



OHIO AUDITOR OF STATE
KEITH FABER



**HIGHLAND COUNTY
DECEMBER 31, 2023**

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**HIGHLAND COUNTY
DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

Highland County
119 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of Commissioners:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Highland County, Ohio (the County), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2023, and the respective changes in cash-basis financial position and where applicable cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Repair Motor Vehicle License, Board of Developmental Disabilities, and American Rescue Plan funds for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements.

The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the 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, this schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2025, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 27, 2025

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Highland County
Statement of Net Position - Cash Basis
As of December 31, 2023

Primary Government				
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Equity in Pooled Cash and Cash Equivalents	\$42,114,066	\$890,485	\$43,004,551	\$0
Cash and Cash Equivalents in Segregated Accounts	214,936	0	214,936	567,581
Cash and Cash Equivalents with Fiscal Agents	251,488	0	251,488	0
<i>Total Assets</i>	<i>42,580,490</i>	<i>890,485</i>	<i>43,470,975</i>	<i>567,581</i>
Net Position				
Restricted for:				
General Government	6,520,483	0	6,520,483	0
Public Safety	1,910,733	0	1,910,733	0
Public Works	3,177,404	0	3,177,404	0
Health	5,262,765	0	5,262,765	0
Human Services	2,676,998	0	2,676,998	0
Capital Outlay	842,029	0	842,029	0
Debt Service	402,104	0	402,104	0
Unclaimed Monies	307,181	0	307,181	0
Unrestricted	21,480,793	890,485	22,371,278	567,581
<i>Total Net Position</i>	<i>\$42,580,490</i>	<i>\$890,485</i>	<i>\$43,470,975</i>	<i>\$567,581</i>

See accompanying notes to the basic financial statements.

Highland County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2023

	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities				
General Government:				
Legislative and Executive	\$3,942,327	\$2,135,441	\$248,386	\$0
Judicial	2,968,179	348,239	55,578	0
Public Safety	5,822,022	496,559	1,048,896	0
Public Works	8,505,839	166,209	6,253,997	0
Health	6,455,275	887,303	1,915,918	0
Human Services	10,531,634	390,288	8,548,992	0
Community and Economic Development	375,175	0	0	0
Capital Outlay	4,641,776	0	0	1,279,290
Intergovernmental	2,028,864	0	0	0
Debt Service:				
Principal	585,824	60,108	0	0
Interest on Long-Term Debt	132,870	50,589	0	0
<i>Total Governmental Activities</i>	<i>45,989,785</i>	<i>4,534,736</i>	<i>18,071,767</i>	<i>1,279,290</i>
Business-Type Activities				
Sewer	995,943	1,171,078	0	0
<i>Total Business-Type Activities</i>	<i>995,943</i>	<i>1,171,078</i>	<i>0</i>	<i>0</i>
<i>Total Primary Government</i>	<i>\$46,985,728</i>	<i>\$5,705,814</i>	<i>\$18,071,767</i>	<i>\$1,279,290</i>
Component Units	\$958,892	\$121,293	\$770,702	\$0

General Receipts, Advances, and Special Items

Property Taxes Levied for:

 General Purposes
 Board of Developmental Disabilities
 Children's Services

Sales Taxes Levied for General Purposes

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

General Obligation Bonds Issued

Proceeds from OPWC Loans

Advances

Special Items

Total General Receipts, Advances, and Special Items

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$1,558,500)	\$0	(\$1,558,500)	\$0
(2,564,362)	0	(2,564,362)	0
(4,276,567)	0	(4,276,567)	0
(2,085,633)	0	(2,085,633)	0
(3,652,054)	0	(3,652,054)	0
(1,592,354)	0	(1,592,354)	0
(375,175)	0	(375,175)	0
(3,362,486)	0	(3,362,486)	0
(2,028,864)	0	(2,028,864)	0
(525,716)	0	(525,716)	0
(82,281)	0	(82,281)	0
<hr/>	0	(22,103,992)	0
0	175,135	175,135	0
<hr/>	0	175,135	0
<hr/>	(22,103,992)	175,135	(21,928,857)
			<u>(66,897)</u>
2,589,186	0	2,589,186	0
3,002,590	0	3,002,590	0
636,705	0	636,705	0
9,394,398	0	9,394,398	0
41,449	0	41,449	0
2,545,375	0	2,545,375	101,113
2,326,908	0	2,326,908	197
666,010	0	666,010	363
176,323	0	176,323	0
326,563	0	326,563	0
(17,000)	17,000	0	0
<hr/>	1,023,050	0	0
22,711,557	17,000	22,728,557	101,673
607,565	192,135	799,700	34,776
<hr/>	41,972,925	698,350	42,671,275
<hr/>	\$42,580,490	\$890,485	\$43,470,975
<hr/>			<u>\$567,581</u>

Highland County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
As of December 31, 2023

	General	Public Assistance	Repair MVL
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,988,879	\$56,348	\$2,027,770
Cash and Cash Equivalents in Segregated Accounts	33,358	0	160
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Restricted Cash and Cash Equivalents	307,181	0	0
<i>Total Assets</i>	\$8,329,418	\$56,348	\$2,027,930
Fund Balances			
Nonspendable	\$307,181	\$0	\$0
Restricted	0	56,348	2,027,930
Committed	796,193	0	0
Assigned	272,618	0	0
Unassigned	6,953,426	0	0
<i>Total Fund Balances</i>	\$8,329,418	\$56,348	\$2,027,930

See accompanying notes to the basic financial statements.

Board of Developmental Disabilities	American Rescue Plan	General Capital Improvements	Nonmajor Governmental	Total Governmental Funds
\$3,922,373	\$4,866,006	\$11,840,921	\$11,104,588	\$41,806,885
0	0	0	181,418	214,936
251,488	0	0	0	251,488
0	0	0	0	307,181
\$4,173,861	\$4,866,006	\$11,840,921	\$11,286,006	\$42,580,490

\$0	\$0	\$0	\$0	\$307,181
4,173,861	4,866,006	0	9,668,371	20,792,516
0	0	0	9,538	805,731
0	0	11,840,921	1,608,097	13,721,636
0	0	0	0	6,953,426
\$4,173,861	\$4,866,006	\$11,840,921	\$11,286,006	\$42,580,490

Highland County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2023

	General	Public Assistance	Repair MVL
Receipts			
Property Taxes	\$2,589,186	\$0	\$0
Sales Taxes	9,394,398	0	0
Other Local Taxes	1,026	0	0
Special Assessments	0	0	8
Charges for Services	1,600,947	258,733	100,068
Licenses and Permits	2,910	0	0
Fines and Forfeitures and Settlements	67,279	0	483
Intergovernmental	2,138,580	4,367,182	6,529,289
Investment Earnings	2,326,908	0	95,056
Contributions and Donations	0	0	0
Other	77,915	26	0
<i>Total Receipts</i>	<i>18,199,149</i>	<i>4,625,941</i>	<i>6,724,904</i>
Disbursements			
Current:			
General Government:			
Legislative and Executive	2,658,933	0	0
Judicial	2,758,655	0	0
Public Safety	4,269,350	0	0
Public Works	1,181,765	0	6,287,073
Health	356,286	0	0
Human Services	711,711	4,756,240	0
Community and Economic Development	125,175	0	0
Capital Outlay	194,851	0	1,102,886
Intergovernmental	0	0	0
Debt Service:			
Principal	2,000	0	136,218
Interest	0	0	9,628
<i>Total Disbursements</i>	<i>12,258,726</i>	<i>4,756,240</i>	<i>7,535,805</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>5,940,423</i>	<i>(130,299)</i>	<i>(810,901)</i>
Other Financing Sources (Uses)			
Transfers In	0	0	0
General Obligation Bonds Issued	0	0	176,323
Proceeds from OPWC Loans	0	0	326,563
Advances In	0	0	0
Transfers Out	(5,803,102)	0	0
Advances Out	(17,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>(5,820,102)</i>	<i>0</i>	<i>502,886</i>
Special Items	0	0	245,353
<i>Net Change in Fund Balances</i>	<i>120,321</i>	<i>(130,299)</i>	<i>(62,662)</i>
<i>Fund Balances at Beginning of Year</i>	<i>8,209,097</i>	<i>186,647</i>	<i>2,090,592</i>
<i>Fund Balances at End of Year</i>	<i>\$8,329,418</i>	<i>\$56,348</i>	<i>\$2,027,930</i>

See accompanying notes to the basic financial statements.

Board of Developmental Disabilities	American Rescue Plan	General Capital Improvements	Nonmajor Governmental	Total Governmental Funds
\$3,002,590	\$0	\$0	\$636,705	\$6,228,481
0	0	0	0	9,394,398
0	0	0	40,423	41,449
0	0	0	111,773	111,781
632,189	0	0	1,193,054	3,784,991
0	0	0	114,772	117,682
0	0	0	452,520	520,282
1,607,256	0	2,770	6,819,164	21,464,241
0	0	0	5,845	2,427,809
1,935	0	0	329,355	331,290
152,514	0	0	435,555	666,010
5,396,484	0	2,770	10,139,166	45,088,414
0	89,614	0	1,193,780	3,942,327
0	0	0	209,524	2,968,179
0	0	0	1,552,672	5,822,022
0	0	0	1,037,001	8,505,839
5,496,479	0	0	602,510	6,455,275
0	10,000	0	5,053,683	10,531,634
0	250,000	0	0	375,175
0	805,316	1,543,158	995,565	4,641,776
0	2,028,864	0	0	2,028,864
0	0	0	447,606	585,824
0	0	0	123,242	132,870
5,496,479	3,183,794	1,543,158	11,215,583	45,989,785
(99,995)	(3,183,794)	(1,540,388)	(1,076,417)	(901,371)
0	0	5,340,000	463,102	5,803,102
0	0	0	0	176,323
0	0	0	0	326,563
0	0	0	26,500	26,500
0	0	0	0	(5,803,102)
0	0	0	(26,500)	(43,500)
0	0	5,340,000	463,102	485,886
0	0	0	777,697	1,023,050
(99,995)	(3,183,794)	3,799,612	164,382	607,565
4,273,856	8,049,800	8,041,309	11,121,624	41,972,925
\$4,173,861	\$4,866,006	\$11,840,921	\$11,286,006	\$42,580,490

Highland County
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$1,864,541	\$2,869,128	\$2,476,990	(\$392,138)
Sales Taxes	7,071,583	10,881,647	9,394,398	(1,487,249)
Other Local Taxes	772	1,188	1,026	(162)
Charges for Services	980,038	1,508,068	1,301,953	(206,115)
Licenses and Permits	2,190	3,371	2,910	(461)
Fines and Forfeitures and Settlements	67,931	104,531	90,244	(14,287)
Intergovernmental	1,576,036	2,425,180	2,126,493	(298,687)
Investment Earnings	1,603,801	2,467,905	2,326,901	(141,004)
Other	33,108	50,946	43,983	(6,963)
<i>Total Receipts</i>	<i>13,200,000</i>	<i>20,311,964</i>	<i>17,764,898</i>	<i>(2,547,066)</i>
Disbursements				
Current:				
General Government:				
Legislative and Executive	2,510,283	2,931,962	2,452,169	479,793
Judicial	2,853,431	2,964,117	2,765,375	198,742
Public Safety	4,340,328	4,467,724	4,244,919	222,805
Public Works	1,154,055	1,318,409	1,228,480	89,929
Health	362,212	375,598	356,286	19,312
Human Services	907,008	876,633	698,919	177,714
Community and Economic Development	132,912	133,275	126,990	6,285
Capital Outlay	200,000	200,000	194,851	5,149
Debt Service:				
Principal	0	2,000	2,000	0
<i>Total Disbursements</i>	<i>12,460,229</i>	<i>13,269,718</i>	<i>12,069,989</i>	<i>1,199,729</i>
<i>Excess of Receipts Over Disbursements</i>	<i>739,771</i>	<i>7,042,246</i>	<i>5,694,909</i>	<i>(1,347,337)</i>
Other Financing Uses				
Transfers Out	(739,771)	(5,804,846)	(5,803,102)	1,744
Advances Out	0	(17,000)	(17,000)	0
<i>Total Other Financing Uses</i>	<i>(739,771)</i>	<i>(5,821,846)</i>	<i>(5,820,102)</i>	<i>1,744</i>
<i>Net Change in Fund Balances</i>	<i>0</i>	<i>1,220,400</i>	<i>(125,193)</i>	<i>(1,345,593)</i>
<i>Fund Balances at Beginning of Year-Restated</i>	<i>3,380,937</i>	<i>3,380,937</i>	<i>3,380,937</i>	<i>0</i>
<i>Fund Balances at End of Year</i>	<i>\$3,380,937</i>	<i>\$4,601,337</i>	<i>\$3,255,744</i>	<i>(\$1,345,593)</i>

See accompanying notes to the basic financial statements.

Highland County
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis)
Public Assistance Fund
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Charges for Services	\$413,889	\$258,733	\$258,733	\$0
Intergovernmental	6,986,069	4,367,182	4,367,182	0
Other	42	26	26	0
<i>Total Receipts</i>	<i>7,400,000</i>	<i>4,625,941</i>	<i>4,625,941</i>	<i>0</i>
Disbursements				
Current:				
Human Services	7,433,000	7,433,000	4,778,770	2,654,230
<i>Total Disbursements</i>	<i>7,433,000</i>	<i>7,433,000</i>	<i>4,778,770</i>	<i>2,654,230</i>
<i>Net Change in Fund Balances</i>	(33,000)	(2,807,059)	(152,829)	2,654,230
<i>Fund Balances at Beginning of Year</i>	164,326	164,326	164,326	0
<i>Fund Balances at End of Year</i>	<i>\$131,326</i>	<i>(\$2,642,733)</i>	<i>\$11,497</i>	<i>\$2,654,230</i>

See accompanying notes to the basic financial statements.

Highland County
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis)
Repair Motor Vehicle License Fund
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Special Assessments	\$8	\$7	\$8	\$1
Charges for Services	99,461	90,389	100,068	9,679
Fines and Forfeitures and Settlements	324	294	326	32
Intergovernmental	6,814,278	6,792,724	6,529,289	(263,435)
Investment Earnings	85,929	78,091	95,056	16,965
<i>Total Receipts</i>	<i>7,000,000</i>	<i>6,961,505</i>	<i>6,724,747</i>	<i>(236,758)</i>
Disbursements				
Current:				
Public Works	7,815,799	7,911,109	7,192,663	718,446
Capital Outlay	0	1,102,886	1,102,886	0
Debt Service:				
Principal	0	136,218	136,218	0
Interest	0	9,628	9,628	0
<i>Total Disbursements</i>	<i>7,815,799</i>	<i>9,159,841</i>	<i>8,441,395</i>	<i>718,446</i>
<i>Excess of Receipts Under Disbursements</i>	<i>(815,799)</i>	<i>(2,198,336)</i>	<i>(1,716,648)</i>	<i>481,688</i>
Other Financing Sources				
General Obligation Bonds Issued	0	176,323	176,323	0
Proceeds of OPWC Loans	0	326,563	326,563	0
<i>Total Other Financing Sources</i>	<i>0</i>	<i>502,886</i>	<i>502,886</i>	<i>0</i>
Special Items	0	0	245,353	245,353
<i>Net Change in Fund Balances</i>	<i>(815,799)</i>	<i>(1,695,450)</i>	<i>(968,409)</i>	<i>727,041</i>
<i>Fund Balances at Beginning of Year</i>	<i>1,235,920</i>	<i>1,235,920</i>	<i>1,235,920</i>	<i>0</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>815,799</i>	<i>815,799</i>	<i>815,799</i>	<i>0</i>
<i>Fund Balances at End of Year</i>	<i>\$1,235,920</i>	<i>\$356,269</i>	<i>\$1,083,310</i>	<i>\$727,041</i>

See accompanying notes to the basic financial statements.

Highland County
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, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$2,709,844	\$4,914,818	\$2,876,231	(\$2,038,587)
Intergovernmental	1,512,349	2,322,538	1,573,486	(749,052)
Contributions and Donations	1,836	3,147	1,935	(1,212)
Other	144,716	248,060	152,514	(95,546)
<i>Total Receipts</i>	4,368,745	7,488,563	4,604,166	(2,884,397)
Disbursements				
Current:				
Health	4,656,491	4,302,609	4,240,085	62,524
<i>Total Disbursements</i>	4,656,491	4,302,609	4,240,085	62,524
<i>Excess of Receipts Over (Under) Disbursements</i>	(287,746)	3,185,954	364,081	(2,821,873)
Other Financing Uses				
Transfers Out	(92,136)	(584,136)	(584,136)	0
<i>Total Other Financing Uses</i>	(92,136)	(584,136)	(584,136)	0
<i>Net Change in Fund Balances</i>	(379,882)	2,601,818	(220,055)	(2,821,873)
<i>Fund Balances at Beginning of Year</i>	3,515,825	3,515,825	3,515,825	0
<i>Fund Balances at End of Year</i>	\$3,135,943	\$6,117,643	\$3,295,770	(\$2,821,873)

See accompanying notes to the basic financial statements.

Highland County
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis)
American Rescue Plan Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
Disbursements					
Current:					
General Government:					
Legislative and Executive	\$88,162	\$88,162	\$88,162	\$0	
Human Services	10,000	10,000	10,000	0	
Community and Economic Development	250,000	250,000	250,000	0	
Capital Outlay	6,219,501	6,219,501	2,348,416	3,871,085	
Intergovernmental	2,028,864	2,028,864	2,028,864	0	
<i>Total Disbursements</i>	<i>8,596,527</i>	<i>8,596,527</i>	<i>4,725,442</i>	<i>3,871,085</i>	
<i>Net Change in Fund Balances</i>	<i>(8,596,527)</i>	<i>(8,596,527)</i>	<i>(4,725,442)</i>	<i>3,871,085</i>	
<i>Fund Balances at Beginning of Year</i>	<i>7,504,821</i>	<i>7,504,821</i>	<i>7,504,821</i>	<i>0</i>	
<i>Prior Year Encumbrances Appropriated</i>	<i>543,527</i>	<i>543,527</i>	<i>543,527</i>	<i>0</i>	
<i>Fund Balances at End of Year</i>	<i>(\$548,179)</i>	<i>(\$548,179)</i>	<i>\$3,322,906</i>	<i>\$3,871,085</i>	

See accompanying notes to the basic financial statements.

Highland County
Statement of Fund Net Position - Cash Basis
Proprietary Fund
As of December 31, 2023

	Sewer
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$890,485</u>
<i>Total Assets</i>	<u>890,485</u>
 Net Position	
Unrestricted	<u>890,485</u>
<i>Total Net Position</i>	<u><u>\$890,485</u></u>

See accompanying notes to the basic financial statements.

Highland County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Fund
For the Year Ended December 31, 2023

	Sewer
Operating Receipts	
Charges for Services	\$1,171,078
<i>Total Operating Receipts</i>	<u>1,171,078</u>
Operating Disbursements	
Salaries and Wages	21,811
Fringe Benefits	7,118
Contractual Services	634,115
Materials and Supplies	331,693
Other	1,206
<i>Total Operating Disbursements</i>	<u>995,943</u>
<i>Operating Income</i>	175,135
Nonoperating Receipts	
Advances In	17,000
<i>Total Nonoperating Receipts</i>	<u>17,000</u>
<i>Change in Net Position</i>	192,135
<i>Net Position Beginning of Year</i>	<u>698,350</u>
<i>Net Position End of Year</i>	<u>\$890,485</u>

See accompanying notes to the basic financial statements.

Highland County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
As of December 31, 2023

	Custodial
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,691,467
Cash and Cash Equivalents in Segregated Accounts	140,036
<i>Total Assets</i>	<hr/> <hr/> 3,831,503
Net Position	
Restricted for Individuals, Organizations, and Other Governments	3,831,503
<i>Total Net Position</i>	<hr/> <hr/> \$3,831,503

See accompanying notes to the basic financial statements.

Highland County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2023

	Custodial
Additions	
Intergovernmental	\$5,287,860
Amounts Received as Fiscal Agent	2,543,219
Licenses and Permits and Fees for Other Governments	4,426,166
Fines and Forfeitures for Other Governments	522,600
Property Tax Collections for Other Governments	28,696,916
Special Assessment Collections for Other Governments	227,664
Sheriff Sale Collections for Others	733,324
Amounts Received for Others	68,639
Other	25,775
<i>Total Additions</i>	<hr/> 42,532,163
Deductions	
Distributions as Fiscal Agent	2,074,925
Distributions of State Funds to Other Governments	5,288,414
Distributions to the State of Ohio	4,463,833
Property Tax Distributions to Other Governments	28,726,777
Special Assessment Distributions to Other Governments	227,664
Sheriff Sale Distributions to Others	730,824
Distributions to Other Governments	162,593
Distributions to Individuals	363,902
Miscellaneous	68
<i>Total Deductions</i>	<hr/> 42,039,000
<i>Change in Net Position</i>	493,163
<i>Net Position at Beginning of Year</i>	<hr/> 3,338,340
<i>Net Position at End of Year</i>	<hr/> \$3,831,503

See accompanying notes to the basic financial statements.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

Discretely Presented Component Units

The component units column on the entity-wide financial statements identifies the financial data of the County's component units, Highland County Airport Authority (the Authority) and the Highland County Land Reutilization Corporation (Land Bank). They are reported separately to emphasize that they are legally separate from the County.

The Highland County Airport Authority is a legally separate body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a 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. Disclosures can be found in Note 18.

The Highland County Land Reutilization Corporation (Land Bank) was formed on November 30, 2016 as a legally separate not-for-profit organization, created under Ohio Revised Code Section 5722.02 to 5722.15 and Chapter 1724, to strengthen neighborhoods in the County by returning vacant and abandoned properties to productive use. The Land Bank has been designated as the County's agent for reclamation, rehabilitation, and reutilization of vacant, abandoned, tax foreclosed or other real property within the County. The Land Bank will assist and facilitate activities of governmental entities in assembling and clearing title to land for economic development purposes. The Land Bank is governed by a five member Board of Directors, consisting of two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population (City of Hillsboro), and one representative from a Highland County township (Paint Township). The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the Land Bank and the management and control of its properties. Because the County makes up and/or appoints a voting majority of the Board of Directors, and the County is able to impose its will on the operation of the Land Bank, the relationship

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

between the County and the Land Bank is such that exclusion could cause the County's financial statements to be misleading. Disclosures can be found in Note 20.

The information presented in Notes 2 through 17 relates to the primary government. Information related to the discretely presented component unit is presented in Note 18 through 21.

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 custodial 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 14 and 15 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 Service Corporation

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this Note, 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. Following are the more significant of the County's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position 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 position presents the cash balance of the governmental and business-type activities of the County at year-end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

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

Fund Financial Statements

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

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

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 Fund – 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 Fund – 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.

Repair Motor Vehicle License Fund – 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.

Board of Developmental Disabilities Fund – 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.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

American Rescue Plan Fund – This fund accounts for and reports federal monies restricted to provide emergency fiscal relief related to the COVID-19 pandemic.

General Capital Improvement Fund – This fund accounts for and reports resources assigned for constructing improvements, renovations and additions to the County's buildings, including equipment, furniture and fixtures.

The other governmental funds of the County account for and report grants and other resources whose use is restricted, committed, or assigned to 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The County does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The County's fiduciary funds are custodial funds. Custodial funds are used to account for assets held by the County for various taxes, assessments, fines and fees collected for the benefit of and distributed to other governments; for State shared resources received from the State and distributed to other local governments; for various fines and fees collected and distributed through the courts for the benefit of others.

Basis of Accounting

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

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

Budgetary Process

All funds, except custodial 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

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

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 for unclaimed monies are recorded under restricted assets as “Restricted 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.

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

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

During 2023, the County invested in money market funds, negotiable certificates of deposit, Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Bank Bonds, Federal Home Loan Bonds and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The County’s money market fund investment is recorded at the amount reported by Fifth Third Bank on December 31, 2023.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2023 were \$2,326,908, which includes \$1,896,946 assigned from other County funds.

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.

Inventory and Prepaid Items

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

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.

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.

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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

SBITAS

For 2023, GASB Statement No. 96, *Subscription-Based Technology Arrangements*, was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The County has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to various software. Subscription assets/liabilities are not reflected under the County's cash basis of accounting. Subscription disbursements are recognized when they are paid.

Settlement Monies

Ohio has reached settlement agreements with various distributors of opioids which are subject to the OneOhio memorandum of understanding. The original settlement was reached in 2021 with annual payments anticipated through 2038. For 2023, distributions of \$153,437 are reflected as fines and forfeitures and settlements revenue in the OneOhio nonmajor special revenue fund in the accompanying financial statements.

Net Position

Net position is 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 position 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 position are available.

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.

Restricted – 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.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

taking the same type of action (resolution) it employed to previously commit those amounts. 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. In the general fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented 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 position/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 law, the County had appropriations in excess of estimated resources in the Public Assistance Fund in the amount of \$2,642,731 and the American Rescue Plan Fund in the amount of \$4,652.

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 the following:

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For the Year Ended December 31, 2023

1. Cash that is held by custodial funds on behalf of County funds on a budget basis are allocated and reported on the cash basis in the appropriate County fund.
2. Cash that is held by the Southern Ohio Council of Governments on behalf of the County Board of Developmental Disabilities Fund are reported on the cash basis.
3. As part of the Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," certain funds that were previously reported as custodial or special revenue funds are considered part of the general fund and the board of developmental disabilities fund on a cash basis. These funds were excluded from the budgetary presentation for the general fund and the board of developmental disabilities fund.
4. Encumbrances outstanding at year-end.
5. Custodial fund distributions to appropriate County funds.

Change in Fund Cash Balance

	General	Public Assistance	Repair MVL	Board of Developmental Disabilities	American Rescue Plan
Cash Basis	\$120,321	(\$130,299)	(\$62,662)	(\$99,995)	(\$3,183,794)
Encumbrances	(272,619)	0	(901,671)	0	(1,543,100)
Custodial:					
Beginning	305,498	22,321	38,873	141,721	1,452
Ending	(255,140)	(44,851)	(42,949)	(393,034)	0
Excluded Funds for Budget Purposes	(23,253)	0	0	131,253	0
Budget Basis	(\$125,193)	(\$152,829)	(\$968,409)	(\$220,055)	(\$4,725,442)

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;
2. Bonds, notes, debentures, or any other obligations or security 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

6. 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 or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value, within certain limitations;
9. Up to forty percent of the County's average portfolio, if training requirements have been met in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation, which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.
 - b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. or any state provided the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
12. Up to two 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, subject to certain limitations. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$20,781,579 of the County's bank balance of \$30,770,953 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

- Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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Notes to the Basic Financial Statements
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- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

The fair value of these investments is not materially different than measurement value. As of December 31, 2023, the County had the following investments:

Investment Type	Measurement Amount	Investment Maturities (in Years)			S&P Ratings	Percentage of Total Investments
		Less than 1	1-2	3-5		
Federated Hermes Government Obligations	\$1,193,694	\$1,193,694	\$0	\$0	N/A	6.95%
Negotiable Certificates of Deposit	5,556,597	1,929,830	1,657,661	1,969,106	N/A	32.35%
Federal Farm Credit Bank Bonds	972,600	972,600	0	0	AA+	5.66%
Federal Home Loan Mortgage Bank Bonds	1,237,665	0	1,237,665	0	AA+	7.21%
Federal Home Loan Bonds	1,651,168	0	711,983	939,185	AA+	9.61%
STAR Ohio	6,563,505	6,563,505	0	0	AAAm	38.21%
Total Investments	<u>\$17,175,229</u>	<u>\$10,659,629</u>	<u>\$3,607,309</u>	<u>\$2,908,291</u>		<u>100.00%</u>

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

STAR Ohio and the Money Market Fund carry a rating of AAAm by Standard & Poor's. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The County has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and 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.

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 2023, the County received a total of \$9,394,398. The allocation of the sales tax is 100 percent to the County's General Fund. Vendor collections of the permissive sales tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget Management the amount of the tax to be returned to the County. The

Highland County
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Tax Commissioner's certification must be made within 45 days after the end of each month. The Tax Commissioner shall then, on or before the 20th day of the month in which certification is made, provide for payment 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 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes are levied after October 1, 2023, on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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. 2023 public utility property taxes became a lien December 31, 2023, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2023, was \$9.15 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2023 property tax receipts were based are as follows:

Real Property:	
Residential and Agricultural	\$799,267,900
Other	88,543,610
Public Utility Property	93,480,910
Total Assessed Value	<u>\$981,292,420</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through custodial 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 2023, the County contracted with County Risk Sharing Authority, Inc. (CORS) for insurance coverage. The CORS program has a \$2,500 deductible.

Highland County
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Coverage provided by CORSA is as follows:

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	9,000,000
Property (total covered value)	99,941,238
Equipment Breakdown	100,000,000
Crime Insurance	1,000,000
Stop Gap Liability	1,000,000
Medical Professional Liability	10,000,000
Foster Parents	10,000,000

There has been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2023, the County participated in the County Commissioners' Association of Ohio Service Corporation, an insurance purchasing pool (See Note 15). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from, or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. Sedgwick 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 County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows a representative of the Plan to assess loss experience for three years following the last year of participation.

Note 9 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension/OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the County's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living

Highland County
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adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

Ohio Public Employees Retirement System (OPERS)

Plan Description – County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which 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, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. 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 plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other Group and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply

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Notes to the Basic Financial Statements
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for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>			
	<u>Traditional</u>	<u>Combined</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2023 Statutory Maximum Contribution Rates				
Employer	14.0 %	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	10.0 %	**	***
2023 Actual Contribution Rates				
Employer:				
Pension ****	14.0 %	12.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	2.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

*Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**This rate is determined by OPERS' Board and has no maximum rate established by ORC.

***This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the public safety rate.

****These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated at 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2023, the County's contractually required contributions were \$2,015,739 for the traditional plan, \$11,929 for the combined plan, and \$20,307 for the member-directed plan.

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State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in 2022 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly

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benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The County's contractually required contribution to STRS was \$44,601 for 2023.

Pension Liability (Asset)

The net pension liability (asset) for OPERS was measured as of December 31, 2022, and the net pension liability for STRS was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OPERS		
	Traditional Plan	Combined Plan	STRS	Total
Proportion of the Net Pension Liability (Asset):				
Current Measurement Date	0.095924%	0.020703%	0.00229910%	
Prior Measurement Date	<u>0.078750%</u>	<u>0.020117%</u>	<u>0.00153369%</u>	
Change in Proportionate Share	<u>0.017174%</u>	<u>0.000586%</u>	<u>0.00076541%</u>	
Proportionate Share of the:				
Net Pension Liability	\$28,335,992	\$0	\$495,110	\$28,831,102
Net Pension Asset	0	(48,795)	0	(48,795)

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

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	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	22.00 %	2.62 %
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
County's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$42,446,370	\$28,335,992	\$16,598,689
OPERS Combined Plan	(25,465)	(48,795)	(67,285)

Actuarial Assumptions – STRS

All disclosures related to the actuarial assumptions relate to the amounts used for the net pension liability for STRS which was measured as of June 30, 2023.

Key methods and assumptions used in the June 30, 2023, actuarial valuation are presented below:

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	June 30, 2023	June 30, 2022
Inflation	2.50 percent	2.50 percent
Salary increases	Varies by service from 2.5 percent to 8.5 percent	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.00 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent	0.00 percent

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Rate of Return**	
Domestic Equity	26.00 %	6.60	%
International Equity	22.00	6.80	
Alternatives	19.00	7.38	
Fixed Income	22.00	1.75	
Real Estate	10.00	5.75	
Liquidity Reserves	<u>1.00</u>	1.00	
Total	<u><u>100.00</u></u> %		

*Final target weights reflected at October 1, 2022.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

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Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$761,369	\$495,110	\$269,927

Note 10 – Defined Benefit OPEB Plans

Ohio Public Employees Retirement System

Plan Description – The 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 trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees – Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees – Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A – 30 years of qualifying service credit at any age;

Group B – 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C – 32 years of qualifying service credit and minimum age 55; or,

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A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary 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. Active member contributions do not fund health care.

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2023 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$10,111 for 2023.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For 2023, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. For STRS, the net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent actuarial valuation as of that date. The County's proportion of the net OPEB liability (asset) was based on the County's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	STRS	Total
Proportion of the Net OPEB Asset:			
Current Measurement Date	0.091051%	0.002299100%	
Prior Measurement Date	<u>0.075063%</u>	<u>0.001533689%</u>	
Change in Proportionate Share	<u>0.0159880%</u>	<u>0.000765411%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$574,094	\$0	\$574,094
Net OPEB Asset	0	(44,714)	(44,714)

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Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a

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discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	
Fixed Income	34.00 %	2.56	%
Domestic Equities	26.00	4.60	
Real Estate Investment Trust	7.00	4.70	
International Equities	25.00	5.51	
Risk Parity	2.00	4.37	
Other Investments	6.00	1.84	
Total	100.00 %		

Discount Rate – A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
County's proportionate share of the net OPEB liability (asset)	\$1,953,954	\$574,094	(\$564,516)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB

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liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
County's proportionate share of the net OPEB liability	\$538,111	\$574,094	\$614,594

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2023 actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Rate of Return**	
Domestic Equity	26.00 %	6.60	%
International Equity	22.00	6.80	
Alternatives	19.00	7.38	
Fixed Income	22.00	1.75	
Real Estate	10.00	5.75	
Liquidity Reserves	<u>1.00</u>	1.00	
Total	<u><u>100.00 %</u></u>		

*Final target weights reflected at October 1, 2022.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2023.

Sensitivity of the County's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate – The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net OPEB asset	(\$37,845)	(\$44,714)	(\$50,697)

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Note 11 – Long -Term Debt

The County's long-term debt activity for the year ended December 31, 2023, was as follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Due Within One Year
<i>General Obligation Bonds from Direct Placement:</i>					
2005 General Obligation Bonds					
Various Purpose 4.80%	\$358,000	0	(\$114,000)	\$244,000	\$119,000
2022 General Obligation Bonds					
Road Mill/Grinder 2.75%	271,000	0	(65,000)	206,000	67,000
2023 General Obligation Bonds					
Engineer's Equipment 5.25%	0	176,323	0	176,323	40,757
Total General Obligation Bonds from Direct Placement	629,000	176,323	(179,000)	626,323	226,757
<i>Long-Term Notes from Direct Placement:</i>					
Bond Anticipation Note					
Geographic Information System 4.21%	100,925	0	(30,000)	70,925	31,000
Bond Anticipation Note Real Estate Acquisition 4.21%	31,000	0	(10,000)	21,000	10,000
Bond Anticipation Note Airport Improvement 6.00%	242,000	0	(77,000)	165,000	81,000
Bond Anticipation Note Juvenile Detention Center 3.40%	145,000	0	(45,000)	100,000	50,000
Bond Anticipation Note Various Purpose 4.07%	61,000	0	(11,000)	50,000	12,000
Total Long-Term Notes from Direct Placement	579,925	0	(173,000)	406,925	184,000
<i>Loans from Direct Borrowings:</i>					
OPWC Loans:					
2009 Southwest Wastewater Treatment Plant 0.00%	80,221	0	(11,460)	68,761	0
2009 Lakeside Wastewater Treatment Plant Repair 0.00%	24,591	0	(3,513)	21,078	0
2015 Rocky Fork Lake Wastewater System Imp. 0.00%	139,082	0	(6,047)	133,035	0
2019 OPWC HIG-Hobart/Carl Smith Drive 0.00%	392,285	0	(14,803)	377,482	0
2022 CR 11-D & CR 10-A/B Improvements	185,898	0	(9,533)	176,365	4,767
2023 New Market Road	0	326,563	0	326,563	8,164
Total OPWC Loans	822,077	326,563	(45,356)	1,103,284	12,931
OWDA Loans:					
2004 Highland-Leesburg Sewer 3.98%	462,172	0	(26,450)	435,722	13,621
2006 Mowrystown Sewer 3.92%	1,372,039	0	(65,811)	1,306,228	33,876
2014 Pump Station Upgrade 3.34%	343,975	0	(21,525)	322,450	11,033
2021 Rolling Acres Wastewater System Repair 0.00%	8,000	0	(2,000)	6,000	1,000
Total OWDA Loans	2,186,186	0	(115,786)	2,070,400	59,530
Total Loans from Direct Borrowings	3,008,263	326,563	(161,142)	3,173,684	72,461
<i>Other Long-Term Obligations:</i>					
1994 Special Asst Bonds Series A Madison Twp 4.50%	399,400	0	(25,800)	373,600	27,000
2022 Merchants National Bank – Loader Loan 2.25%	184,246	0	46,882	137,364	44,754
Total Other Long-Term Obligations	583,646	0	(72,682)	510,964	71,754
Total Long-Term Liabilities	<u>\$4,800,834</u>	<u>\$502,886</u>	<u>(\$585,824)</u>	<u>\$4,717,896</u>	<u>\$554,972</u>

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

2005 Various Purpose General Obligation Bonds

On November 7, 2005, the County issued \$1,638,000 in direct placement 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 Various Purpose Debt Service Funds.

2022 General Obligation Bonds – Road Mill/Grinder

On May 18, 2022, the County issued \$271,000 in General Obligation Bond for the purpose of purchasing a road mill/grinder and paying certain costs related to the issues of the bonds. The bonds mature in 2026 and payments will be made from the Repair MVL Fund.

2023 General Obligation Bonds – Engineer's Equipment

On June 22, 2023, the County issued \$176,323 in General Obligation Bond for the purpose of purchasing an excavator and paying certain costs related to the issues of the bonds. The bonds mature in 2027 and payments will be made from the Repair MVL Fund.

Bond Anticipation Note – Geographic Information System

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

Bond Anticipation Note – Real Estate Acquisition

On June 30, 2005, the County issued a \$152,000 in direct placement 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 in direct placement 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 in direct placement bond anticipation note for the purpose of constructing and improving the South Central Regional Juvenile Detention Center. The note will be paid from the SCRJDC Debt Retirement Fund. The note matures in 2025.

Bond Anticipation Note – Various Purpose

On December 27, 2007, the County issued a \$900,000 in direct placement 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.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

2015 Ohio Public Works Commission Rocky Fork Lake Wastewater System Improvements Loan

In 2015, the County entered into a \$181,412 loan agreement with the Ohio Public Works Commission for the Rocky Fork Lake Wastewater System Improvements project. The loan matures in 2043 and payments will be paid from the Rocky Fork Lake Debt Retirement Fund.

2019 Ohio Public Works Commission HIG-Hobart/Carl Smith Drive Loan

In 2019, the County entered into a \$444,098 loan with the Ohio Public Works Commission for the purpose of roadway reconstruction, including widening and full-depth pavement replacement, addition of turn lanes, construction of a roundabout, storm drainage improvements, street lighting, erosion control, traffic control, signalization, and maintenance of traffic. The final debt payment on the loan is due in 2050 and payments will be made from the Repair MVL Fund.

2022 Ohio Public Works Commission Careytown Road/Roundhead Road Improvements Loan

In 2022, the County entered into a \$500,000 loan agreement with the Ohio Public Works Commission for the Careytown Road/Roundhead Road Improvements project. OPWC also awarded the County a \$600,000 grant for this project. 100 percent of the loan proceeds were drawn, and only \$190,665 of the loan proceeds were used. The loan matures in 2042 and payments will be paid from the Repair MVL Fund.

2023 Ohio Public Works Commission New Market Road Reconstruction and Resurfacing

In 2023, the County entered into a \$326,563 loan with the Ohio Public Works Commission for the purpose of roadway reconstruction and resurfacing of New Market Road. The final debt payment on the loan is due in 2044 and payments will be made from the Repair MVL Fund.

The County's outstanding OPWC loans from direct borrowings contain provisions that in the event of a default (1) may apply a late fee of 8 percent per year (2) loans more than 60 days late will be turned over to the Attorney General's Office for collection, and as provided by law, OPWC may require that such payment be taken from the County's share of the undivided local government fund (3) the outstanding amounts shall, at OPWC's option become immediately payable and due.

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.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

2014 Ohio Water Development Authority Pump Station Upgrade Loan

In 2014, the County entered into a loan agreement with the Ohio Water Development Authority for the pump station upgrade. The final payment on the loan is due in 2036 and payments will be made from the Rocky Fork Lake Debt Retirement Fund.

2021 Ohio Water Development Authority Rolling Acres Wastewater System Repair Planning Loan

In 2021, the County entered into a loan agreement with the Ohio Water Development Authority for planning for wastewater system repairs. The final payment on the loan is due in 2027 and payments will be made from the Rolling Acres Debt Retirement Fund.

The County's OWDA loans from direct borrowings contain provisions that in the event of failure (1) will bear interest at a default rate from the due date until the date of payment (2) over 30 days past due, will incur a late charge of 1 percent until paid in full (3) all costs incurred by OPWC to cure the default will be paid to OPWC as part of the principal owed on the project (4) will not be eligible to participate in a Water Pollution Loan Fund loan agreement (WPLF).

1994 Special Assessment Bonds Series A Madison Township

On December 1, 1994, the County issued \$810,162 in direct placement 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.

2022 Merchants National Bank Loan – John Deere Loader

On November 16, 2022, the County issued \$183,896 in a Merchants National Bank Loan for the County Engineer to purchase a 2022 John Deere 624P Wheel Loader. The loan matures in 2025.

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

Year	General Obligation Bonds		Long-Term Notes	OPWC Loans
	Principal	Interest	Principal	Principal
2024	\$226,757	\$23,875	\$184,000	\$12,931
2025	235,897	14,033	196,925	61,684
2026	116,150	6,817	13,000	61,684
2027	47,519	2,495	13,000	61,684
2028	0	0	0	61,684
2029-2033	0	0	0	263,502
2034-2038	0	0	0	233,555
2039-2043	0	0	0	224,029
2044-2048	0	0	0	100,325
2049-2050	0	0	0	22,206
Total	\$626,323	\$47,220	\$406,925	\$1,103,284

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Year	From Direct Borrowings		Special Assessment Bonds		Loader Loan		
	OWDA Loans	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$59,530	\$39,658		\$27,000	\$16,812	\$44,754	\$3,142
2025	122,438	75,936		28,200	15,597	45,783	2,113
2026	127,089	71,285		29,500	14,328	46,827	1,068
2027	130,921	66,454		30,800	13,000	0	0
2028	134,940	61,436		32,200	11,615	0	0
2029-2033	757,058	224,814		184,000	34,995	0	0
2034-2038	738,424	72,194		41,900	1,885	0	0
Total	\$2,070,400	\$611,777		\$373,600	\$108,232	\$137,364	\$6,323

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 \$8,779,676 at December 31, 2023.

Note 12 - Interfund Activity

Interfund Transfers

During 2023, the following transfers were made:

	Transfers In	Transfers Out
<i>Major Governmental Funds</i>		
General	\$0	\$5,803,102
General Capital Improvement	5,340,000	0
<i>Nonmajor Governmental Funds</i>		
Dog & Kennel	50,000	0
IT Upgrades	100,000	0
Children Services	200,000	0
Victim Witness	80,000	0
Emergency Management	30,000	0
Airport Capital Improvement	3,102	0
<i>Total Nonmajor Governmental Funds</i>	<i>463,102</i>	<i>0</i>
<i>Total All Funds</i>	<i>\$5,803,102</i>	<i>\$5,803,102</i>

Transfers from the General Fund were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers from the General Fund to the General Capital Improvement Fund were for capital improvements.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Interfund Advances

During 2023, the following advances were made:

	Advances In	Advances Out
<i>Major Governmental Fund</i>		
General	\$0	\$17,000
<i>Nonmajor Governmental Funds</i>		
Community Probation	6,500	20,000
CCA 2.0 FY24-25	20,000	0
Jail Diversion FY22-23	0	6,500
<i>Total Nonmajor Governmental Funds</i>	<u>26,500</u>	<u>26,500</u>
<i>Enterprise Fund</i>		
Sewer	17,000	0
<i>Total All Funds</i>	<u>\$43,500</u>	<u>\$43,500</u>

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 13 - Contingent Liabilities

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.

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 14 - Jointly Governed Organizations

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 2023. The Board of Directors consists of 12 members, the three County Commissioners of each of the four counties. The Board exercises total control over the operations including budgeting, appropriating, contracting, and designing management. Each participant's degree of control is limited to its representation on the Board. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

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,

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For the Year Ended December 31, 2023

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. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board.

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, Adam Dyer who serves as Finance Director, 1394 Chestnut Street, Chillicothe, Ohio 45601.

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 Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board.

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.

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. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. 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 15 – Public Entity Risk Pool and Insurance Purchasing Pool

County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORS) is a public entity shared risk pool among 66 counties in Ohio. CORS was formed as an Ohio non-profit corporation for the purpose of establishing the CORS 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 CORS.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORS are managed by an elected board of not more than nine trustees. Only county commissioners of

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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. The County's payment to CORSA for insurance in 2023 was \$199,190.

County Commissioners' Association of Ohio Service Corporation

The County participates 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 an 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 participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven 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 on the group executive committee in any year, and each elected member shall be a county commissioner.

Note 16 - 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	Repair MVL	Board of Developmental Disabilities
<i>Nonspendable:</i>				
Unclaimed Monies	\$307,181	\$0	\$0	\$0
<i>Restricted for:</i>				
Public Works	0	0	2,027,930	0
Health	0	0	0	4,173,861
Human Services	0	56,348	0	0
Total Restricted	0	56,348	2,027,930	4,173,861
<i>Committed to:</i>				
Other purposes	796,193	0	0	0
<i>Assigned to:</i>				
Future Purchases	272,618	0	0	0
Unassigned	<u>6,953,426</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$8,329,418</u>	<u>\$56,348</u>	<u>\$2,027,930</u>	<u>\$4,173,861</u>

Highland County
Notes to the Basic Financial Statements
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Fund Balances	American Rescue Plan	General Capital Improvement	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Monies	\$0	\$0	\$0	\$307,181
<i>Restricted for:</i>				
General Government	4,866,006	0	1,654,477	6,520,483
Public Safety	0	0	1,910,733	1,910,733
Public Works	0	0	1,149,474	3,177,404
Health	0	0	1,088,904	5,262,765
Human Services	0	0	2,620,650	2,676,998
Capital Improvements	0	0	842,029	842,029
Debt Service Payments	0	0	402,104	402,104
Total Restricted	4,866,006	0	9,668,371	20,792,516
<i>Committed to:</i>				
Other purposes	0	0	9,538	805,731
<i>Assigned to:</i>				
Debt Service Payments	0	0	1,605,650	1,605,650
Capital Improvements	0	11,840,921	2,447	11,843,368
Future Purchases	0	0	0	272,618
Total Assigned	0	11,840,921	1,608,097	13,721,636
Unassigned	0	0	0	6,953,426
Total Fund Balances	\$4,866,006	\$11,840,921	\$11,286,006	\$42,580,490

Note 17 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$272,798
General Capital Improvement Fund	5,756,814
Other Nonmajor Governmental Funds	2,759,904
Sewer Fund	5,000
Total	\$8,794,516

Highland County
Notes to the Basic Financial Statements
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Contractual Commitments

As of December 31, 2023, the County had the following significant contractual commitments:

<u>Contract</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/23</u>	<u>Amount Remaining as of 12/31/23</u>
Broadband Expansion	Charter Communications	\$500,000	\$250,000	\$250,000
WWTP Improvements	Doll Layman, Ltd.	1,500,000	567,644	932,356
OSU Extension Building- General Contractor	Tag Williams, Inc.	807,849	520,728	287,121
Records Storage Building- General Contractor	Alpha Construction Indiana, Inc.	2,797,000	0	2,797,000

Note 18 - Highland County Airport Authority

Summary of Significant Accounting Policies

The summary of significant accounting policies of the Highland County 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 for 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 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.

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.

Equity in Pooled Cash

The carrying amount of deposits and investments at December 31, 2023 was \$81,700. Deposits are insured by the Federal Depository Insurance Corporation.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Risk Management

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

Note 19 – Highland County Airport Authority Loan and County Loan Guarantee

The Highland County Airport Authority, a discretely presented component unit of the County, entered into a loan agreement on August 16, 2017 in the amount of \$127,000 with the Ohio Department of Transportation, to finance the purchase of an existing privately-owned aircraft hangar plus maintenance costs for hangars owned by the authority located at the Highland County Airport. The interest rate of the loan ranges from 0 to 3 percent. Semiannual loan payments of \$4,729 began in May of 2020. The Authority agreed to pledge its hangar lease revenue that is generated by the purchase of the hangers and all non-tax revenue to repay the loan. Highland County guaranteed the debt by agreeing to use any and all legal sources to pay the loan if the Authority's lease and non-tax revenues are not sufficient to make the scheduled loan payments as required.

Note 20 – Highland County Land Reutilization Corporation

Description of the Entity

The Highland County Land Reutilization Corporation (Land Bank) was formed on November 30, 2016, as a legally separate not-for-profit organization, created under Ohio Revised Code Section 5722.02 to 5722.15 and Chapter 1724. The Land Bank is governed by a five member Board of Directors, consisting of two County Commissioners, the County Treasurer, one representative from the municipal corporation with the largest population (County of Hillsboro), and one representative from a Highland County township (Paint Township). The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the Land Bank and the management and control of its properties.

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

Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this Note, the 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. Following are the more significant of the Land Bank's accounting policies.

Basis of Accounting

The Land Bank's financial statements are prepared on a GAAP basis, but are presented on a cash basis to coincide with the County's reporting basis. Receipts are recorded in the Land Bank'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. Any such modifications made by the Land Bank are described in the appropriate section in this note.

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.

Highland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Cash and Equivalents

The Land Bank deposits all available funds in an interest earning checking account at a local commercial bank.

Deposits

At December 31, 2023, the carrying amount of the Land Bank's deposits was \$485,881.

Property Held for Reutilization

Property held for reutilization represents properties held by the Land Bank that the Land Bank intends to sell to a third party. The accompanying financial statements do not report these items as assets.

Risk Management

The Land Bank 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. The Land Bank has obtained commercial insurance from private carriers for the following risks: Commercial General Liability - Directors/Officers Liability

Note 21 – Condensed Component Unit Statements

Condensed Component Unit Statement of Net Position

	Highland County Airport Authority	Highland County Land Reutilization Corporation	Total
<i>Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$81,700	\$485,881	\$567,581
<i>Net Position:</i>			
Unrestricted	\$81,700	\$485,881	\$567,581

Condensed Component Unit Statement of Activities

	Highland County Airport Authority	Highland County Land Reutilization Corporation	Total
Expenses:	\$117,593	\$841,299	\$958,892
<i>Program Revenues:</i>			
Charges for Services and Sales	107,072	14,221	121,293
Operating Grants and Contributions	0	770,702	770,702
Total Revenues	107,072	784,923	891,995
General Revenues	0	101,673	101,673
Change in Net Position	(10,521)	45,297	34,776
Net Position at Beginning of Year	92,221	440,584	532,805
Net Position at End of Year	\$81,700	\$485,881	\$567,581

Highland County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Grantor Program/Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-2223-11-6940	\$98,546
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-2223-11-6940	21,263
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-2425-11-6149	28,236
Total SNAP Cluster			<u>148,045</u>
Total United States Department of Agriculture			148,045
United States Department of Housing and Urban Development			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-F-22-1BG-1	59,027
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-X-22-1BG-1	120,440
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-C-20-1BG-1	94,829
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-C-22-1BG-1	95,935
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>370,231</u>
Home Investment Partnerships Program	14.239	B-C-20-1BG-2	62,113
Home Investment Partnerships Program	14.239	B-C-22-1BG-2	76,762
Total Home Investment Partnerships Program			<u>138,875</u>
Total United States Department of Housing and Urban Development			509,106
United States Department of Justice			
<i>Passed through State of Ohio Attorney General:</i>			
Crime Victim Assistance	16.575	2023-VOCA-135106626	32,820
Crime Victim Assistance	16.575	2024-VOCA-135500390	8,719
Total Crime Victim Assistance			<u>41,539</u>
Total United States Department of Justice			41,539
United States Department of Transportation			
<i>Passed Through Federal Aviation Administration:</i>			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-39-0040-015-2021	264,036
Total Airport Improvement Program			<u>264,036</u>
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction:			
Highway Planning and Construction-HIG Various Guardrail	20.205	107073	292,685
Highway Planning and Construction-HIG CR Various PM FY 2023	20.205	107074	175,000
Highway Planning and Construction-HIG VAR CR Resurfacing FY23	20.205	107331	1,041,564
Total Highway Planning and Construction			<u>1,509,249</u>
Total United States Department of Transportation			1,773,285

(continued)

Highland County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Grantor Program/Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
United States Department of the Treasury			
Passed Through Ohio Department of Job and Family Services:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	G-2425-11-6149	\$46,509
<i>Direct from Federal Government:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N	3,182,342
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			<u>3,228,851</u>
Total United States Department of the Treasury			3,228,851
United States Department of Education			
Passed Through Highland County Family & Children First Council:			
Special Education-Grants for Infants and Families	84.181	H181A210024	22,288
COVID-19 Special Education-Grants for Infants and Families	84.181X	H181X210024	18,269
Total Special Education-Grants for Infants and Families			<u>40,557</u>
Total United States Department of Education			40,557
United States Department of Health and Human Services			
Passed Through Ohio Department of Developmental Disabilities:			
Social Services Block Grant	93.667	2301OHSOSR	30,116
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Social Services Block Grant	93.667	G-2223-11-6940	324,957
Social Services Block Grant	93.667	G-2425-11-6149	42,512
Total Social Services Block Grant			<u>397,585</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	G-2223-11-6940	869,309
Medical Assistance Program	93.778	G-2425-11-6149	322,303
Total Medicaid Cluster			<u>1,191,612</u>
Temporary Assistance for Needy Families			
Temporary Assistance for Needy Families	93.558	G-2223-11-6940	940,880
Temporary Assistance for Needy Families	93.558	G-2425-11-6149	192,145
Total Temporary Assistance for Needy Families			<u>1,133,025</u>
CCDF Cluster:			
Child Care and Development Block Grant	93.575	G-2223-11-6940	7,139
Child Care and Development Block Grant	93.575	G-2425-11-6149	17,628
Total CCDF Cluster			<u>24,767</u>
MaryLee Allen Promoting Safe and Stable Families Program			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	G-2223-11-6940	20,581
MaryLee Allen Promoting Safe and Stable Families Program	93.556	G-2425-11-6149	6,523
Total MaryLee Allen Promoting Safe and Stable Families Program			<u>27,104</u>
Child Support Services			
Child Support Services	93.563	G-2223-11-6940	205,668
Child Support Services	93.563	G-2425-11-6149	68,410
Total Child Support Services			<u>274,078</u>
Stephanie Tubbs Jones Child Welfare Services Program			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2223-11-6940	10,087
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2425-11-6149	11,781
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>21,868</u>

(continued)

Highland County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Grantor Program/Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
Foster Care-Title IV-E	93.658	G-2223-11-6940	\$741,375
Foster Care-Title IV-E	93.658	G-2425-11-6149	549,767
Total Foster Care-Title IV-E			<u>1,291,142</u>
Adoption Assistance	93.659	G-2223-11-6940	15,805
Adoption Assistance	93.659	G-2425-11-6149	4,866
Total Adoption Assistance			<u>20,671</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-2223-11-6940	8,819
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-2425-11-6149	1,869
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			<u>10,688</u>
COVID-19 Elder Abuse Prevention Interventions Program	93.747	G-2223-11-6940	37,413
<i>Passed Through University of Cincinnati:</i>			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	1 GA1RH33550	<u>25,384</u>
Total United States Department of Health and Human Services			<u>4,455,337</u>
United States Department of Homeland Security			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grants	97.042	EMC-2022-EP-00006	<u>49,269</u>
Total United States Department of Homeland Security			<u>49,269</u>
Total Federal Awards Expenditures			<u>\$10,245,989</u>

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

N - direct from the federal government

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

Highland County

Notes to the Schedule of Expenditures of Federal Awards

2 CFR 200.510(b)(6)

For the Year Ended December 31, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Highland County (the County) under programs of the federal government for the year ended December 31, 2023. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in financial position, or cash flows, where applicable, of the County.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note 3 – Indirect Cost Rate

The County Engineer has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. The remaining County offices and departments have elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – U.S. Department of Education – Help Me Grow

Cash receipts from the Help Me Grow Program are commingled with State grants. It is assumed that state monies are expended first.

Note 5 – Matching Requirements

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



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

Highland County
119 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, the cash-basis 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 the Highland County, Ohio (the County) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 27, 2025, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a significant deficiency.

Highland County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 financial statements. 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 as items 2023-002 and 2023-003.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit and described in the accompanying schedule of findings and / or corrective action plan. The County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 27, 2025



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Highland County
119 Governor Foraker Place
Hillsboro, Ohio 45133

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highland County's, (County) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Highland County's major federal programs for the year ended December 31, 2023. Highland County's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Highland 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Highland County

Independent Auditor's Report on Compliance with Requirements

Applicable to Each Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 2

Responsibilities of Management for Compliance

The County's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Highland County

Independent Auditor's Report on Compliance with Requirements

Applicable to Each Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 3

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

August 27, 2025

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HIGHLAND COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2023

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL# 21.027 Coronavirus State and Local Fiscal Recovery Funds AL# 93.558 Temporary Assistance for Needy Families (TANF) AL# 93.667 Social Services Block Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2023-001

Significant Deficiency

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Commissioners to make informed decisions regarding budgetary matters.

FINDING NUMBER 2023-001
(Continued)

The Appropriation resolution and subsequent amendments establish the legal spending authority of the County and the appropriation ledger provides the process by which the County controls spending, it is therefore necessary the amounts appropriated by the Commissioners are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the County and the receipts ledger provides the process by which the County controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipt ledger.

The County Auditor obtained a certificate of estimated resources from the budget commission for fiscal year 2023, however failed to record the estimated resources in the County's accounting system causing the system to be less than approved estimated resources as follows:

- General Fund in the amount of \$23,692,901
- Public Assistance Fund in the amount of \$4,790,270
- Repair Motor Vehicle Fund in the amount of \$8,413,227
- General Capital Improvement Fund in the amount of \$13,384,079
- Board of Developmental Disabilities Fund in the amount of \$11,004,387
- American Rescue Plan Fund in the amount of \$8,048,348

The County did not have procedures in place to ensure the accurate posting of authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources and amendments thereof were not posted to the accounting system.

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the County should establish and implement procedures to ensure posting to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Commissioners. The County should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

See Corrective Action Plan

FINDING NUMBER 2023-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Due to a lack of internal controls over the budgetary cycle, on December 31, 2023 the County's appropriations exceeded the amount certified as available by the budget commission in the Public Assistance Fund and American Rescue Plan Fund by \$2,642,731 and \$4,652, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the County's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The County should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the County should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the County Commissioners to reduce the appropriations.

Officials' Response:

See Corrective Action Plan

FINDING NUMBER 2023-003

Noncompliance

Ohio Rev. Code § 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 Admin. Code 117-2-03(B), requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

Due to a lack of internal controls over County reporting, the County prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the County may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the County's ability to evaluate and monitor the overall financial condition of the County. To help provide the users with more meaningful financial statements, the County should establish and implement internal control procedures over reporting to help ensure it prepares its annual financial statements according to generally accepted accounting principles.

Officials' Response:

See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

FINDING NUMBER 2023-004

Finding for Recovery

City of Hillsboro Codified Ordinance §§ 35.008(A)(1) and (2) provide that each employer, agent of an employer, or other payer located or doing business in the city that imposes a tax on income in accordance with this subchapter shall withhold from each employee an amount equal to the qualifying wages of the employee earned by the employee in the city multiplied by the applicable rate of the city's income tax, except for qualifying wages for which withholding is not required under § 35.019 of the city code or division (D) or (F) of this section. An employer, agent of an employer, or other payer shall deduct and withhold the tax from qualifying wages on the date that the employer, agent, or other payer directly, indirectly, or constructively pays the qualifying wages to, or credits the qualifying wages to the benefit of, the employee; In addition to withholding the amounts required under division (A)(1) of this section, an employer, agent of an employer, or other payer may also deduct and withhold, on the request of an employee, taxes for the municipal corporation in which the employee is a resident.

City of Hillsboro Codified Ordinance §§ 35.008(B)(1)(a) and (b) provide that taxes required to be deducted and withheld shall be remitted monthly to the Tax Administrator if the total taxes deducted and withheld or required to be deducted and withheld by the employer, agent, or other payer on behalf of the city in the preceding calendar year exceeded \$2,399, or if the total amount of taxes deducted and withheld or required to be deducted and withheld on behalf of the city in any month of the preceding calendar quarter exceeded \$200. Payments under this division (B)(1)(a) of this section shall be made to the Tax Administrator not later than 15 days after the last day of each month; and any employer, agent of an employer, or other payer not required to make payments under division (B)(1)(a) of this section of taxes required to be deducted and withheld shall make quarterly payments to the Tax Administrator not later than the last day of the month following the last day of each calendar quarter.

City of Hillsboro Codified Ordinance § 35.008(B)(2) provides that notwithstanding division (B)(1) of this section, the city may require, and does require, by resolution, ordinance, or rule, an employer, agent of an employer, or other payer to do any of the following: (a) Remit taxes deducted and withheld semimonthly to the Tax Administrator if the total taxes deducted and withheld or required to be deducted and withheld on behalf of the city in the preceding calendar year exceeded \$11,999, or if the total amount of taxes deducted and withheld or required to be deducted and withheld on behalf of the city in any month of the preceding calendar year exceeded \$1,000. The payment under this division (B)(2)(a) of this section shall be made to the Tax Administrator not later than one of the following: 1. If the taxes were deducted and withheld or required to be deducted and withheld during the first 15 days of a month, the third banking day after the fifteenth day of that month; and 2. If the taxes were deducted and withheld or required to be deducted and withheld after the fifteenth day of a month and before the first day of the immediately following month, the third banking day after the last day of that month.

Due to a lack of internal controls over the payment of taxes, in fiscal years 2019, 2020, 2021 and 2023, the County failed to remit and file portions of the Highland County City Tax payments timely, resulting in penalty and late fees of \$1,100 being paid during 2023 for years 2019-2021.

FINDING NUMBER 2023-004
(Continued)

The Payroll Clerk of the County is responsible for ensuring that all withholdings from employees' wages for taxes and other benefits are properly withheld and remitted timely. This repeated failure to timely remit city income taxes to the City of Hillsboro is considered gross negligence. Late payment fees incurred through gross negligence are illegal expenditures. These charges would have been avoided had the withholdings been remitted by the required due dates by the Payroll Clerk. The Payroll Clerk negligently failed to perform her duties.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Melanie Anderson, former Payroll Clerk, and the County's employee dishonesty coverage carrier, CORSA, jointly and severally, in the amount of \$1,100, and in favor of the Highland County Payroll Clearing Fund, in the amount of \$1,100.

The County should draft, approve, and implement policies and procedures over the payroll process to ensure accuracy. Approval of such policies and procedures should be memorialized in the minutes.

Officials' Response:

See Corrective Action Plan

FINDING NUMBER 2023-005

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code § 117.24 requires the Auditor of State to determine whether "public money has been illegally expended, any public money collected has not been accounted for, any public money due has not been collected, or any public property has been converted or misappropriated. . ." Those determinations in an audit report constitute "findings for recovery." Ohio Rev. Code § 9.24(H)(3).

On April 12, 2023, the Auditor of State issued Technical Bulletin 2024-003 warning of payment re-direct schemes and business e-mail compromise schemes that were impacting governments. The bulletin set clear standards and guidance to governments and public employees to avoid falling victim to a payment re-direct scheme, including ways to identify a payment re-direct scheme. The bulletin includes that the failure to follow the guidance may result in a public employee or officer being considered negligent and having a finding for recovery issued against the officer or employee for the loss of public funds.

Under **Ohio Rev. Code § 319.41** a county auditor may be held liable for a loss of public funds when the loss results from the county auditor's negligence or other wrongful act.

A County employee was contacted by email on September 13, 2024 by a cybercriminal impersonating a vendor of the County requesting to have payments made via ACH/Wire Transfer. Replying to the same email address, the County employee requested the vendor complete and return an ACH form. The County employee received the completed form from the cybercriminal on September 16, 2024. Due to a lack of internal controls of the updates of vendor payments, the County employee forwarded the fraudulently completed ACH form to an employee in the County Auditor's office. The County Auditor then issued a warrant to authorize payment to the cybercriminal via ACH on two occasions totaling \$450,120.58. Upon discovery of the re-direct scheme, the County was able to recover \$447,620.58 from the County's bank and the County Risk Sharing Authority (CORSA), leaving \$2,500 not recovered.

Prior to accepting the changes to the payment information, none of the bulletin's recommended steps were taken to independently verify that the request was legitimate. In addition, the county auditor had not adopted a policy or implemented training for employees in his office and in other county offices to recognize vendor re-direct schemes. Failure to implement policies and training in accordance with the Auditor of State Bulletin is considered negligence under Ohio Rev. Code § 319.41.

FINDING NUMBER 2023-005
(Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §§ 117.24 and 117.28, a Finding for Recovery in the amount of \$2,500 for public monies illegally expended is hereby issued against Alex J. Butler, County Auditor, and CORSA (as the company issuing the bond/insurance in lieu of a bond covering the County Auditor), jointly and severally. The amount shall be paid in favor of the Highland County General Fund Capital Improvement Fund.

The County Auditor should review and implement policies and training of staff and other county employees to better recognize vendor re-direct schemes and other cybercrimes in accordance with Auditor of State Bulletin 2024-003 Payment Re-Direct and Business Email Compromise Schemes.

On June 30, 2025, \$2,500 was repaid to Highland County's General Fund Capital Improvement Fund.

Officials' Response:

See Corrective Action Plan



ALEX J. BUTLER
Highland County Auditor

County Administration Building • 119 Governor Foraker Place
P.O. Box 822 • Hillsboro, Ohio 45133 • (937) 393-1915



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)
DECEMBER 31, 2023

Finding Number	Finding Summary	Status	Additional Information
2022-001	Ohio Rev. Code § 5705.36(A)(1) Certifying Sources Available for Expenditures	Not Corrected	Reissued as 2023-001
2022-002	Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) Filing of Financials	Not Corrected	Reissued as 2023-002
2022-003	Financial Reporting	Partially Corrected	Reissued in Management Letter
2022-004	Budgetary vs. Actual Statements	Corrected	
2022-005	Board of Elections Payroll Control Weakness	Corrected	
2022-006	Accounting System Change	Corrected	
2022-007	Finding for Recovery Repaid Under Audit	Corrected	
2022-008	Finding for Recovery Repaid Under Audit	Corrected	

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ALEX J. BUTLER

Highland County Auditor

County Administration Building • 119 Governor Foraker Place
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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) December 31, 2023

Finding Number:	2023-001
Planned Corrective Action:	Additional training and resources have been provided for responsible staff. The Auditor and staff will work together to ensure accurate entry of estimated resources into the accounting system and reconciliation with the certificate of estimated resources.
Anticipated Completion Date:	12/31/2025
Responsible Contact Person:	Alex J. Butler
Finding Number:	2023-002
Planned Corrective Action:	Additional training and resources have been provided for responsible staff. The Auditor and staff will work together to ensure accurate updating of the certificate of estimated resources into the accounting system. Although annual appropriations exceeded amounts on the certificate of estimated resources, appropriations did not exceed actual resources available.
Anticipated Completion Date:	12/31/2025
Responsible Contact Person:	Alex J. Butler
Finding Number:	2023-003
Planned Corrective Action:	The County is considering the cost and benefit of reporting on a GAAP basis for FY 2026.
Anticipated Completion Date:	12/31/2026
Responsible Contact Person:	Alex J. Butler
Finding Number:	2023-004
Planned Corrective Action:	The current payroll clerk has an established monthly bill schedule that is reviewed by the Auditor and Director of HR to ensure all bills are paid and paid timely. Personnel changes have also occurred.
Anticipated Completion Date:	04/01/2023
Responsible Contact Person:	Alex J. Butler

Finding Number:

2023-005

Planned Corrective Action:

The County Auditor has adopted the AOS Payment Security Checklist and guidance and standards from AOS Bulletin 2024-003 as standard procedure. Appropriate staff have also been trained and provided resources for additional information. The County Auditor personally investigates each ACH payment request.

Anticipated Completion Date:

01/01/2025

Responsible Contact Person:

Alex J. Butler

OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/18/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov