interest	\$12,691
<b><u>Deductions:</u></b>	
	0
<i>Change in Net Assets</i>	12,691
<i>Net Assets at Beginning of Year - Restated (See Note 18)</i>	54,713
<i>Net Assets at End of Year</i>	\$67,404

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 Developmental Disabilities and all departments and activities that are directly operated by the elected County Officials.

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

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

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**Note 1 - Reporting Entity** (continued)

The Highland County 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 seven 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, and it is discretely presented to emphasize that it is legally separate from the County.

The information presented in Notes 2 through 18 relates to the primary government. Information related to the discretely presented component unit is presented in Note 19.

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

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

The County participates in four jointly governed organizations, a public entity risk pool and an insurance purchasing pool. These organizations are presented in Notes 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  
Southern Ohio Council of Governments  
County Risk Sharing Authority, Inc.  
County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The 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.

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. 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 and reports 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 and reports federal, State, and local monies restricted to provide general relief and to pay providers of medical assistance and social services.

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

Repair MVL – This fund accounts for and reports 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.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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

Board of Developmental Disabilities – This fund accounts for and reports monies restricted for the operation of a school for the mentally and developmentally disabled, financed by a County-wide property tax levy and federal and State grants.

Children Services – This fund accounts for and reports monies restricted for the operation of foster homes, medical treatment, school supplies, counseling, and parental assistance, financed by a County-wide property tax levy and federal and State grants.

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

Proprietary Fund

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

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 following is the County's only enterprise fund:

Sewer Fund – To account for and report the provision of sanitary sewer services to the residents and businesses of the County.

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. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The County has two private purpose trust funds which account for monies to be used by the Children Service's Department as authorized in the wills of Carey B. Emery and Fannie L. Polk. 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.

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

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.

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

**E. Cash and Investments**

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

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts".

The Southern Ohio Council of Governments is currently holding deposits that belong to the County. These are represented as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

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.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) and money market accounts during 2011. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold at December 31, 2011.

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 2011 were \$21,248, which includes \$19,511 assigned from other County funds.

**F. Restricted Assets**

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

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

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

**I. Accumulated Leave**

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



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

**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 disabled, and activities of the County's courts. None of which is restricted by enabling legislation.

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.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable**

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County ordinances).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Internal Activity**

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

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

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

**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.

Contrary to Ohio Revised Code Section 5705.41(D), the County did not always obtain prior certification for the expenditure of funds.

Contrary to Ohio Revised Code Section 5705.39, the County's Children Services fund had original appropriation in excess of total estimated resources.

Contrary to Office of Management and Budget (OMB) Circular A-133 Section.320(a), the County did not complete its audit within nine months after fiscal year-end. Also, contrary to OMB Circular A-133 Section.310(b), the County did not accurately or completely prepare its schedule of expenditures of federal awards.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**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 restricted, committed, or assigned fund balance (cash basis). In addition, cash that is held by agency funds on behalf of County funds on a budget basis are allocated and reported on the cash basis in the appropriate County fund. The encumbrances outstanding at year-end and agency fund distributions (budgetary basis) amounted to:

	General	Public Assistance	Real Estate Assessment	Repair MVL	Board of Developmental Disabilities	Children Services
Cash Basis	(\$502,382)	\$145,151	(\$22,582)	\$277,353	\$1,019,951	\$757,104
Encumbrances	0	0	0	(333,535)	0	0
Agency Fund Distribution:						
Beginning of Year	105,380	0	39,940	1,228	235,171	16,438
End of Year	(272,449)	0	(42,490)	(2,628)	(215,531)	(7,685)
Budget Basis	<u>(\$669,451)</u>	<u>\$145,151</u>	<u>(\$25,132)</u>	<u>(\$57,582)</u>	<u>\$1,039,591</u>	<u>\$765,857</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 may 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, 2011

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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;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to 25 percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding \$500 million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and

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

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 States government.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are prohibited.

Investment may only be made through specific dealers and institutions.

Investments

As of December 31, 2011, the County's investments were in STAROhio and money market accounts. Investments had a carrying value of \$9,172,462, and mature in less than one year.

Interest Rate Risk

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.

Credit Risk

STAROhio and the Fifth Third Institutional Government Money Market Fund carry a rating of AAAM by Standard & 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.

Concentration of Credit Risk

The County's investment policy does not address concentration of credit risk beyond the requirements in State statute. STAROhio comprises 44 percent of total investments and the money market fund comprises the remaining 56 percent.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**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 2011, the County received a total of \$5,292,013. The allocation of the sales tax is 100 percent to the County's General Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within 45 days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**Note 7 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2011, was \$10.15 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property:	
Residential and Agricultural	\$585,175,510
Other	78,404,350
Public Utility Property:	
Real	136,010
Personal	31,140,270
General Business Personal	728,420
Total Assessed Value	<u><u>\$695,584,560</u></u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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

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

**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 2011, 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:

	<u>Liability</u>
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)	64,246,019
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 2010, and settled claims have not exceeded this coverage in the past five years. The County pays all elected officials' bonds by statute.

For 2011, 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 60 days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and a participant leaving the Plan allows a representative of the Plan to assess loss experience for three years following the last year of participation.

**Note 9 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The County's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 for 2011. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,491,315, \$1,453,248, and \$1,523,020, respectively. The full amount has been contributed for 2011, 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$12,089 made by the County and \$8,635 made by plan members.

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

Plan Description – Certified teachers employed by the school for developmental disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan 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, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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 STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$15,016, \$13,437, and \$26,972, respectively. In late 2009, many teachers were laid off. The full amount has been contributed for 2011, 2010, and 2009.

**Note 10 - Post-Employment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$409,678, \$521,663, and \$761,510, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

Plan Description – Certified teachers employed by the school for developmental disabilities contribute to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The County Board of Developmental Disabilities contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,155, \$1,034, and \$2,095, respectively; the full amount has been contributed for 2011, 2010, and 2009.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 11 - Long -Term Debt**

The County's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>General Obligation Bonds:</u>						
1996 GO Bonds Series A						
Tec Center	5.00%	\$556,800	\$0	\$81,900	\$474,900	\$85,900
1996 GO Bonds Series B						
Tec Center	5.00%	203,600	0	29,900	173,700	31,400
2002 GO Bonds						
Correctional Facilities	1.5 - 4.8%	3,445,000	0	225,000	3,220,000	230,000
2005 GO Bonds						
Various Purpose	4.80%	1,377,000	0	65,000	1,312,000	68,000
2008 GO Bonds Various Purpose						
Refunding and Improvement Bonds Board of						
Developmental Disabilities	5.05%	429,621	0	15,110	414,511	15,883
2009 GO Bonds Board of Health						
Building Improvement	3.50%	87,500	0	87,500	0	0
Total GO Bonds		6,099,521	0	504,410	5,595,111	431,183
<u>OPWC Loans:</u>						
1996 OPWC Rocky Fork Lake						
Area Wastewater Collection System Loan	0.00%	180,000	0	20,000	160,000	20,000
2003 OPWC Rolling Acres						
WWTP Loan	0.00%	25,281	0	2,107	23,174	2,107
2009 OPWC Southwest WWTP Loan	0.00%	223,471	0	11,460	212,011	11,460
2009 OPWC Lakeside WWTP Repair Loan	0.00%	68,504	0	3,513	64,991	3,513
Total OPWC Loans		497,256	0	37,080	460,176	37,080
<u>Long-Term Notes:</u>						
Bond Anticipation Note						
Geographic Information System	4.21%	377,925	0	18,000	359,925	19,000
Bond Anticipation Note						
Real Estate Acquisition	4.21%	125,000	0	6,000	119,000	6,000
Bond Anticipation Note						
Airport Improvement	6.00%	958,000	0	47,000	911,000	49,000
Bond Anticipation Note						
Juvenile Detention Center	3.40%	545,000	0	25,000	520,000	25,000
Bond Anticipation Note						
Various Purpose	4.07%	506,000	0	147,000	359,000	152,000
Total Long-Term Notes		2,511,925	0	243,000	2,268,925	251,000
<u>OWDA Loans:</u>						
1998 OWDA Rocky Fork						
Water Pollution Control Loan	2.20%	4,226,358	0	404,655	3,821,703	413,606
2004 OWDA Highland-Leesburg						
Sewer Loan	3.98%	710,123	0	16,483	693,640	17,146
2006 OWDA Mowrystown Sewer Loan	3.92%	1,991,171	0	41,303	1,949,868	42,938
2009 OWDA Babington Sewer Loan	4.75%	339,617	0	5,307	334,310	2,916
Total OWDA Loans		7,267,269	0	467,748	6,799,521	476,606
<u>Other Long-Term Obligations:</u>						
1994 Special Assessment Bonds Series A						
Madison Township	4.50%	634,900	0	15,200	619,700	15,900
2002 ODOD Leesburg						
Industrial Park Loan	2.10%	575,736	0	46,466	529,270	90,751
Total Other Long-Term Obligations		1,210,636	0	61,666	1,148,970	106,651
Total Long-Term Liabilities		\$17,586,607	\$0	\$1,313,904	\$16,272,703	\$1,302,520

Principal reductions above do not agree to principal payments reported in the basic financial statements due to the 2009 General Obligation Bonds Board of Health Building Improvement issuance, which is being repaid from the Board of Health agency fund.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**Note 11 - Long-Term Debt** (continued)

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.

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.

2008 Various Purpose Refunding and Improvement Bonds

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**Note 11 - Long-Term Debt** (continued)

2009 Board of Health Building Improvement General Obligation Bonds

On June 3, 2009, the County issued \$175,000 in general obligation bonds for the purpose of refunding 2008 bond anticipation notes that were used for making improvements to a building for use by the Board of Health. The bonds were fully retired in 2011 from the Health Department Debt Retirement Fund, which is classified as an agency fund.

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

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

2003 Ohio Public Works Commission Rolling Acres Wastewater Treatment Plant Loan

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

2009 Ohio Public Works Commission Southwest Wastewater Treatment Plant Loan

In 2009, the County entered into a \$392,700 loan with the Ohio Public Works Commission for the purpose of constructing a wastewater treatment plant in the village of Mowrystown. The final debt payment on the loan is due in 2030 and payments will be made from the Mowrystown Sewer Debt Retirement Fund.

2009 Ohio Public Works Commission Lakeside Wastewater Treatment Plant Repair Loan

In 2009, the County entered into a \$325,800 loan with the Ohio Public Works Commission for the purpose of updating the wastewater treatment plant in the Lakeside Subdivision. The final debt payment on the loan is due in 2030 and payments will be made from the Lakeside Sewer 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.



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**Note 11 - Long-Term Debt** (continued)

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.

1998 Ohio Water Development Authority Rocky Fork Water Pollution Control Loan

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

2004 Ohio Water Development Authority Highland - Leesburg Sewer Loan

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

2006 Ohio Water Development Authority Mowrystown Sewer Loan

On April 27, 2006, the County entered into a loan agreement with the Ohio Water Development Authority for the construction of a sewer plant in Mowrystown. The final payment on the loan is due in 2036 and payments will be made from the Mowrystown Sewer Debt Retirement Fund.

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**Note 11 - Long-Term Debt** (continued)

2009 Ohio Water Development Authority Babington Sewer Loan

On February 26, 2009, the County entered into a loan agreement with the Ohio Water Development Authority for the construction of a wastewater collection system in the Babington mobile home park. The final payment on the loan is due in 2040 and payments will be made from the Babington Sewer Debt Retirement Fund.

1994 Madison Township Series A Special Assessment Bonds

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

2002 Ohio Department of Development Leesburg Industrial Park Loan

On June 5, 2002, the County entered into a \$655,000 loan agreement with the Ohio Department of Development for the Leesburg Industrial Park project. The final payment on the loan is due in 2017 and will be paid from the Leesburg Industrial Park Debt Retirement Fund.

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

Year	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>	<u>Long-Term Notes</u>	
	Principal	Interest	Principal	Principal	Interest
2012	\$431,183	\$268,632	\$37,080	\$251,000	\$95,760
2013	450,995	249,314	37,080	125,000	87,521
2014	471,949	229,081	37,080	130,000	81,807
2015	492,346	207,926	37,080	134,000	75,904
2016	519,089	183,227	37,080	138,000	69,832
2017-2021	2,184,873	676,846	145,400	742,000	252,215
2022-2026	975,840	103,296	76,972	735,925	71,399
2027-2030	68,836	4,399	52,404	13,000	274
Total	<u>\$5,595,111</u>	<u>\$1,922,721</u>	<u>\$460,176</u>	<u>\$2,268,925</u>	<u>\$734,712</u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
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**Note 11 - Long-Term Debt** (continued)

Year	OWDA Loans		Special Assessment Bonds		ODOD Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$476,606	\$193,211	\$15,900	\$27,886	\$90,751	\$19,647
2013	491,270	189,403	16,600	27,171	72,794	16,820
2014	503,396	177,277	17,400	26,424	75,735	13,879
2015	515,842	164,832	18,200	25,641	78,794	10,819
2016	528,616	152,057	19,000	24,822	211,196	27,976
2017-2021	2,095,544	564,689	108,500	110,507	0	0
2022-2026	531,113	395,145	135,200	83,795	0	0
2027-2031	647,937	278,321	168,500	50,504	0	0
2032-2036	768,277	135,688	120,400	10,994	0	0
2037-2040	240,920	13,506	0	0	0	0
Total	<u>\$6,799,521</u>	<u>\$2,264,129</u>	<u>\$619,700</u>	<u>\$387,744</u>	<u>\$529,270</u>	<u>\$89,141</u>

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 \$2,618,041 at December 31, 2011.

**Note 12 - Leases**

In current and prior years, the County entered into capital leases for sheriff's vehicles. Total lease payments for 2011 totaled \$34,448.

Future lease payments are as follows:

Year	Amount
2012	\$17,451
2013	17,451
2014	17,451
Total	<u>\$52,353</u>

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 13 - Interfund Activity**

**A. Interfund Transfers**

During 2011, the following transfers were made:

		Transfer From				Total
		General Fund	Board of Developmental Disabilities Fund	Other Governmental Funds	Enterprise Fund	
Transfer To	General Fund	\$0	\$0	\$0	\$3	\$3
	Public Assistance Fund	78,011	0	0	0	\$78,011
	Other Governmental Funds	2,425,662	36,617	26	0	2,462,305
	<b>Total All Funds</b>	<b>\$2,503,673</b>	<b>\$36,617</b>	<b>\$26</b>	<b>\$3</b>	<b>\$2,540,319</b>

Transfers from the General Fund were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers from the Board of Developmental Disabilities Fund to Other Governmental Funds were made for annual debt service payments.

**B. Interfund Advances**

During 2011, the following advances were made:

		Advances Out			Total
		General Fund	Other Governmental Funds	Enterprise Fund	
Advances In	General Fund	\$0	\$6,376	\$5,000	\$11,376
	Other Governmental Funds	8,204	100,999	0	109,203
	Enterprise Fund	23,425	0	0	23,425
	<b>Total All Funds</b>	<b>\$31,629</b>	<b>\$107,375</b>	<b>\$5,000</b>	<b>\$144,004</b>

The advances are due to lags between the dates when goods and services are provided, transactions recorded in the accounting system, and payments between funds are made.

**Note 14 - Contingent Liabilities**

A.Litigation

The County is a 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.

B. Federal and State Grants

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 2011. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of 12 members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

B. Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services

The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (the Board) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of 18 members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and State funding through grant monies which are applied for and received by the Board of Trustees.

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

**Note 15 - Jointly Governed Organizations** (continued)

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

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

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

**D. Southern Ohio Council of Governments**

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

**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 62 counties in Ohio. CORSA was formed as an Ohio non-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.

**Note 16 - Public Entity Risk Pool and Insurance Purchasing Pool** (continued)

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment to CORSA for insurance in 2011 was \$242,052.

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

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

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 17 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General	Public Assistance Fund	Real Estate Assessment Fund	Repair MVL Fund	Board of Developmental Disabilities Fund	Children Services Fund	Other Governmental Funds	Total
<u>Nonspendable:</u>								
Unclaimed Monies	\$170,893	\$0	\$0	\$0	\$0	\$0	\$0	\$170,893
<u>Restricted for:</u>								
General Government	0	0	710,409	0	0	0	505,606	1,216,015
Public Safety	0	0	0	0	0	0	525,746	525,746
Public Works	0	0	0	881,238	0	0	127,655	1,008,893
Health	0	0	0	0	3,734,598	0	581,648	4,316,246
Human Services	0	272,409	0	0	0	1,259,820	367,768	1,899,997
Capital Improvements	0	0	0	0	0	0	210,729	210,729
Debt Service Payments	0	0	0	0	0	0	254,277	254,277
<i>Total Restricted</i>	0	272,409	710,409	881,238	3,734,598	1,259,820	2,573,429	9,431,903
<u>Committed to:</u>								
Public Works	0	0	0	0	0	0	1,434	1,434
<u>Assigned to:</u>								
Debt Service Payments	0	0	0	0	0	0	1,971,379	1,971,379
<u>Unassigned</u>	681,823	0	0	0	0	0	0	681,823
<b>Total Fund Balances</b>	<b>\$852,716</b>	<b>\$272,409</b>	<b>\$710,409</b>	<b>\$881,238</b>	<b>\$3,734,598</b>	<b>\$1,259,820</b>	<b>\$4,546,242</b>	<b>\$12,257,432</b>

**Note 18 - Change in Accounting Principle and Restatement of Beginning Balances**

**A. Change in Accounting Principle**

The County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at December 31, 2010.



Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 18 - Change in Accounting Principle and Restatement of Beginning Balances**  
(continued)

	General Fund	Public Assistance Fund	Real Estate Assessment Fund	Repair MVL Fund	Board of Developmental Disabilities Fund	Children Services Fund	Other Governmental Funds	Total
Fund Balance, December 31, 2010, as Previously Reported	\$1,351,116	\$127,258	\$717,946	\$603,885	\$2,363,801	\$0	\$3,831,513	\$8,995,519
Reclassification of Major Fund	0	0	0	0	0	502,716	(502,716)	0
Reclassification of Funds due to GASB 54	3,982	0	15,045	0	350,846	0	(369,873)	0
Fund Balance, December 31, 2010, as Restated	\$1,355,098	\$127,258	\$732,991	\$603,885	\$2,714,647	\$502,716	\$2,958,924	\$8,995,519

**B. Restatement of Beginning Balances**

In prior years, the activity of the private purpose trusts funds for the Children Services Department were not being recorded by the County.

	<u>Private Purpose Trust Funds</u>
Net Assets, December 31, 2010, as Previously Reported	\$0
Restatement of Equity in Pooled Cash and Cash Equivalents	54,713
Net Assets, December 31, 2010, as Restated	<u><u>\$54,713</u></u>

**Note 19 - Highland County Regional Airport Authority**

**A. Summary of Significant Accounting Policies**

The summary of significant accounting policies of the Highland County Regional Airport Authority (the Authority) is presented to assist in understanding the entity's financial statements. The financial statements and notes are representations of the Authority's management who is responsible to their integrity and objectivity.

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Highland County Regional Airport Authority, Highland County, (the Authority) as a body corporate and politic. The Authority is directed by a seven-member Board, appointed by the Highland County Commissioners. The Authority is responsible for the safe and efficient operation and maintenance of the airport.

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

Highland County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

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**Note 19 - Highland County Regional Airport Authority** (continued)

Basis of Accounting

The financial statements follow the cash accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

Cash and Equivalents

The Authority deposits all available funds in interest earning checking accounts at a local commercial bank.

Property, Plant, and Equipment

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

B. Equity in Pooled Cash

The carrying amount of deposits and investments at December 31, 2011 was \$35,141. Deposits are insured by the Federal Depository Insurance Corporation.

C. Risk Management

The Highland County Commissioners carry insurance through private carriers for airport property and liability.

**Highland County**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2011*

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
National School Lunch Program	3L60	10.555	\$3,533	\$3,674
Food Assistance	G-1011-11-5054/G-89-20-1079	10.561	224,115	0
<b>Total United States Department of Agriculture</b>			<b>227,648</b>	<b>3,674</b>
<b>United States Department of Housing and Urban Development</b>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-C-09-1BG-1	14.228	61,457	0
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-10-1BG-1	14.228	187,561	0
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			249,018	0
Home Investment Partnership Program	B-C-09-1BG-2	14.239	186,695	0
<b>Total United States Department of Housing and Urban Development</b>			<b>435,713</b>	<b>0</b>
<b>United States Department of Justice</b>				
<i>Passed through the State of Ohio Attorney General:</i>				
Crime Victim Assistance	VAGENE	16.575	81,640	0
Crime Victim Assistance	SAGENE	16.575	5,427	0
Total Crime Victim Assistance			87,067	0
<i>Passed through the Office of Community Oriented Policing Services:</i>				
Methamphetamine Initiative	2007-CK-WX-0219	16.170	10,308	0
<i>Direct:</i>				
Bulletproof Vest Partnership Program	2007BUBX07040298	16.607	4,416	0
Bulletproof Vest Partnership Program	2009BUBX09050009	16.607	2,533	0
Total Crime Victim Assistance			6,949	0
<i>Passed through the Office of Criminal Justice</i>				
Edward Byrne Justice Assistance Grant Formula Program	2009-JG-LLE-5336A	16.738	15,000	0
Edward Byrne Justice Assistance Grant Formula Program (ARRA)	2009-RA-R01-2364	16.803	329,664	0
Total Edward Byrne Justice Assistance Grant Formula Programs			344,664	0
<b>Total United States Department of Justice</b>			<b>448,988</b>	<b>0</b>
<b>United States Department of Labor</b>				
<i>Passed Through Montgomery County Department of Job and Family Services:</i>				
Workforce Investment Act (WIA) Cluster:				
WIA Adult Program-Administration	N/A	17.258	8,205	0
WIA Adult Program	N/A	17.258	99,706	0
WIA Youth Activities	N/A	17.259	121,321	0
WIA Youth Activities-ARRA	N/A	17.259	5,039	0
WIA Dislocated Workers-Administration	N/A	17.260	9,752	0
WIA Dislocated Workers	N/A	17.260	160,974	0
ARRA-WIA Dislocated Workers-National Emergency Grant	N/A	17.260	365,813	0
Total Workforce Investment Act (WIA) Cluster:			770,810	0
Employer Services-One Stop Resource Sharing	N/A	17.207	23,168	0
Disabled Veterans Outreach Program	N/A	17.801	1,228	0
Local Veterans Employment Program	N/A	17.804	2,312	0
Total Employment Services Cluster			26,708	0
<b>Total United States Department of Labor</b>			<b>797,518</b>	<b>0</b>
<b>United States Department of Transportation</b>				
<i>Passed Through the Federal Aviation Administration:</i>				
FAA Reimbursement of Construction Projects	AIP-3-39-0040-0810	20.106	4,945	0
FAA Reimbursement of Construction Projects	AIP-3-39-0040-0911	20.106	84,822	0
Total FAA Reimbursement of Construction Projects			89,767	0
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	87270	20.205	17,808	0
Highway Planning and Construction	80515	20.205	8,350	0
Highway Planning and Construction	80742	20.205	3,604	0
Highway Planning and Construction	83949	20.205	15,630	0
Highway Planning and Construction	83987	20.205	74,493	0
Highway Planning and Construction	89455	20.205	10,164	0
Highway Planning and Construction			130,049	0
Capital Assistance Program for Elderly	CRD-0036-002091	20.513	13,968	0
Capital Assistance Program for Elderly	PNP-0036-003110	20.513	25,959	0
Capital Assistance Program for Elderly	PNP-0036-003111	20.513	25,969	0
Capital Assistance Program for Elderly	PNP-0036-003112	20.513	25,969	0
Capital Assistance Program for Elderly	CRD-0036-005011	20.513	15,127	0
Job Access-Reverse Commute	JARC-4036-043091	20.516	1,568	0
Job Access-Reverse Commute	JARC-4036-043092	20.516	929	0
Job Access-Reverse Commute	JARC-4036-043101	20.516	32,335	0
New Freedom Program	NF-4036-031092	20.521	50,796	0
Total Transit Services Program Cluster			192,620	0

(continued)

**Highland County**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2011*

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<i>Passed Through the Governor's Highway Safety Office</i>				
Airborne Traffic Enforcement Grant		HVEO-2010-36-00-00-00309-00	20,601	\$7,160
Airborne Traffic Enforcement Grant		HVEO-2011-36-00-00-00477-00	20,601	29,929
Total Airborne Traffic Enforcement Grant			<u>37,089</u>	<u>0</u>
<b>Total United States Department of Transportation</b>			<b>449,525</b>	<b>0</b>
<b>United States Department of Education</b>				
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Help Me Grow	03610021HG0209		84,181	8,299
Help Me Grow-Stimulus	03610021HA0211		84,181	21,050
Total Help Me Grow			<u>29,349</u>	<u>0</u>
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education_Grants to States	3M20		84,027	1,304
Special Education_Preschool Grants	3C50		84,173	5,035
Total Special Education Cluster			<u>6,339</u>	<u>0</u>
<b>Total United States Department of Education</b>			<b>35,688</b>	<b>0</b>
<b>United States Department of Health and Human Services</b>				
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Social Services Block Grant	N/A		93,667	45,689
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Social Services Block Grant		G-1011-11-5054/G-89-20-1079	93,667	198,313
Total Social Services Block Grant			<u>244,002</u>	<u>0</u>
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
ARRA-eFMFAP-Medical Assistance Program		G-1011-11-5054/G-89-20-1079	93,778	22,412
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Medical Assistance Program		G-1011-11-5054/G-89-20-1079	93,778	870,036
Total Medical Assistance Program			<u>892,448</u>	<u>0</u>
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families		G-1011-11-5054/G-89-20-1079	93,558	1,095,558
Promoting Safe and Stable Families		G-1011-11-5064	93,556	23,795
Child Support Enforcement		G-1011-11-5055/G-89-20-1080	93,563	250,541
Foster Care-Protect Ohio		G-1011-11-5055/G-89-20-1080	93,658	192,422
Child Welfare Services		G-1011-11-5055/G-89-20-1080	93,645	47,736
Adoption Assistance		G-1011-11-5055/G-89-20-1080	93,659	52,167
Child Abuse and Neglect		G-1011-11-5055/G-89-20-1080	93,669	2,000
Chafee Foster Care Independence Program		G-1011-11-5055/G-89-20-1080	93,674	5,000
Child Care Development Fund Cluster:				
Quality Child Care		G-1011-11-5054/G-89-20-1079	93,575	39,256
County Child Care Adm		G-1011-11-5054/G-89-20-1079	93,596	39,875
Total Child Care Development Fund Cluster			<u>79,131</u>	<u>0</u>
<b>Total United States Department of Health and Human Services</b>			<b>2,884,800</b>	<b>0</b>
<b>United States Election Assistance Commission (EAC)</b>				
<i>Passed Through Ohio Secretary of State:</i>				
Help America Vote Act	N/A		90,401	747
<b>Total United States Election Assistance Commission (EAC)</b>			<b>747</b>	<b>0</b>
<b>United States Department of Homeland Security</b>				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grants		2009-EP-E9-0061	97,042	20,782
State Homeland Security Programs:				
State Homeland Security Program		2008-GE-T7-0030	97,067	17,301
State Homeland Security Program		2010	97,067	13,995
Total State Homeland Security Program			<u>31,296</u>	<u>0</u>
<b>Total United States Department of Homeland Security</b>			<b>52,078</b>	<b>0</b>
<b>Total Federal Awards Expenditures</b>			<b>\$5,332,705</b>	<b>\$3,674</b>

N/A - pass-through entity number not available.

See the accompanying notes to the schedule of federal awards expenditures.

**Highland County**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2011*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures (the schedule) includes the federal grant activity of the County and has been prepared on the cash basis of accounting.

**Note 2 – Subrecipients**

The County passes through certain Federal assistance received from the Ohio Department of Jobs and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note 1, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

**Note 3 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

**Note 4 – Matching Requirements**

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

**Note 5 – Medical Assistance Program**

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$3,565. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This receipt is not listed on the County's schedule of federal awards expenditures since the underlying expenses occurred in prior reporting periods.

**Note 6 – Community Development Block Grant Economic Development Grant Program**

During 2010, the County expended \$933,656 in federal financial expenditures under the Community Development Block Grant (CFDA No. 14.228). \$495,000 of such expenditures were not reported on the County's 2010 schedule of federal awards expenditures.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Commissioners  
Highland County  
119 Governor Foraker Place  
Hillsboro, Ohio 45133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Highland County, Ohio, (the County) as of and for the year ended December 31, 2011, and have issued our report thereon dated November 5, 2012, wherein we noted the County followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the financial statements do not include financial data for the County's legally separate component unit, Highco Inc. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management the County is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, which is described in the accompanying schedule of findings and questioned costs as item 2011-3.

**Internal Control Over Financial Reporting (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1, 2011-2 and 2011-4.

We noted certain matters that we reported to management of the County in a separate letter dated November 5, 2012.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

November 5, 2012

**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners  
Highland County  
119 Governor Foraker Place  
Hillsboro, Ohio 45133

**Compliance**

We have audited Highland County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-5 and 2011-6.

**Internal Control Over Compliance**

Management of the County 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.



**Internal Control Over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-6 to be a material weakness.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

November 5, 2012

**Highland County**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2011*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>	
Type of financial statement opinion:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Edward Byrne Justice Assistance Grant Formula Program Cluster (CFDA #16.738 and #16.803)  Workforce Investment Act Cluster (CFDA #17.258, #17.259, and 17.260)  Medical Assistance Program (CFDA #93.778)  Temporary Assistance for Needy Families (CFDA #93.558)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$300,000 Type B: all others
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

**Finding 2011-1**

**Noncompliance – Annual Financial Reports**

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

**Highland County**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2011*

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**Finding 2011-1 (Continued)**

**Noncompliance – Annual Financial Reports (Continued)**

Ohio Administrative Code 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). This report is required to be filed with the Auditor of State's office within 150 days of fiscal year-end. 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 and notes omit material assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time. Additionally, the County did not file its annual report by the due date. The County's cash basis financial statements were made available for audit on September 24, 2012. 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 timely and in accordance with generally accepted accounting principles.

**Client Response:**

The County thinks the cost outweighs the benefits.

**Finding 2011-2**

**Noncompliance – Prior Certification of Funds**

Ohio Rev. Code, Section 5705.41(D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

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.

**Highland County**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2011*

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**Finding 2011-2 (Continued)**

**Noncompliance – Prior Certification of Funds (Continued)**

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

Twenty-eight percent of disbursements 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. Additionally, the County did not track outstanding encumbrances at year-end.

Failure to properly encumber could result in overspending funds and negative fund cash 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 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. Additionally, the County should account for outstanding encumbrances at year-end.

**Client Response:**

During the past year the County held a department head meeting with representatives of the Auditor of State's Office in an effort to resolve any questions and to emphasize the importance of doing this correctly. County will provide a copy of this citation to department heads as a reminder of the process that should be followed.

**Finding 2011-3**

**Material Weakness – Financial Reporting**

A monitoring system by the County should be in place to prevent or detect misstatements for the accurate presentation of the County's financial statements. The County did not properly record on-behalf activity awarded by the Ohio Public Works Commission and the Ohio Department of Transportation. In addition, audit adjustments from the prior year were recorded as current year activity within the accounting records but not eliminated during the compilation process. Furthermore, transfers in and out were recorded rather than revenues and expenses in some instances and rather than correction of posting errors in another instance. In addition, immaterial unadjusted variances were identified for unrecorded fees on tax collections and various mispostings. The County should implement additional monitoring procedures to ensure activity is properly recorded and reported.

**Client Response:**

County has been told how to determine which Ohio Department of Transportation need to be included in the Federal Schedule and which are reported by the state on their financial records.

**Highland County**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2011*

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**Finding 2011-4**

**Noncompliance – Appropriations Limited By Estimated Resources**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. The Children Services Fund's original appropriations exceeded the total estimated resources for the fund by \$148,649. The County should review appropriations as compared to estimated resources periodically to ensure that amounts appropriated do not exceed the total estimated resources. We noted that this issue was corrected prior to the adoption of the final budget.

**Client Response:**

County will add all estimated tax receipts on the first amended certificate. County is confident this will be corrected in future years.

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2011-5**

**Noncompliance – Nine Month Deadline for Single Audits**

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The County's single audit was not completed by the required deadline. The County should implement the appropriate procedures to ensure that the appropriate deadlines are met.

**Corrective Action:**

The County agrees with the finding. The County Auditor will emphasize to those completing the Single Audit the need for meeting this requirement to ensure the fiscal year 2012 audit meets the nine month deadline.

**Finding 2011-6**

**Noncompliance/Material Weakness – Schedule of Federal Awards Expenditures**

Office of Management and Budget (OMB) Circular A-133 Section .310(b) states, in part, that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

Office of Management and Budget (OMB) Circular A-133 Section .300 states, in part, that the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. The auditee should also prepare appropriate financial statements, including the schedule of federal awards expenditures in accordance with Section .310.

Federal disbursements for the County's audit period are to be reported on its schedule of federal awards expenditures (schedule). Each year, the County Commissioners' office sends individual schedules to each department to determine the amounts to be included on the schedule. Since the department schedules submitted by the various departments are the basis for the County's schedule, their completeness and accuracy is necessary to complete the County's schedule correctly. Several errors were identified within these individual schedules, including misstatement amounts, omitted programs, and programs that were not Federal expenditures of the County.

**Highland County**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2011*

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**Finding 2011-6 (Continued)**

**Noncompliance/Material Weakness – Schedule of Federal Awards Expenditures (Continued)**

Inaccurate completion of the federal department schedules could lead to inaccurate reporting of federal expenditures by the County, and possible loss of federal funding. Adjustments were made to the County's schedule for the errors identified during the audit.

**Corrective Action:**

The County agrees with the finding. The County Commissioners and County Auditor will continue to work with Department Heads to see that all Federal Funds are reported properly for 2012.

**Highland County**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Year Ended December 31, 2011*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2010-001	Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Failure to Report on Required Accounting Basis	No	Reissued as Finding 2011-1
Finding 2010-002	Noncompliance with ORC Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2011-2
Finding 2010-003	Noncompliance with ORC Section 321.09/Significant Deficiency – Proper Preparation of Treasurer’s Daily Statement	No	Reissued in management letter
Finding 2010-004	Noncompliance with ORC Sections 5705.09(F) and 5705.42/Material Weakness – Failure to Record On-Behalf Payments	No	Corrected
Finding 2010-005	Noncompliance with ORC Sections 5705.63, 5705.62(A), 5705.10(A), 5705.62/Material Weakness – Proper Recording of Tax Receipts	No	Corrected
Finding 2010-006	Noncompliance with OAC Section 117-2-02(A)/Material Weakness – Proper Recording of Financial Transactions	No	Reissued as Finding 2011-3
Finding 2010-007	Noncompliance with OMB Circular A-133 Subpart C, Sections .310(b) and .300/Material Weakness – Proper Preparation of Schedule of Federal Awards Expenditures	No	Reissued as Finding 2011-6
Finding 2010-008	Noncompliance with 2 C.F.R. 225 Appendix B, paragraph 8h(4)/Questioned Costs/Significant Deficiency – CFDA #14.228 – Allowable Costs	No	Not Corrected

**Highland County**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Year Ended December 31, 2011*

Finding 2010-009	Noncompliance with OMB Circular A-133 Subpart D, Section .400(d)(3)/Material Weakness – CFDA #14.228 – Subrecipient Monitoring	No	Not Corrected
Finding 2010-010	Noncompliance with 29 C.F.R. 5.5(a)(1)(ii) and 5.5(B)/Material Weakness – CFDA #14.228 – Prevailing Wage Monitoring – Davis Bacon Act	No	Not Corrected





# Dave Yost • Auditor of State

## HIGHLAND COUNTY FINANCIAL CONDITION

### HIGHLAND COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 4, 2013