OHIO AUDITOR OF STATE
KEITH FABER

Comprehensive Annual Financial Report

For the Fiscal Year
ended June 30, 2019

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Auditor of State of Ohio

An Enterprise Fund of the State of Ohio

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2019

Prepared by the Ohio Auditor of State's Office
Timothy S. Keen
Chief Financial Officer

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October 9, 2019

To the citizens of the State of Ohio:

It is our pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the Auditor of the State of Ohio's office (the Office).

Preparation

The accuracy and completeness of the presentation of this report is the responsibility of the Auditor of State. To the best of our knowledge, the enclosed data is accurate in all material respects, and is reported in a manner that fairly presents the financial position and operation of the Office.

This report has been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP), as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).The Office also follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for presenting the information contained within this report, and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Internal Controls

In developing and modifying the Office's accounting system, consideration is given to the adequacy of internal accounting controls. Controls have been designed to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use or disposal, maintaining accountability of assets and the reliability of financial records for preparing financial statements. The development of internal control policies and procedures requires estimates and judgments by management when evaluating the costs of proposed controls versus their expected benefits. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits to be derived from their implementation. AOS management believes that the Office's current internal control structure adequately meets the above objectives without generating excessive costs.

Independent Auditors

As part of the annual preparation of a CAFR, the Office subjects all financial statements to an annual independent audit. The independent auditor is selected pursuant to Ohio Revised Code Section 117.14 by an audit committee made up of the Governor and the chairs of the Ohio House and Senate Finance Committees. For fiscal year 2019, Kennedy Cottrell Richards is the Office's independent auditor.

Management's Discussion and Analysis (MD&A)

GASB Statement No. 34 (GASB 34) requires that management provides an introductory overview and narrative, known as the Management's Discussion and Analysis (MD&A), to accompany the basic financial statements. The transmittal letter is intended to complement and be read in conjunction with this analysis. The MD&A can be found immediately following the independent auditor's report.

Profile of the Auditor's Office

Reporting Entity

The Ohio Constitution establishes the executive branch position of Auditor of State. The Auditor is elected by the citizens of Ohio and serves a four-year term with a maximum of two terms. Duties prescribed by state law include chief inspector of all public accounts and public funds, and custodian of public land records, in addition to other statutory duties. Specifically, the Office audits the financial statements of all public entities and provides technical expertise through consulting and training services.

The Auditor's Office is a proprietary operation for purposes of financial reporting. The Office charges fees to local governments and state agencies for services provided. Results of the Office's operations are reported in a manner similar to the private sector.

The Office is divided into seven main divisions: Administrative, Audit, Information Technology, Legal, Local Government Services, Ohio Performance Team and Special Investigations Unit.

Administrative Division

The Administrative Division is responsible for the day-to-day management and policy decisions of the Office. It is made up of senior management, support staff and other support sections including Finance, Human Resources, Policy and Legislative Affairs, Communications, and Field Operations.

Audit Division

The Audit Division includes the Financial Audit Group, Center for Audit Excellence, and Medicaid Contract Audits. As mandated by Chapter 117 of the Ohio Revised Code, the Financial Audit Group performs financial and compliance audits of Ohio's public entities to identify critical issues related to the public entities' financial reporting, legal compliance, systems of internal control, control deficiencies, high-risk investments and irregular or illegal activities. Working from eight audit regions, this group serves all state and local government entities in Ohio.

Under authority of Chapter 117 of the Ohio Revised Code, the Medicaid Contract Audit Section identifies and reports incidents of noncompliance with state laws and local regulations. The Section works closely with the Ohio Department of Medicaid, Ohio Attorney General's Medicaid Fraud Unit, U.S. Attorney's Office, and the Federal Office of Inspector General.

The Center for Audit Excellence is responsible for monitoring changes to generally accepted auditing standards and accounting principles, as well as changes to federal grant regulations and Ohio law. This includes developing guidelines and training so all Auditor of State employees are up-to-date on these standards, regulations and laws. The group also is charged with ensuring all audits, including audits that IPA firms conduct on behalf of the Auditor of State, comply with these auditing and accounting standards.

Information Technology

Information Technology (IT) develops and maintains the technology used by the Office. IT supports officewide operations including external initiatives to support audit clients with annual electronic filings. The Uniform Accounting Network, which is the financial management system designed for Ohio's local governments is part of the IT division.

Legal Division

The Legal Division serves as the legal counsel to the Office and houses the Open Government Unit. The Legal Division also provides continuing education to elected officials and government employees through specific training programs and conferences on government issues.

Local Government Services

Local Government Services division is represented in four regional offices. The Local Government Services Section (LGS) is a consulting and fiscal advisory group to all governmental agencies and subdivisions. It provides an array of services, including financial forecasts and reporting, fiscal supervision and merger and dissolution assistance.

Ohio Performance Team

The Ohio Performance Team (OPT) conducts performance audits pursuant to Chapter 117 of the Ohio Revised Code or upon direction of the General Assembly. Pursuant to Section 117.46 of the Ohio Revised Code, the Ohio Performance Team conducts at least four performance audits of state agencies each biennium. Performance audits may also be conducted for any school district or local government entity (counties, townships, villages, etc.) that has been designated as being in a state of fiscal caution, watch or

emergency, pursuant to Section 3316.031 and Chapter 118 of the Ohio Revised Code. Performance audits typically identify and help correct inefficient managerial operations, while providing general oversight and advice to ensure efficient operation of public offices and the maximization of taxpayer dollars.

Special Investigations Unit

Special Investigations Unit (SIU) serves as a link between the audit community and law-enforcement. The unit collaborates with federal, state, and local law-enforcement agencies in cases across the state. SIU investigates and assists in the prosecution of entity fraud, restoring public money back to the local entity.

Basis of Accounting

For accounting and control purposes, the financial activity of the Office is organized on a fund basis. Each fund is a distinct, self-balancing set of accounts. Daily accounting transactions are recorded by the State Office of Budget and Management (OBM) as part of the Ohio Administrative Knowledge System (OAKS), which operates on a modified accrual basis. For purposes of preparing GAAP basis financial reports, individual funds are consolidated into one proprietary fund and financial transactions are converted to the accrual basis of accounting. Under the accrual basis of accounting, the Office recognizes revenue when earned and expenses when incurred.

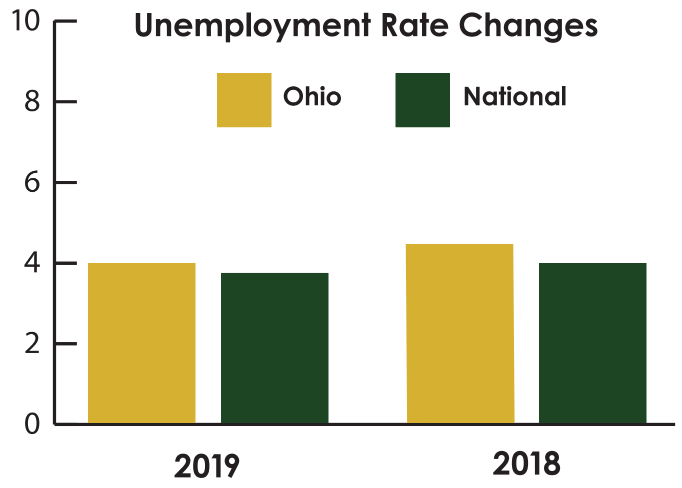
Budgetary Controls

Ohio's bicameral legislature, the General Assembly, authorizes expenditures by appropriating funds in biennial and supplemental appropriation acts. The appropriations are set at the major account level within each fund. The major account levels are Personal Services (salaries and benefits) and Maintenance (operating costs). The Office of Budget and Management (OBM) uses OAKS to control the obligations by department by checking availability of funds prior to accepting purchase orders or making payments by voucher. Purchase orders or vouchers that exceed appropriations are rejected until additional appropriation authority is secured. In addition, purchase orders and vouchers are submitted, with supporting documentation, to OBM for careful examination to ensure proper use of funds.

The Office has established an internal budget to allocate the appropriations between divisions, departments, and regional offices. Each internal budget is monitored by the finance department so the amount expended does not exceed the budget. Internal policy requires changes to this budget be approved by the Chief Financial Officer. The finance department provides various financial management reports to division chiefs, regional chief auditors and department heads on a regular basis. Included in these management reports are current month expenditures with a detailed transaction listing, as well as a comparison of year-to-date spending versus appropriated amounts. Purchase orders must be reviewed and approved by the finance department to ensure availability and proper use of funds. Invoices also must be approved by the purchasing authority prior to payment.

Economic Conditions and Outlook

Ohio's unemployment rate was 4 percent in June 2019, a decrease from a rate of 4.6 percent in 2018. The national unemployment rate for June 2019 was listed at 3.7 percent, a decrease from the 4 percent reported for June 2018.



Major Initiatives

Secured a Local Government Audit Support Fund

An additional $10 million will be available in the fiscal year 2020 and fiscal year 2021 state operating budget to help alleviate and maintain the costs of audits for qualifying entities. This fund allows small governments to anticipate audit costs and enables the Auditor's Office to continue the existing subsidy for audit services.

Completed Performance Audits of State Agencies and Universities of Higher Education

In the three performance audits of state agencies released in fiscal year 2019, the performance team identified roughly $6 million in annual potential savings. Improved management and opportunities to be more efficient and effective are the result of our partnerships with state agencies through our performance audits. The positive results of our performance audits have led to proposed legislation to allow more performance audits of institutions of higher education. Additionally, the Auditor's Office completed a performance audit on The Ohio State University's data centers, printers, and copiers. The audit identified the potential for the university to save more than $6.4 million dollars annually.

Increased Public-Records Compliance Audits and Transparency

After increasing the frequency of public-record compliance audits, the Office wants to take it a step further. Launching in 2019, the Star Rating System (StaRS) will look for best practices in public-records services and create an opportunity for public entities to move beyond compliance. This adds an incentive for entities to be more transparent and creates ease of access to public records.

Rooted Out Fraud, Waste, and Abuse

Ohioans must be able to trust elected officials to be responsible with their hard-earned tax dollars. Any abuse or public corruption will not be tolerated. As part of our continued crack-down on fraudulent and unethical officials, we supported and helped draft Senate Bill 10 to increase penalties for those convicted of Theft in Office. The new law could increase the maximum penalty for a conviction from a 3 year prison sentence or a $10,000 fine to an 11 year sentence or a $20,000 fine. The convicted would also be required to pay for all audit costs incurred uncovering their misdeeds.

During the last year, the Office has issued more than 100 findings for recovery totaling over $10.4 million of misspent tax dollars. The Auditor's Special Investigations Unit has played a prominent role in cases across the state, leading to the restoration of public money and the removal of crooked officials from their positions. On average, the office has more than 140 open cases in the Special Investigations Unit.

Advocated for Higher Education Affordability

As student debt continues to rise and the number of students attending Ohio's colleges declines, we are at a unique crossroads in higher education. Ohio is ranked 13th in the nation for students graduating with the most debt — and tuition costs continue to increase. Senate Bill 120 removes the cap on the number of performance audits that may be conducted on institutions of higher education per biennium, and our Office plans to increase the number of those audits in search of efficiencies that can translate to cost savings for students. In the performance audit of The Ohio State University's IT and Shared Services, we identified over $6 million in savings. This is just the tip of the iceberg. From large urban universities to small rural community colleges, there are savings to be found.

Auditor Faber has visited multiple 2 and 4 year universities across the state. He continues to meet with presidents and chief financial officers to discuss cost-saving initiatives for students. As President of the Ohio Senate, Auditor Faber issued the 5 percent Challenge to state colleges and universities to cut the cost of a degree for students. This resulted in a statewide average of 11.7 percent in savings for students.

Department Initiatives

Financial Audit Division

Completion of high quality financial audits in a timely fashion continues to be a top priority for the Office. Financial statement audits provide governments with a way to demonstrate to taxpayers that they have been financially accountable and have complied with laws governing the use of taxpayer funds.

The Office released 4,404 financial audit reports from July 1, 2018 through June 30, 2019, which included traditional financial and compliance audits, agreed-upon procedure (AUP) engagements, and basic audits performed by both the Office and Independent Public Accounting firms. In 135 of these audit reports, auditors issued findings for recovery totaling $10.4 million.

Local Government Services

LGS served as fiscal supervisor to 31 entities in fiscal emergency, providing financial counsel to both the local governments and the oversight commission in recovery efforts. The section assisted in the release of two cities, two villages, one township, and one school district from fiscal emergency.

In addition, LGS was involved in both external and internal training, which included hosting the Fall Village Fiscal Officer Training and the 2019 Local Government Officials Conference (LGOC). The two-day LGOC training helps fiscal officers and other local officials develop their knowledge and skills in government accounting, budgeting, financing, legal compliance, ethics requirements, and Ohio's open government laws. Semi-annual internal training for AOS staff took place in August 2018 and December 2018.

LGS also produced a number of publications, including the Village Officer's Handbook, the Ohio Township Handbook, the Ohio County Treasurer's Manual, the Ohio County Sheriff's Manual, and the Ohio County Board of Developmental Disabilities Handbook.

Medicaid Contract Audits

During fiscal year 2019, AOS released 16 Medicaid provider compliance examinations and identified $22 million in overpayments. Additionally, the department released 18 reports on intermediate-care facilities, which identified more than $41,000 in overpayments. The department released six PASSPORT administrative agency reports identifying more than $12,000 in non-federal reimbursable costs. MCA also released 302 MPIP reports.

MCA completed procedures under an agreement with the Ohio Department of Developmental Disabilities to test cost reports submitted by county boards of developmental disabilities and council of governments. The final 43 reports were released during the first half of fiscal year 2019 and identified more than $3 million in non-federal reimbursable costs and more than $17,000 in improper payments.

The department reviewed pharmacy services in the Medicaid program, specifically around pharmacy benefit management services contracted by Medicaid management-care plans. The report, released in August 2018, provided recommendations to improve oversight of pharmacy services and a number of issues for further study.

Ohio Performance Team

The Ohio Performance Team (OPT) conducts performance audits of Ohio public entities, from the tiniest village to the largest state agencies, to help government leaders provide effective and efficient services in a transparent manner.

Using and teaching data-driven analysis, OPT provides clients with the high-level tools and guidance they need to make management decisions to best serve their constituents.

In fiscal year 2019, OPT released audits for 10 fiscally distressed school districts to help improve the cost-effectiveness of operations and resolve financial difficulties. OPT also completed performance audits for three state agencies and one institution of higher learning.

Center for Audit Excellence

During fiscal year 2019, The Auditor of State's Center of Audit Excellence (CFAE):

- Facilitated a Housing and Urban Development (HUD) external review
- Administered contracts with Independent Public Accountant (IPA) firms
- Certified 1,870 IPA reports
- Performed approximately 50 working-paper reviews of IPA firms
- Completed eight internal regional reviews
- Managed the Hinkle Annual Financial Data Reporting System for submission of annual financial statements/data
- Provided guidance via publications, practice aids, consultations, and internal and external training
- Rolled out the executive summary portal application developed in fiscal year 2018. As expected, the portal is enhancing the Office's ability to research and report on audit statistics for various entities

Special Investigations Unit

The Special Investigations Unit (SIU) serves as a link between the Auditor of State's Office and the law-enforcement community. SIU consists of 10 investigators, 12 forensic auditors, and an attorney, along with others who combine investigative, special auditing, and legal specialties into a cohesive team.

The Unit has collaborated with federal, state, and local law enforcement agencies in cases across the state of Ohio, prosecuting numerous individuals, including elected officials, who abused public trust.

Information Technology

During fiscal year 2019, the IT department completed the following projects:

- Replaced all agency non-capital laptops and upgraded to Microsoft's Windows 10
- Implemented a new timesheet application
- Implemented the project Executive Summary application
- Improved audit project Executive Summary application
- Improved audit project reporting
- Enhanced eServices to provide more information to audit customers
- Implemented a new SIEM tool to guard against cyberattacks

Training

All Auditor of State audit staff are required by law to complete 80 hours of Continuing Professional Education (CPE) every two years. Twice a year, in every region of the state, the training department provides 16 hours of CPE credit to our audit staff.

Training developed the Fiscal Integrity Act online self-reporting portal. The portal tracks CPE credit hours for more than 2,200 registered fiscal officers in Ohio. It offers more than 250 training courses where fiscal officers receive an electronic certification of completion for filing and auditing purposes once training is completed.

In August 2018, the training department collaborated with the Ohio Department of Education to host the Annual Community School Training Conference. More than 200 community-school educators, administrators, and sponsors attended the conference. The program included updates on funding, reporting, legal, and legislative issues.

Training collaborated with the Ohio Society of CPAs to bring together independent audit employees for the Combined IPA Conference. The conference provided important updates in auditing and in complying with state requirements.

In January 2019, Training participated in the Ohio Township Association Annual Conference. The department provided several workshops on Auditor of State initiatives and auditing policies for township officials. The Uniform Accounting Network reserved booth space at the conference to answer questions and provide assistance for conference attendees.

In March 2019, more than 600 officials attended the 20th Annual Local Government Officials Conference. The conference provided over 60 workshops on a variety of topics important to townships, villages, and fire districts. Other subjects included updates in accounting, auditing, cybersecurity, and ethics. Officials also could earn up to 10.75 hours of CPE credit.

In May 2019, Training collaborated with the Central Ohio Chapter of Certified Fraud Examiners and the Ohio Attorney General's Office to host the 19th Annual Fraud Conference. Over 650 accountants, attorneys, law-enforcment officials, and investigators attended and received training on the latest trends in fraud investigation and prevention.

Uniform Accounting Network (UAN)

The Uniform Accounting Network is a financial management system designed specifically for Ohio's local governments. The program provides townships, villages, libraries, special districts and a city with a complete computer system (hardware and software), along with training and support.

The UAN application comprises five modules: Accounting, Payroll, Budget, Inventory, and Cemetery. The Auditor of State's Office provides training on the five modules to fiscal officers in our Columbus Office, online and on-demand.

UAN has increased its client base in the past year from 1,994 to 2,043 local governments.

Financial Information

Debt Administration

During fiscal year 2019, and as of June 30, 2019, the Office had no outstanding debt issues (i.e. bonds).

Pension Plans

The Office and all its employees contribute to the Ohio Public Employees Retirement System (OPERS). It is a statewide cost-sharing, multi-employer defined benefit plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. OPERS also provides post-retirement health care coverage to age and service retirees with 20 or more years of qualifying service credit. Health care coverage for disability recipients is also available. Additional disclosures are provided in Notes 5 and 6 to the basic financial statements.

Other information

Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Auditor of State of Ohio for its CAFR for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that conforms to program standards. Such CAFRs must satisfy both accounting principles generally accepted in the United States of America, as well as applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to adhere to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

We would like to thank the staff whose time and dedication have made this effort possible. We are committed to ensuring the financial accountability of the Office, as we set an example for all the entities we audit.

Sincerely,

Auditor of State

Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Auditor of the State of Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Executive Director/CEO

Office Organizational Chart

State Elected Official
Keith Faber, Auditor of State

Administrative Division
- Communications
- Field Operations
- Finance
- Human Resources
- Policy and Legislative Affairs

Audit Division
- Center for Audit Excellence
- Financial Audits
- Medicaid

Information Technology

Legal

Local Government Services

Ohio Performance Team

Special Investigations Unit

Appointed officials

Chief of Staff..Sloan Spalding
Deputy Chief of Staff...Alex Bilchak
Chief Deputy Auditor..Robert Hinkle
Chief Financial Officer and Senior Advisor to the Auditor.......................Tim Keen
Chief Legal Counsel..Mary DeGenaro
Director of Government Affairs...Tom Ruebel
Director of Communications..Matt Eiselstein

Financial Section

186 North High Street
Gahanna, OH 43230

Kennedy Cottrell Richards

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INDEPENDENT AUDITOR'S REPORT

Office of the Auditor of State of Ohio
88 East Broad Street
Columbus, OH 43215

To the Audit Committee and the Office of the Auditor of State:

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Auditor of State of Ohio (the Office), a Department of the State of Ohio, Franklin County, Ohio, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Office of the Auditor of State of Ohio, Franklin County, Ohio, as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Accountants & Consultants for Business & Government

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Independent Auditor's Report
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Emphasis of Matter

As discussed in Note 1 to the financial statements, the basic financial statements of the Office are intended to present the financial position, the changes in financial position, and cash flows of only the portion of the business-type activities included within the nonmajor enterprise funds of the State of Ohio that is attributable to the transactions of the Office. They do not purport, and do not, present fairly the financial position of the State of Ohio as of June 30, 2019, the changes in financial position, or, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Information

Our audit was conducted to opine on the Office's basic financial statements taken as a whole. The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019, on our consideration of the Office'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
October 9, 2019

Management's Discussion & Analysis

This discussion and analysis of the Ohio Auditor of State's office financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Office's financial performance as a whole. Readers should review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Auditor of State's financial position.

Key Financial Highlights

- Total Deficit Net Position decreased $26,360,181.
- Total assets of the office decreased $5,736,469 or ten percent as of June 30, 2019, due primarily to a decrease in Cash and Cash Equivalents, largely attributable to expenses exceeding revenues, which is partially offset by an increase in Restricted Cash due to Health Benefits Surplus.
- Total Liabilities increased by $51,664,691 or forty-three percent from fiscal year 2018, largely attributable to an increase in net pension liability and net OPEB liability.
- Total Revenues increased by $7,791,614 or eleven percent from fiscal year 2018 largely attributable to an increase in state appropriations which was directly related to the workers compensation liability decrease reported in fiscal year 2018.
- Total Expenses increased by $20,772,384 or twenty-five percent from fiscal year 2018. The increase in personal services was related to increased payroll and personal services contracts for professional services as well as an increase in pension expense.

Using this Annual Report

This comprehensive annual financial report is divided into three parts: the introductory section; the financial section, which includes this discussion & analysis, the basic financial statements, the notes to the basic financial statements, and the required supplementary information; and the statistical section. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position reports information on the office's assets, deferred outflow of resources, liabilities, and deferred inflows of resources with the difference between these items reported as Net Position. Over a period of time, increases or decreases in Net Position are useful indicators of the financial position of the Office.

The following schedule provides a summary of the office's Net Position as of June 30, 2019 as compared with June 30, 2018.

Schedule 1: Comparison of Net Position as of June 30

	2019	2018
ASSETS		
Current Assets	$47,767,547	$53,763,017*
Non-Current Assets		
Appropriations Receivable	0	29
Net Pension Asset	430,671	0
Capital Assets, Net of Accumulated Depreciation	766,820	938,461
Total Assets	**$48,965,038**	**$54,701,507**
Deferred Outflows of Resources		
Pension	26,481,066	10,822,767
OPEB	4,242,533	3,202,495
Total Deferred Outflows of Resources	**$30,723,599**	**$14,025,262**
LIABILITIES		
Current Liabilities	$17,523,079	$17,304,007*
Non-Current Liabilities		
Workers Compensation	0	29
Compensated Absences	8,382,994	8,107,811
Net Pension Liability	98,360,343	55,589,233
Net OPEB Liability	47,437,320	39,037,965
Total Liabilities	**$171,703,736**	**$120,039,045**
Deferred Inflows of Resources		
Pension	1,467,424	13,030,710
OPEB	128,712	2,908,068
Total Deferred Inflows of Resources	**1,596,136**	**15,938,778**
NET POSITION		
Investment in Capital Assets	$766,820	$938,461
Restricted Net Position	1,865,964	842,520
Unrestricted Deficit Net Position	(96,244,019)	(69,032,035)
Total Deficit Net Position	**$(93,611,235)**	**$(67,251,054)**

*Collateral on Lent Securities totaling $10,100,098 had not been reported by the Auditor of State's CAFR in 2018 as this was reported in the State of Ohio's CAFR. The net position was not affected by this change.

Total assets of the office decreased $5,736,469 or ten percent as of June 30, 2019, due primarily to a decrease in Cash and Cash Equivalents, largely attributable to expenses exceeding revenues, which is partially offset by an increase in Restricted Cash due to Health Benefits Surplus.

The net pension liability (NPL) is the largest single liability reported by the Office at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27. The Net OPEB liability is reported consistent with GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Office's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OBEP liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Office's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other post-employment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Office is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by state statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the Office. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Office's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension asset/liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The significant increase in the Net Pension Liability in fiscal year 2019, is due primarily to the change in assumption related to the investment rate of return, as well as the Office's increased proportionate share of the net liability reported by OPERS. Additional information can be found in the Required Supplementary Information and Notes to the Required Supplementary Information.

Statement of Revenues, Expenses, and Changes in Net Position

While the Statement of Net Position provides information about the financial status of the Office at year end, the Statement of Revenues, Expenses, and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the Net Position changed during the year. This change, combined with the prior year net position total reconciles to the total Net Position at the end of this fiscal year.

Schedule 2 on the following page shows revenue, expenses, and changes in Net Position for the fiscal year ended June 30, 2019, in comparison with the fiscal year ended June 30, 2018.

Schedule 2: Change in Net Position

	2019	2018
OPERATING REVENUES		
Charges for Services – Local	$36,253,609	$36,154,946
Charges for Services – State	8,501,140	9,513,450
Other	381,323	394,264
NON-OPERATING REVENUES		
Investment Income	23,890	15,559
Gain on Sale of Capital Assets	38,077	0
State Appropriations	30,789,255	22,117,461
Total Revenues	**$75,987,294**	**$68,195,680**
OPERATING EXPENSE		
Personal Services	95,970,087	75,972,532
Maintenance	6,148,436	5,309,341
Depreciation	228,952	292,830
NON-OPERATING EXPENSES		
Loss on Sale of Capital Assets	0	388
Total Expenses	**$102,347,475**	**$81,575,091**
Change in Net Position	**($26,360,181)**	**($13,379,411)**
Beginning Deficit Net Position	**(67,251,054)**	**(53,871,643)**
Ending Deficit Net Position	**$(93,611,235)**	**$(67,251,054)**

Total revenue increased by $7,791,614 or eleven percent from fiscal year 2018. State appropriations was affected by the Workers' Compensation Liability decrease that occurred in fiscal year 2018, which was the primary reason for the decrease.

Total Expenses increased by $20,772,384 or twenty-five percent from fiscal year 2018. The increase in personal services was related to a 2.75% payroll increase and pension/OPEB liability increases. The Maintenance increase was the result of an office wide non-capital computer refresh and related computer components based on the Office's computer replacement cycle.

An additional $10 million will be available in the fiscal year 2020 and fiscal year 2021 state operating budget to help alleviate and maintain the costs of audits for qualifying entities. This fund allows small governments to anticipate audit costs and enables the Auditor's Office to continue the existing subsidy for audit services.

Capital Assets

At June 30, 2019, the Office had invested $766,820, net of accumulated depreciation, in various classes of capital assets. This represents a decrease of eighteen percent in net capital assets from fiscal year 2018. This decrease was due to annual depreciation expense exceeding current year additions.

Depreciation expense for fiscal year 2019 totaled $228,952 (see Schedule 2 above). This figure represents a decrease of approximately twenty-two percent from fiscal year 2018.

The Schedule below provides a summary of capital assets as of June 30, 2019 and 2018:

Schedule 3: Capital Assets

	2019	2018
Computer Equipment	$1,206,453	$1,416,594
Office Equipment	606,041	654,015
Furniture and Fixtures	226,663	233,283
Large Internal Software Projects	1,424,498	1,424,498
Subtotal	**$3,463,655**	**$3,728,390**
Accumulated Depreciation	(2,696,835)	(2,789,929)
Net Capital Assets	**$766,820**	**$938,461**

For more information regarding capital assets, see Notes 1K and 4 of the notes to the basic financial statements.

Contacting the Auditor's Office

This financial report is designed to provide the citizens of the State of Ohio with a general overview of the Auditor of State's finances and to show accountability for the monies it receives. If you have any questions about this report or need additional financial information, please contact Kim Eckert, Finance Director, Department of Finance, 88 East Broad Street, 4th Floor, Columbus, Ohio 43215, (800) 282-0370.

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Basic Financial Statements

Statement of Net Position as of June 30, 2019

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 28,615,076
Restricted Cash and Cash Equivalents	1,865,964
Restricted Cash and Cash Equivalents in segregated accounts	50,000
Accounts Receivable	4,774,777
Intergovernmental Receivable	754,718
Appropriations Receivable	1,718,685
Collateral on Lent Securities	9,988,327
Total Current Assets	**47,767,547**
Non-Current Assets	
Net Pension Asset	430,671
Capital Assets, net of accumulated depreciation of $2,696,835	766,820
Total Non-Current Assets	**1,197,491**
Total Assets	**$ 48,965,038**
Deferred Outflows of Resources:	
Pension	26,481,066
OPEB	4,242,533
Total Deferred Outflows of Resources	**$ 30,723,599**

-Continued

Statement of Net Position as of June 30, 2019, cont.

LIABILITIES	
Current Liabilities	
Accounts Payable	$ 363,593
Wages Payable	3,065,487
Due to Other Governments	967
Benefits Payable	1,375,143
Unearned Revenue	1,015,903
Compensated Absences Payable	1,713,659
Obligations Under Securities Lending	9,988,327
Total Current Liabilities	**17,523,079**
Non-Current Liabilities	
Compensated Absences Payable	8,382,994
Net Pension Liability (See Note 5)	98,360,343
Net OPEB Liability (See Note 6)	47,437,320
Total Non-Current Liabilities	**154,180,657**
Total Liabilities	**$ 171,703,736**
Deferred Inflows of Resources:	
Pension	1,467,424
OPEB	128,712
Total Deferred Inflows of Resources	**$ 1,596,136**

NET POSITION	
Investment in Capital Assets	$ 766,820
Restricted Net Position for:	
Health Benefits Surplus	942,042
Accrued Leave	923,922
Unrestricted Deficit Net Position	(96,244,019)
Total Deficit Net Position	**$ (93,611,235)**

The accompanying Notes are an integral part of these Basic Financial Statements.

Statement of Revenues, Expenses, and Changes in Net Position for the Fiscal Year Ended June 30, 2019

OPERATING REVENUES	
Charges for Services - Local	$ 36,253,609
Charges for Services - State	8,501,140
Other	381,323
Total Operating Revenues	**45,136,072**
OPERATING EXPENSES	
Personal Services	95,970,087
Maintenance	6,148,436
Depreciation	228,952
Total Operating Expenses	**102,347,475**
Operating Loss	(57,211,403)
NON-OPERATING REVENUES	
Investment Income	23,890
Gain on Sale of Capital Assets	38,077
State Appropriations	30,789,255
Total Non-Operating Revenues	**30,851,222**
Change in Net Position	**(26,360,181)**
Total Deficit Net Position - Beginning of Fiscal Year	**(67,251,054)**
Total Deficit Net Position - End of Fiscal Year	**$ (93,611,235)**

The accompanying Notes are an integral part of these Basic Financial Statements.

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Statement of Cash Flows for the Fiscal Year Ended June 30, 2019

Cash Flows From Operating Activities		
Cash Received From Charges for Services - Local	$	36,876,666
Cash Received From Charges for Services - State		9,079,990
Cash Received From Other Sources		381,323
Cash Restricted for Compensated Absences		81,402
Cash Restricted for Health Benefits Surplus		942,042
Cash Received for Cash Guarantee		50,000
Cash Payments for Personal Services		(76,852,282)
Cash Payments for Maintenance		(6,211,679)
Net Cash Used for Operating Activities		(35,652,538)
Cash Flows From Non-Capital Financing Activities		
State Appropriations		30,578,365
Net Cash Provided by Non-Capital Financing Activities		30,578,365
Cash Flows From Capital and Related Financing Activities		
Acquisition of Capital Assets		(79,978)
Proceeds from sale of Capital Assets		55,800
Net Cash Used for Capital and Related Financing Activities		(24,178)
Cash Flows From Investing Activities		
Investment Income		23,890
Net Cash Provided by Investing Activities		23,890
Net Decrease in Cash and Cash Equivalents		(5,074,461)
Cash and Cash Equivalents at Beginning of Year		35,605,501
Cash and Cash Equivalents at End of Year	**$**	**30,531,040**

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Statement of Cash Flows for the Fiscal Year Ended June 30, 2019, cont.

Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(57,211,403)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Depreciation		228,952
(Increase)/Decrease in Assets:		
Allowance for Doubtful Accounts		(7,860)
Accounts Receivable		433,461
Intergovernmental Receivable		578,850
Other Receivables		15,706
Deferred Outflow-Pension		22,101,876
Deferred Outflow-OPEB		2,780,674
Net Pension Asset		(481,075)
Increase/(Decrease) in Liabilities:		
Accounts Payable		199,351
Wages Payable		24,108
Benefits Payable		68,600
Health Benefits Payable		(103,243)
Due to Other Governments		(49,725)
Workers' Compensation Payable		(29)
Net Pension Liability		(106,719)
Net OPEB Liability		2,598,508
Compensated Absences Payable		224,424
Unearned Revenue		247,456
Deferred Inflow-Pension		(6,395,228)
Deferred Inflow-OPEB		(799,222)
Total Adjustments		**21,558,865**
Net Cash Used for Operating Activities	$	(35,652,538)

Noncash Transaction

There was a capital related payable reported at June 30, 2018 in the amount of $4,944.

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents	$	28,615,076
Restricted Cash and Cash Equivalents-Current		1,915,964
Total Cash and Cash Equivalents at Year End	**$**	**30,531,040**

The accompanying Notes are an integral part of these Basic Financial Statements.

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Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2019

Note 1 – Significant Accounting Policies

A. Reporting Entity

The Auditor of State of Ohio (Auditor) is an elected official and is primarily the chief inspector and supervisor of Ohio's public offices. The Auditor's Office (the Office) is responsible for conducting audits of the financial records of local political subdivisions, state agencies and private institutions, associations, boards and cooperatives receiving public funds including federal and state grants provided to state agencies and local governments. The Office is also responsible for promulgating and interpreting accounting rules for local governments; training certain local government finance officers; and serving as the custodial holder of all land deeds for the State of Ohio, as well as other functions mandated by Ohio law.

The accompanying financial statements report the financial position as of June 30, 2019 and results of operations and cash flows for the fiscal year ended June 30, 2019. The Office is a department of the primary government of the State of Ohio and is a proprietary operation for purposes of financial reporting. The accompanying financial statements are not intended to present the financial position, changes in financial position, or cash flows of the State of Ohio taken as a whole. The financial information presented herein for the Office will be incorporated into the State of Ohio's financial statements.

The State of Ohio's Comprehensive Annual Financial Report (CAFR) provides more extensive disclosures regarding the significant accounting policies of the State as a whole. The financial statements of the Auditor are intended to present the financial position, changes in financial position, cash flows of business-type activities, and remaining fund information of the State that is attributable to the transactions of the Office.

The significant accounting policies followed in preparation of these financial statements are reflected in this report. These policies conform to Accounting Principles Generally Accepted in the United States of America (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Fund Accounting

In order to observe the restrictions placed on the use of funds, the Office follows the principles of fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts.

C. Proprietary/Enterprise Fund Type

The Office operates as an enterprise fund, a form of proprietary fund that is financed and operated in a manner similar to private business enterprises. An enterprise fund is used to report any activity for which a fee is charged to external users of the goods and services provided. Proprietary funds distinguish between operating and non-operating items.

D. Classification of Expense and Revenue

The Office classifies its expenses as either operating or non-operating. Operating expenses result from providing goods and/or services related to the principal ongoing operation of the Office. These expenses include personal services, maintenance, depreciation and other. Non-operating expenses are expenses not classified as operating and are not related to the principal operations of the Office.

The Office also classifies its revenue as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including charges for services for local and state government entities. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as most State and local grants, and appropriations.

E. Basis of Accounting and Measurement Focus

The financial statements are prepared and presented on the accrual basis of accounting. Accrual accounting records the financial effects of transactions, events, and circumstances in the periods in which they occur rather than in the periods in which cash is received or paid by the organization. Revenues are recognized when earned, and expenses recognized when incurred, if measurable. Unbilled charges for services are recorded as revenues at year-end.

The Office utilizes an economic resource measurement focus, which emphasizes the determination of net income, financial position and cash flows. Under this measurement focus, operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in Net Position.

F. Cash and Cash Equivalents

The Treasurer of the State of Ohio (Treasurer) acts as the custodian of the funds for the State. Cash and Cash Equivalents of the Office are pooled and invested by the Treasurer. Account integrity is maintained through a series of checks and balances with the Auditor, Treasurer, and the Office of Budget and Management.

The Cash and Cash Equivalents with the Treasurer has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty. Any amounts held by the State Treasurer outside of the pool, are considered cash and cash equivalents if they are investments with original maturities of less than three months at the time of purchase.

G. Restricted Cash and Cash Equivalents

Restricted Cash and Cash Equivalents are reported for amounts held in surplus for payment of Compensated Absences and Health Benefits, as well as for amounts held in accordance with Ohio Revised Code section 3314.50, related to community school guarantees. See Note 7 for more information on Compensated Absences and Note 12 for more information related to the Health Surplus.

H. Collateral on Lent Securities/Obligations Under Securities Lending

During fiscal year 2019, the Treasurer of State routinely lent securities from the state's investment portfolio under securities lending agreements. For the State's securities out on loan, the Treasurer received cash collateral from the borrower. The state is obligated to return the cash to the borrower when the security lending agreement terminates. The Treasurer reinvested the collateral in various types of investments, including U.S. government and agency obligations, repurchase agreements, commercial paper, corporate bonds, asset-backed securities, master notes, variable rate notes, and money market funds. Also, cash collateral may have been placed with financial institutions. For cash collateral the Treasurer received for securities out on loan as of June 30, 2019, the state reported assets and liabilities arising from the securities lending transactions on the financial statements of the funds that had the risk of loss on the collateral assets. The Auditor of State's portion of the Collateral on Lent Securities held by the Treasurer of State's Office at June 30, 2019 was $9,988,327.

I. Accounts and Other Receivables

The Office charges local governments for audit expenses and accounting services. The billings are recorded as accounts receivable when services are provided. Accounts receivable are tracked through the Auditor's payroll and billing system. As payroll is submitted, the hours worked by each employee, by engagement, are recorded and the hours are tracked by the billing system to charge the entity for the services performed. Most of the charges billed by the Office are considered fully collectible since state law allows the Office to certify outstanding balances to the Director of Budget and Management (OBM) for collection.

However, there are a certain number of entities that because of their financial condition or closure are unable to pay their full invoices, and consequently outstanding balances are either certified to the Ohio Attorney General's Office or a request is sent to the entity asking them to enter into a monthly payment plan with the Office. If the entity refuses to enter into a payment plan or it is determined that the outstanding balance amount is uncollectible through the certification process, portions of the outstanding balance may be written off as uncollectible with the approval of the Attorney General. The allowance for doubtful accounts is shown as a reduction in operating revenue in the financial statements. At the end of the fiscal year, billing reports are generated to calculate the amount of outstanding charges and work performed but not yet billed.

Pursuant to a service agreement with the Ohio Attorney General's Office entered into during fiscal year 2014, the Office can request the AGO to cancel, or cause to be canceled, claims previously certified if uncollected after 15 years or upon request. Ohio Revised Code Section

131.02 (F)(2) requires the Attorney General to cancel or cause to be canceled any unsatisfied claim that has not been collected for 40 years. In fiscal year 2019, the Attorney General canceled debt relating to nine closed charter schools totaling $130,055. Due to the timing of this canceled debt and the Office's policy on determining uncollectible amounts, at June 30, 2019, all outstanding amounts are considered fully collectible.

J. Intergovernmental Receivable

The Office charges other State agencies for services provided. Charges to other State of Ohio agencies are recorded in the same manner as charges to local governments. As payroll is submitted, the hours are recorded to be billed to the State agency. At the end of the year, billing reports are generated to calculate the amount of outstanding charges and work performed but not yet billed.

K. Capital Assets

In order to be included as a capital asset, an individual asset's total acquisition cost must equal or exceed $1,000 and must have a useful life equal to or greater than 3 years. All costs incurred in acquiring capital assets, including shipping and handling, trade-in values, and installation fees, are capitalized. Normal maintenance costs and repairs that do not increase the value of the item are expensed when incurred. Any intangible assets identified pursuant to GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, have been classified separately from other assets capitalized by the Office. All capital assets are capitalized at cost and updated for additions and retirements during the year.

Depreciation is based on the straight-line method using the following useful lives:

Computer Equipment	3 Years
Office Equipment	5 Years
Furniture and Fixtures	15 Years
Large Internal Software Projects	15 Years

L. Appropriations Receivable

At June 30, 2019, the Office had outstanding payables that are supported through State appropriations. To ensure payment of these outstanding obligations, the Auditor must receive an appropriation from the state. The total of these reimbursable obligations equals the amount of appropriations receivable. Also included is the total of the Office's portion of the State's Workers' Compensation liability. More information in regards to workers compensation can be found in Note 11.

M. Compensated Absences

The Auditor's Office accounts for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, Accounting for Compensated Absences. Vacation, compensatory time and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Office will compensate the employees for the benefits through paid time off or some other means, such as a termination or retirement payment. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement is accrued to the extent it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave benefits are accrued as a liability using the vesting method. The liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the Statement of Net Position date, and on leave balances accumulated by other employees who have been identified as probable to receive such payments in the future. Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. For additional information on these payments, see Note 7.

N. Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their usage through external restrictions imposed by creditors, grantors or laws or regulations of governments.

Net Position can be displayed in three components as follows:

1. Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and related debt.

2. Restricted – This consists of Net Position that is legally restricted by law through the Ohio Revised Code. When both restricted and unrestricted resources are available for use, generally it is the Office's policy to use restricted resources first, then unrestricted resources when they are needed.

3. Unrestricted – This consists of Net Position that does not meet the definition of "net investment in capital assets."

O. New Accounting Pronouncements

For fiscal year 2019, the Auditor's Office implemented GASB Statements Number 83 "Certain Asset Retirement Obligations" and Number 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements".

GASB Statement Number 83 "Certain Asset Retirement Obligations" – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), which is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation had no effect on the financial statements, as the Auditor of State has no asset retirement obligations.

GASB Statement Number 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" – This statement addresses the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation had no effect on the financial statements, as the Auditor of State does not report Debt.

P. Unearned Revenue

Unearned Revenue represents the amount received for UAN billings billed in advance of services being provided, as well as restricted amounts held for community school guarantees.

Q. Pensions/ OPEB

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, 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.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/ expenditure) until then. For the Office, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 5 and 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Office, deferred inflows of resources are reported on the statement of net position for pension and OPEB and are explained in Notes 5 and 6.

Note 2 – Description of Accounts

The Office operates on a basis other than GAAP during the year. Accounting transactions are conducted on a modified accrual basis through the State of Ohio's accounting system – the Ohio Administrative Knowledge System (OAKS). The Office has several accounts which are segregated for the purposes of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each account is designated by a specific number and an Appropriation Line Item (ALI) description. The account and ALI

numbers detail the spending control by which the Office manages spending.

The General Assembly appropriates funds to the Office within the State of Ohio's General Revenue Fund. The General Revenue Fund's appropriations are distributed to the Office's separate ALIs. An ALI limits the use of funds as approved by legislation.

The General Revenue Fund Appropriation Line Items (ALI's) include the following:

GRF-321 (Operating Expenses) – The 321 ALI is the general operating account established for the Office. Appropriations may be used for all activities of the Office not required to be included in another account. Unencumbered appropriations lapse at the end of the fiscal year and revert to the State General Revenue Fund.

GRF-401 (Audit Management and Services) – Audit Management and Services shall be used pursuant to section 117.13 of the Revised Code to support costs of the Auditor of State that are not recovered through charges to local governments and state entities, including costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines.

GRF-402 (Performance Audits) – Performance Audits shall be used pursuant to section 117.13 of the Revised Code to support costs of the Auditor of State related to the provision of performance audits for local governments, school districts, state agencies, and colleges and universities that are not recovered through charges to those entities, including costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines.

GRF-403 (Fiscal Watch/Emergency Technical Assistance) – The 403 ALI is established to fund the provision of technical assistance to entities in fiscal watch or fiscal emergency status.

GRF-404 (Fraud/Corruption Audits and Investigation) – Fraud/Corruption Audits and Investigation is to be used to provide a portion of funding for the Auditor of State to conduct various types of special audits, specifically those conducted by the Special Investigations Unit (SIU). SIU primarily investigates allegations of fraud, theft, and misappropriation of public funds in conjunction with law enforcement. This appropriation item also provides funding for SIU to provide education and internal control emphasis training where possible.

GRF-409 (School District Performance Audits) – The 409 ALI is established to fund the costs of performance audits for school districts under fiscal caution, in a state of fiscal watch or state of fiscal emergency.

GRF-412 (Local Government Audit Support) – Local Government Audit Support shall be used pursuant to section 117.13 of the Revised Code to support costs of the Auditor of State that are not recovered through charges to local governments, including costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines.

Other State of Ohio Accounts for which the Auditor has responsibility are:

Account 1090 Public Audit Expense – State Agencies – Ohio Revised Code (ORC), Section 117.13, establishes the Public Audit Expense - State Agencies. This Section allows the Auditor to charge state agencies for services provided.

Account 4220 Public Audit Expense – Local Governments – ORC Section 117.13 also establishes the Public Audit Expense - Local Governments. This section of ORC sets forth the costs that may be recovered by the Auditor in the audit and provision of accounting services to local governments.

Account 5840 Auditors' Training Expense – To enhance local government officials' knowledge of governmental accounting procedures, ORC Section 117.44 establishes an account for the Auditor to conduct training programs. ORC Section 117.44 allows the Auditor to determine the manner and content of the training and allows the Auditor to charge the political subdivision attending the training for the actual and necessary expenses of the training.

Account 6750 Uniform Accounting Network – ORC Section 117.101 establishes this account for the Auditor to create and maintain a uniform and compatible computerized financial management and accounting system. ORC Section 117.101 also allows the Auditor to charge participating political subdivisions for goods, materials, supplies, and services necessary to maintain the network.

Account 5JZ0 Leverage, Efficiency, Accountability, and Performance Fund (LEAP) – Performance Audits - ORC Section 117.47 establishes an account for the Auditor to loan political subdivisions money for the cost of a performance audit. The advances must be repaid within one year of completion. Feasibility studies of local governments or schools, at their request, are also completed using this account.

Account 5VP0 – An additional $10 million will be available in the fiscal year 2020 and fiscal year 2021 state operating budget to help alleviate and maintain the costs of audits for qualifying entities. This fund allows small governments to anticipate audit costs and enables the Auditor's Office to continue the existing subsidy for audit services.

Note 3 – Deposits and Investments

The deposit and investment policies of the Treasurer are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code. As required by the Ohio Revised Code, the Treasurer of State is custodian for the Office's cash and cash equivalents. The Treasurer's cash and investment pool holds the Office's assets, valued at the Treasurer's reported carrying amount. The Auditor's office Cash and Cash Equivalents consist of $28,615,076 with the Treasurer, as well as Restricted Cash and Cash Equivalents of $1,915,964 with the Treasurer. Additional information regarding the classification of the State's deposits and investments is contained in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

Note 4 – Capital Assets

Capital asset activity for fiscal year 2019 is as follows:

Assets at Cost:

	Beginning Balance	Additions	Disposals	Ending Balance
Computer Equipment	$1,416,594	$17,121	$(227,262)	$1,206,453
Office Equipment	654,015	55,658	(103,632)	606,041
Furniture & Fixtures	233,283	2,255	(8,875)	226,663
Large Internal Software Projects	1,424,498	0	0	1,424,498
Subtotal	**3,728,390**	**75,034**	**(339,769)**	**3,463,655**

Accumulated Depreciation:

Computer Equipment	(1,357,184)	(64,738)	227,262	(1,194,660)
Office Equipment	(479,069)	(63,729)	85,909	(456,889)
Furniture & Fixtures	(170,198)	(5,518)	8,875	(166,841)
Large Internal Software Projects	(783,478)	(94,967)	0	(878,445)
Subtotal	(2,789,929)	(228,952)	322,046	(2,696,835)
Net Capital Assets	**$938,461**	**($153,918)**	**($17,723)**	**$766,820**

More information on capital assets can be found in Note 1 K.

Note 5 – Defined Benefit Pension Plan

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

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the Office'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 adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Office's obligation for this liability to annually required payments. The Office cannot control benefit terms or the manner in which pensions are financed; however, the Office 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) 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 proportionate share of each plan's unfunded benefits is presented as a net pension asset or a long-term net pension/OBEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable. The remainder of this note includes the required pension disclosures. See Note 6 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Office employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension 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 CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups 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

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.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides 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 of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be 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 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), 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.

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

	State and Local
Fiscal Year 2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
Fiscal Year 2019 Actual Contribution Rates	
Employer:	
Pension ****	14.0 %
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0 %
Employee	10.0 %

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

**** These pension and employer health care rates are for the traditional and combined plans. The employer contribuiton rate for the member-directed plan is allocated 4 percent

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

For fiscal year 2019, the Office's contractually required contribution was $6,881,552 for the traditional plan, $248,211 for the combined plan and $344,010 for the member-directed plan. Of these amounts, $400,485 is reported as an intergovernmental payable for the traditional plan, $15,248 for the combined plan, and $13,438 for the member-directed plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Office's proportion of the net pension liability (asset) was based on the Office's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the Office's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.35913700%	0.38513800%	
Prior Measurement Date	0.35434100%	0.40901200%	
Change in Proportionate Share	0.00479600%	-0.02387400%	
Proportionate Share of the:			
Net Pension Liability	$98,360,343	$0	$98,360,343
Net Pension Asset	0	430,671	430,671
Pension Expense	22,592,674	(344,058)	22,248,616

Fiscal year 2019 pension expense for the member-directed defined contribution plan was $344,010.

At June 30, 2019, the Office reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$4,537	$0	$4,537
Changes of assumptions	8,562,509	96,187	8,658,696
Net difference between projected and actual earnings on pension plan investments	13,350,252	92,773	13,443,025
Changes in proportion and differences between Office contributions and proportionate share of contributions	805,420	18,292	823,712
Office contributions subsequent to the measurement date	3,420,854	130,242	3,551,096
Total Deferred Outflows of Resources	$26,143,572	$337,494	$26,481,066
Deferred Inflows of Resources			
Differences between expected and actual experience	$1,291,528	$175,896	$1,467,424

$3,551,096 reported as deferred outflows of resources related to pension resulting from Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in fiscal year 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Fiscal Year Ending June 30:			
2020	$9,418,730	$16,785	$9,435,515
2021	4,565,102	(1,748)	4,563,354
2022	1,238,508	208	1,238,716
2023	6,208,850	29,254	6,238,104
2024	0	(8,882)	(8,882)
Thereafter	0	(4,261)	(4,261)
Total	$21,431,190	$31,356	$21,462,546

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 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, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term 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.

During 2018, 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 a loss of 2.94 percent for 2018.

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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate

For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 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 Office's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the Office's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the Office'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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Office's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$145,306,830	$98,360,343	$59,347,389
OPERS Combined Plan	(142,501)	(430,671)	(639,329)

Note 6 – Defined Benefit OPEB Plans

See Note 5 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This 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 refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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 requiring public employers to fund post-employment 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. 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 fiscal year 2019 was 4.0 percent.

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

The Office's contractually required contribution was $137,604 for fiscal year 2019. Of this amount, $3,839 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year for the defined benefit health care plans. The Office's proportion of the net OPEB liability was based on the Office's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.363849%
Prior Measurement Date	0.359490%
Change in Proportionate Share	0.0043590%
Proportionate Share of the Net OPEB Liability	$47,437,320
OPEB Expense	$4,717,565

At June 30, 2019, the Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$16,063
Changes of assumptions	1,529,436
Net difference between projected and actual earnings on OPEB plan investments	2,174,721
Changes in proportion and differences between Office contributions and proportionate share of contributions	489,518
Office contributions subsequent to the measurement date	32,795
Total Deferred Outflows of Resources	$4,242,533
Deferred Inflows of Resources	
Differences between expected and actual experience	$128,712

$32,795 reported as deferred outflows of resources related to OPEB resulting from Office contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in fiscal year 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Fiscal Year Ending June 30:	
2020	$2,014,247
2021	608,246
2022	362,980
2023	1,095,553
Total	$4,081,026

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, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was be effective for the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended Dec. 31, 2015.

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 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.

During 2018, 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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and 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 a loss of 5.6 percent for 2018.

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 discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate

A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 3.71 percent. 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Office's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Office's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Office's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Office's proportionate share of the net OPEB liability	$60,690,013	$47,437,320	$36,897,927

Sensitivity of the Office'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 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 2019 is 10.00 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 that in the not-too-distant future, 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 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Office's proportionate share of the net OPEB liability	$45,597,557	$47,437,320	$49,556,234

Note 7 – Compensated Absences

Employees of the Auditor of State can earn vacation, sick, and personal leave at various rates as specified by Ohio law. Employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum of 9.2 hours every two weeks after twenty-four years of service. Employees may accrue up to a maximum of three years vacation leave credit, not to exceed the max accrual hours.

Length of Service	Accrual Rate Per Pay Period	Hours Per Year	Max Accrual
Less than 4 years	3.1	80	240 hours
4 but less than 9 years	4.6	120	360 hours
9 but less than 14 years	6.2	160	480 hours
14 but less than 19 years	6.9	180	540 hours
19 but less than 24 years	7.7	200	600 hours
24 years or more	9.2	240	720 hours

Fifty-two weeks equal one year of service.

Any employee who is in his or her 4th, 9th, 14th, 19th, or 24th year of service on August 30, 2009, shall receive an additional pro-rated credit of vacation leave.

Sick leave for all employees is accumulated at a rate of 3.1 hours every two weeks. Part-time employees earn a percentage of this accrual rate based on the number of hours worked. Upon retirement, an employee may be reimbursed for 55 percent of unused sick leave; upon separation, an employee may be reimbursed for 50 percent of unused sick leave. Bargaining unit employees must be vested before receiving sick leave compensation. Employees have the option of having unused sick leave earned paid out at a percentage of their current pay rate, based on the number of hours selected, during the December conversions.

Beginning with the pay period including December 1, full time permanent exempt employees who are in an active pay status will be credited with 32 hours personal leave to be used during the calendar year and to be paid at 100 percent of the hourly base rate. An employee's Personal Leave balance cannot exceed 40 hours within the year. Any unused personal leave from the previous calendar year up to 40 hours is paid to the employee at 100 percent of their current pay rate in a process called the December conversions. Exempt employees who begin employment after December are granted personal leave prorated at 1.23 hours per pay period. Non-overtime exempt employees may also be paid 100 percent of any unused compensatory time.

Effective in fiscal year 2019, an employee who separates from state service with less than twelve months of state service is not entitled to compensation for unused accrued vacation or sick leave. Employees exceeding 12 months of service are paid at their full rate of pay for 100 percent of unused vacation.

To lessen the impact of termination leave payouts, an accrued leave funding program was instituted by law in 1982. Agencies contributed 2.5 percent of gross payroll to Department of Administrative Services (DAS), for each pay period from July 2018-June 2019. These funds are deposited into Fund 8060, Accrued Leave Liability, which provides funding for compensated absences upon termination, and for the annual December conversions. If the cost of compensated absences paid for terminations or the December conversions during a pay period exceeds the amount of the assessment charged for that pay period, then the amount of the difference is charged to Fund 8060 and used to help pay those costs.

At fiscal year end, the Office had $923,922 recorded as Restricted Cash & Cash Equivalents in Fund 8060, Accrued Leave Liability Fund. The accumulated resources to fund future leave increased from the previous year. Therefore, we reported the net effect as a decrease in expense and an increase in restricted cash. The compensated absences liability reported for the Office does not reflect the total State of Ohio balance in DAS' Accrued Leave Liability Fund 8060.

Changes in the compensated absences liability for the fiscal year ended June 30, 2019 were as follows:

Beginning Amount	$ 9,872,229
Plus: Fiscal Year 2019 Additions	7,509,517
Less: Fiscal Year 2019 Reductions	(7,285,093)
Ending Amount	$ 10,096,653
Amount Due Within One Year	**$ 1,713,659**

Note 8 – Lease Commitments

Operating Leases

The Auditor leases various office space under cancelable operating leases. Leases are negotiated for two year terms at the start of each budget biennium by the Ohio Department of Administrative Services. The biennium for fiscal years 2018 and 2019, the Auditor had thirteen cancelable operating leases. Operating lease expenses incurred during fiscal year 2019 totaled $1,507,024. These leases expired at the end of fiscal year 2019. The Office has entered into new leases for office space for the fiscal year 2020 and fiscal year 2021 with an estimated annual payment of $1,391,213.

Note 9 – Risk Management

The State retains the risks associated with claims arising from vehicle liability, property loss and tort liability. The Office is responsible for the replacement of equipment that may be lost or damaged as a result of the operations of this Office. The State also maintains a public employees fidelity blanket bond through a private carrier selected by the Ohio Department of Administrative Service's Risk Management Division for all Auditor of State employees. Individual faithful performance bonds are issued through a separate private carrier for the Auditor of State and the Chief Deputy Auditor.

In addition, employees of the Office who elect medical coverage are enrolled into the Ohio Med PPO Plan, which is offered through the State of Ohio, is managed by three third party administrators (TPAs): Aetna, Anthem, and Medical Mutual of Ohio (MMO). Each employee who is enrolled in the health plan will be automatically assigned an administrator based on the first three digits of their Ohio home zip code.

The State's asset/liability position relative to estimated health benefits funding surplus versus unfunded incurred, but not reported (IBNR) claims liability balance is calculated on the basis of annual actuarial evaluations performed during the year for each plan. Additional disclosures, including other risk disclosures, can be found in the State of Ohio's CAFR for the fiscal year ended June 30, 2019. See Note 12 for additional information related to the health care plan.

Note 10 – Claims and Judgments Payable

The Office is involved in various lawsuits pertaining to matters which are incidental to performing routine government and other functions. Office management is of the opinion that the ultimate settlement of such claims will not result in a material adverse effect on the Office's financial position as of June 30, 2019.

Note 11 – Workers' Compensation

The Office participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with certain state agencies and state universities. The Ohio Bureau of Workers' Compensation calculates the estimated amount of funds needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from participating state agencies and universities in that subsequent one-year period.

As these already-injured workers' claims will be paid out over a period of time, the Bureau actuarially calculates estimated amounts that will be paid in future periods. The Office's pro-rata share of this estimated liability for such future payments has been calculated by the State of Ohio Office of Budget and Management and the Bureau of Workers' Compensation on the basis of the Office's share of actual cash payments paid to the Bureau in the preceding fiscal year divided by such payments made by all participating entities.

As almost half of the funding for the Office's operations comes from the General Revenue Fund (GRF), which is accounted for as part of the General Fund, the liability allocated to the Office is assigned to the "General Government" function in governmental activities rather than to the Office's Enterprise fund when included in the State of Ohio's CAFR. Ohio Revised Code, Section 4123.39, provides specifically for payment of this workers' compensation liability from appropriate state appropriations.

Changes in workers' compensation liabilities for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Beginning Balance	$29	$6,765,095
Additions	0	0
Deductions	($29)	(6,765,066)
Ending Balance	$0	$29
Amount Due Within One Year	$0	$0

Note 12 – Health Care Surplus

At the end of the year, the state allocated the incurred but not reported (IBNR) health claim liability (actuarially determined) or surplus to its departments based upon the department's percent of total monthly premiums. At June 30, 2019, the Office recorded $942,042 as a surplus for Medical Mutual of Ohio that are included in Restricted Cash and Cash Equivalents. The Office did not have any health benefits liability at year-end. Additional disclosures, including other risk disclosures, can be found in the State of Ohio's CAFR for the fiscal year ended June 30, 2019.

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Required Supplementary Information (RSI) Schedules

Auditor of State of Ohio
Required Supplementary Information
Schedule of the Auditor of State of Ohio Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System – Traditional Plan
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Office's Proportion of the Net Pension Liability	0.35913700%	0.35434100%	0.34980700%	0.34262400%	0.34277800%	0.34277800%
Office's Proportionate Share of the Net Pension Liability	$98,360,343	$55,589,233	$79,435,221	$59,346,797	$41,342,858	$40,409,060
Office's Covered Payroll	$48,507,829	$46,826,623	$45,219,967	$42,642,958	$42,024,942	$43,855,892
Office's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.66%	139.17%	98.38%	92.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the Office's measurement date which is the prior calendar year end.

See accompanying notes to the required supplementary information.

Auditor of State of Ohio
Required Supplementary Information
Schedule of the Auditor of State of Ohio Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System –- Combined Plan
2019 (1)

	2019
Office's Proportion of the Net Pension Asset	0.38513800%
Office's Proportionate Share of the Net Pension Asset	$430,671
Office's Covered Payroll	$1,647,207
Office's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-26.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	126.64%

(1) Amounts for the combined plan are not presented prior to 2019 as the Office's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the Office's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information.

Auditor of State of Ohio
Required Supplementary Information
Schedule of the Auditor of State of Ohio Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System – OPEB Plan
Last Three Years (1)

	2019	**2018**	**2017**
Office's Proportion of the Net OPEB Liability	0.3638490%	0.3594900%	0.3546650%
Office's Proportionate Share of the Net OPEB Liability	$47,437,320	$39,037,965	$35,822,370
Office's Covered Payroll	$52,775,259	$50,919,600	$49,012,957
Office's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the Office's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information.

Auditor of State of Ohio
Required Supplementary Information
Schedule of Auditor of State of Ohio Contributions
Ohio Public Employees Retirement System
Last Seven Fiscal Years (1)(2)

	2019	2018	2017	2016	2015	2014	2013
Net Pension Liability – Traditional Plan							
Contractually Required Contribution	$6,881,552	$6,409,776	$5,779,061	$5,261,771	$5,030,793	$4,901,471	$5,701,266
Contributions in Relation to the Contractually Required Contribution	(6,881,552)	(6,409,776)	(5,779,061)	(5,261,771)	(5,030,793)	(4,901,471)	(5,701,266)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0
Office Covered Payroll	$49,153,943	$47,476,080	$46,230,583	$43,848,092	$41,923,275	$40,845,591	$43,855,892
Contributions as a Percentage of Covered Payroll	14.00%	13.50%	12.50%	12.00%	12.00%	12.00%	13.00%
Net Pension Asset – Combined Plan (3)							
Contractually Required Contribution	$248,211	$221,352	$207,304	$169,339	$153,580		
Contributions in Relation to the Contractually Required Contribution	(248,211)	(221,352)	(207,304)	(169,339)	(153,580)		
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0		
Office Covered Payroll	$1,772,936	$1,640,818	$1,657,629	$1,411,158	$1,279,833		
Contributions as a Percentage of Covered Payroll	14.00%	13.49%	12.51%	12.00%	12.00%		
Net OPEB Liability – OPEB Plan (4)							
Contractually Required Contribution	$137,604	$343,555	$812,773				
Contributions in Relation to the Contractually Required Contribution	(137,604)	(343,555)	(812,773)				
Contribution Deficiency (Excess)	$0	$0	$0				
Office Covered Payroll	$54,366,979	$51,574,828	$50,257,922				
Contributions as a Percentage of Covered Payroll	0.25%	0.67%	1.62%				

(1) Information prior to 2013 is not available.
(2) The OPEB plan includes the members from the traditional plan, the combined plan, and the member-directed plan. The member directed plan is a defined contribution plan: therefore, the pension side is not included above.
(3) Information prior to 2015 is not available.
(4) Information prior to 2017 is not available.
See accompanying notes to the required supplementary information.

AOS Notes to the Required Supplementary Information for the Fiscal Year Ended June 30, 2019

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018 then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent.

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OPERS OPEB

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent.

For 2019, the single discount rate changed from 3.85 percent in 2018 to 3.96 percent. Prior to 2018, the single discount rate was 4.23 percent.

For 2019, the municipal bond rate changed from 3.31 percent to 3.71 percent.

For 2019, the health care cost trend rate changed from 7.5 percent initial, 3.25, ultimate in 2028 to 10 percent initial, 3.25 ultimate in 2029.

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Statistical Section

AOS Statistics

This part of the Auditor of State's (the Office's) comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements and note disclosures say about the Office's overall financial health.

Additional demographic information, including population totals, personal income totals, and per capital income totals, can be located in the State of Ohio's CAFR for the fiscal year ended June 30, 2019.

Schedule 1: Changes in Net Position and Net Position by Type, Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
OPERATING REVENUES										
Charges For Services - Local	$ 36,253,609	$ 36,154,946	$ 36,956,336	$ 39,013,830	$ 33,663,217	$ 37,376,015	$ 37,521,241	$ 36,013,722	$ 32,108,438	$ 35,616,416
Charges For Services - State	8,501,140	9,513,450	9,609,197	9,914,574	9,459,733	9,180,403	9,559,872	10,575,886	8,079,339	7,433,867
Other	381,323	394,264	387,917	440,606	322,587	297,133	235,559	307,859	200,064	259,544
Total Operating Revenues	**45,136,072**	**46,062,660**	**46,953,450**	**49,369,010**	**43,445,537**	**46,853,551**	**47,316,672**	**46,897,467**	**40,387,841**	**43,309,827**
OPERATING EXPENSES										
Personal Services	95,970,087	75,972,532	83,139,543	72,512,431	64,566,700	63,245,026	60,089,588	63,094,181	63,755,535	64,536,143
Maintenance	6,148,436	5,309,341	7,656,835	6,105,878	3,476,221	6,934,392	5,325,643	5,674,926	4,863,067	5,519,204
Depreciation	228,952	292,830	306,387	320,185	418,172	406,798	428,534	395,287	563,476	525,621
Other	0	0	0	0	1,595,656	0	0	0	0	0
Total Operating Expenses	**102,347,475**	**81,574,703**	**91,102,765**	**78,938,494**	**70,056,749**	**70,586,216**	**65,843,765**	**69,164,394**	**69,182,078**	**70,580,968**
Operating Loss	(57,211,403)	(35,512,043)	(44,149,315)	(29,569,484)	(26,611,212)	(23,732,665)	(18,527,093)	(22,266,927)	(28,794,237)	(27,271,141)
NON-OPERATING REVENUES/(EXPENSES)										
Investment Income	23,890	15,559	11,566	8,150	5,144	3,196	2,945	2,952	0	0
Interest Expense	0	0	0	0	0	0	0	0	(1)	(66)
Gain/(Loss) on Sale of Capital Assets	38,077	(388)	2,579	21,243	25,321	10,500	(219)	(9,950)	(907)	746
State Appropriations	30,789,255	22,117,461	30,603,048	30,332,459	28,261,895	27,822,384	26,869,868	26,412,888	29,821,687	28,471,010
Total Non-Operating Revenues/(Expenses)	**30,851,222**	**22,132,632**	**30,617,193**	**30,361,852**	**28,292,360**	**27,836,080**	**26,872,594**	**26,405,890**	**29,820,779**	**28,471,690**
Transfers-In/Capital Contribution	0	0	0	0	1,998	0	0	0	0	0
CHANGE IN NET POSITION	**$(26,360,181)**	**$(13,379,411)**	**$(13,532,122)**	**$ 792,368**	**$ 1,683,146**	**$ 4,103,415**	**$ 8,345,501**	**$ 4,138,963**	**$ 1,026,542**	**$ 1,200,549**
NET POSITION BY TYPE										
Investment in Capital Assets	$ 766,820	$ 938,461	$ 1,193,477	$ 1,337,688	$ 1,353,708	$ 1,585,984	$ 1,890,639	$ 1,961,925	$ 1,805,084	$ 2,348,964
Restricted Net Position	1,865,964	842,520	843,637	787,861	1,837,623	3,014,482	2,353,747	1,227,315	1,753,981	1,829,337
Unrestricted (Deficit) Net Position	(96,244,019)	(69,032,035)	(55,908,757)	(6,838,369)	(8,696,519)	(11,788,800)	22,759,306	15,468,951	10,960,160	9,314,382
Total (Deficit) Net Position	**$(93,611,235)**	**$(67,251,054)**	**$(53,871,643)**	**$(4,712,820)**	**$ (5,505,188)**	**$ (7,188,334)**	**$ 27,003,692**	**$ 18,658,191**	**$ 14,519,225**	**$ 13,492,683**

Source: Auditor of State of Ohio

Revenue by Type and Source, Schedule 2 | **Statistical Section**

Schedule 2: Revenue by Type and Source, Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
OPERATING REVENUES										
Charges For Services - Local										
Audits - Local Governments	$ 28,881,630	$ 28,865,061	$ 28,753,452	$ 31,138,578	$ 27,514,634	$ 30,145,164	$ 29,536,330	$ 28,152,172	$ 28,805,847	$ 28,958,180
Local Government Services	2,899,586	2,942,475	3,240,235	3,064,604	2,682,898	3,101,446	3,192,097	3,067,852	3,319,299	3,110,333
Uniform Accounting Network Fees	4,472,393	4,347,410	4,862,650	4,717,821	3,468,376	4,062,934	4,542,052	4,478,699	(16,708)	3,547,903
LEAP Audits	0	0	99,999	92,827	(2,691)	66,471	250,762	314,999	0	0
Total Charges For Services - Local	**36,253,609**	**36,154,946**	**36,956,336**	**39,013,830**	**33,663,217**	**37,376,015**	**37,521,241**	**36,013,722**	**32,108,438**	**35,616,416**
Charges For Services - State										
Audits - State Agencies	6,525,108	6,872,709	6,358,461	7,102,382	6,556,141	6,280,745	6,973,140	8,189,449	6,099,559	5,485,600
Medicaid Contract Audits	1,976,032	2,640,741	3,250,736	2,812,192	2,903,592	2,899,658	2,586,732	2,386,437	1,979,780	1,948,267
Total Charges For Services - State	**8,501,140**	**9,513,450**	**9,609,197**	**9,914,574**	**9,459,733**	**9,180,403**	**9,559,872**	**10,575,886**	**8,079,339**	**7,433,867**
Other Operating Revenues	381,323	394,264	387,917	440,606	322,587	297,133	235,559	307,859	200,064	259,544
TOTAL OPERATING REVENUES	**45,136,072**	**46,062,660**	**46,953,450**	**49,369,010**	**43,445,537**	**46,853,551**	**47,316,672**	**46,897,467**	**40,387,841**	**43,309,827**
NON-OPERATING REVENUES:										
Investment Income	23,890	15,559	11,566	8,150	5,144	3,196	2,945	2,952	0	0
Gain on Sale of Capital Assets	38,077	0	2,579	21,243	25,321	10,500	0	2,935	5,000	746
State Appropriations	30,789,255	22,117,461	30,603,048	30,332,459	28,261,895	27,822,384	26,869,868	26,412,888	29,821,687	28,471,010
TOTAL NON-OPERATING REVENUES	**30,851,222**	**22,133,020**	**30,617,193**	**30,361,852**	**28,292,360**	**27,836,080**	**26,872,813**	**26,418,775**	**29,826,687**	**28,471,756**
TOTAL OFFICE REVENUES	**$ 75,987,294**	**$ 68,195,680**	**$ 77,570,643**	**$ 79,730,862**	**$ 71,737,897**	**$ 74,689,631**	**$ 74,189,485**	**$ 73,316,242**	**$ 70,214,528**	**$ 71,781,583**

Source: Auditor of State of Ohio

Schedule 3: Rate Schedule, Last Ten Fiscal Years

Fiscal Year	State Rate	Local Government Audit Rate	Local Government Services Rate
2019	$68.00	$41.00	$50.00
2018	$68.00	$41.00	$50.00
2017	$68.00	$41.00	$50.00
2016	$66.50	$41.00	$50.00
2015	$65.92	$41.00	$50.00
2014	$63.69	$41.00	$50.00
2013	$63.69	$41.00	$50.00
2012	$63.69	$38.74	$50.00
2011	$61.23	$36.68	$50.00
2010	$58.79	$36.60	$50.00

NOTES:
The State rate is an hourly rate charged to all State Agency audits and Medicaid Provider Audits. The rate is determined by an independent third-party and is included in the Statewide Cost Allocation Plan.

Audits of local governments are charged a flat $41.00 that was instituted in October 2011. Prior to October 2011, local governments were charged the employees' wage rate plus recovery of certain expenditures permitted under Ohio Revised Code 117.13 (C) times hours worked.

Source: Auditor of State of Ohio

-Continued

Schedule 3: Rate Schedule, Last Ten Fiscal Years, cont.

Uniform Accounting Network Monthly Fee Schedule

Revenue From	Revenue To	Jan. 2010 to June 30, 2019
$0	$50,000	$8
50,001	100,000	18
100,001	150,000	30
150,001	200,000	37
200,001	250,000	44
250,001	300,000	51
300,001	350,000	62
350,001	400,000	72
400,001	450,000	83
450,001	500,000	95
500,001	600,000	105
600,001	750,000	135
750,001	1,000,000	165
1,000,001	2,500,000	215
2,500,001	5,000,000	255
5,000,001	7,500,000	280
7,500,001	10,000,000	300
10,000,001	99,999,999	325

Uniform Accounting Network (UAN) Fees are charged to the client quarterly. Fees shown above are monthly fees. Starting in January 2005, a $50 per month surcharge for hardware was added to the clients' quarterly billing. The fees shown above do not reflect the additional $50 per month surcharge.

Fees are determined by the clients' total resources as determined by the Auditor of State's Office. UAN clients are billed in advance.

Sources: Auditor of State of Ohio, Uniform Accounting Network Department

Schedule 4: Number of Audits Released, by Type, Last Ten Fiscal Years

	FY 2019	FY2018	FY2017	FY2016	FY2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Agreed Upon Procedures										
Cities	0	0	0	0	1	0	6	0	0	1
Counties	1	0	0	1	2	3	3	0	0	4
School Districts	1	1	9	2	1	2	2	0	3	2
State Agencies	5	4	2	3	3	11	5	6	5	5
Medicaid Contract	18	22	91	74	58	54	59	60	68	126
Townships / Villages	326	325	376	283	243	325	421	335	303	91
Other	864	1008	624	362	372	407	482	482	321	297
	1,215	**1,360**	**1,102**	**725**	**680**	**802**	**978**	**883**	**700**	**526**
Basic Audit										
Cities	0	0	0	0	0					
Counties	2	0	1	0	1					
School Districts	0	0	1	0	0					
State Agencies	0	0	0	0	0					
Medicaid Contract	0	0	0	0	0					
Townships / Villages	46	40	54	48	42					
Other	216	223	198	154	147					
	264	**263**	**254**	**202**	**190**	**0**	**0**	**0**	**0**	**0**
Financial Audits										
Cities	229	249	258	234	239	253	260	244	264	263
Colleges & Universities	40	40	39	40	41	81	82	77	76	79
Community School Districts	351	342	381	321	367	380	327	312	332	371
Counties	86	90	91	89	88	87	90	92	90	88
Libraries	64	66	17	86	94	61	78	62	156	192
School Districts	642	630	633	657	686	626	686	692	729	666
State Agencies	17	18	20	26	21	91	25	27	24	27
Townships	352	401	413	441	448	300	374	340	463	682
Villages	282	265	262	228	269	268	336	277	354	401
Other	810	799	884	751	734	786	721	679	789	853
	2,873	**2,900**	**2,998**	**2,873**	**2,987**	**2,933**	**2,979**	**2,802**	**3,277**	**3,622**

-Continued

Schedule 4: Number of Audits Released, by Type, Last Ten Fiscal Years, cont.

	FY 2019	FY2018	FY2017	FY2016	FY2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Medicaid Provider Audits	**16**	**24**	**20**	**26**	**20**	**22**	**19**	**12**	**2**	**8**
Performance Audits										
Cities	0	1	2	1	3	3	9	4	1	3
Colleges & Universities	1	0	0	0	0	0	0	0	0	0
Counties	0	0	0	0	2	1	1	2	1	2
School Districts	10	10	14	10	17	13	10	9	10	25
State Agencies	3	0	4	0	4	1	4	1	2	1
Townships / Villages	0	1	0	2	0	0	2	1	1	1
Other	0	1	1	1	0	0	0	2	0	0
	14	**13**	**21**	**14**	**26**	**18**	**26**	**19**	**15**	**32**
Special Audits										
Cities	0	0	0	0	1	0	1	1	1	1
Counties	0	0	0	1	3	1	1	1	1	2
School Districts	0	0	1	2	0	1	1	1	0	4
State Agencies	1	0	0	0	0	0	0	0	0	0
Townships / Villages	0	1	0	2	1	1	1	0	6	3
Other	1	0	3	4	3	2	5	3	3	1
	2	**1**	**4**	**9**	**8**	**5**	**9**	**6**	**11**	**11**
SOC 1 Reports	**20**	**20**	**22**	**24**	**25**	**24**	**23**	**26**	**38**	**26**
TOTAL	**4,404**	**4,581**	**4,421**	**3,873**	**3,936**	**3,804**	**4,034**	**3,748**	**4,043**	**4,225**

Source: Auditor of State's website, Audit Search (www.auditor.state.oh.us/AuditSearch); Medicaid Contract Agreed Upon Procedures and Medicaid Provider Audits obtained from the Auditor of State Annual Report; SOC 1 obtained from the State Audit Region.

SOC 1 Reports prior to FY12 reported as SAS-70 reports.

Schedule 5: Local Government Services Completed Projects, by Type, Last Ten Fiscal Years

PROJECT TYPE	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
GAAP Compilations:										
GPFS/CAFR Under GASB No. 34	55	54	56	61	62	65	61	60	59	65
Basic Financial Statements Under GASB No. 34	164	166	168	166	168	172	171	177	179	161
Consultation/Supervision Only	24	21	23	20	21	26	30	30	39	34
Cash Basis	50	62	51	55	57	46	50	51	43	48
Fiscal Emergency/Watch/Caution	60	59	54	67	73	83	72	76	81	77
Reconciliations & Reconstructions	25	18	12	22	13	18	8	11	11	14
Special Projects	27	28	28	19	21	19	9	7	3	1
General Assistance, Training	18	7	18	7	10	24	21	28	24	19
Manuals	5	5	4	4	4	3	4	3	5	5
Fund Requests	167	157	123	107	169	147	140	164	125	174
Contact Me Inquiry	90	196	110	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Constituent/Client Contact	2,055	1,612	866	N/A	N/A	N/A	N/A	N/A	N/A	N/A
UAN Monitoring	25	26	25	26	25	25	33	37	39	40
TOTAL	**2,765**	**2,411**	**1,538**	**554**	**623**	**628**	**599**	**644**	**608**	**638**

Contact Me Inquiry, and Constituent/Client Contact were tracked for the first time in FY 2017

Source: Local Government Services, Auditor of State of Ohio
N/A - Started tracking this information in FY2017

Schedule 6: Number of Employees by Division, Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Administration	47	44	45	44	37	44	47	44	61	70
Audit	568	577	578	569	593	539	537	575	579	616
Information Technology	49	52	54	53	51	53	53	53	46	45
Legal	7	7	6	7	10	8	10	12	10	14
Local Government Services	50	49	50	52	51	52	54	53	56	57
Ohio Performance Team	31	30	31	34	37	30	36	44	35	29
Special Investigations Unit*	28	28	24	24	17	44	43	42	36	39
TOTAL	**780**	**787**	**788**	**783**	**796**	**770**	**780**	**823**	**823**	**870**

Source: Auditor of State of Ohio/HR

Note: Table includes permanent full-time and part-time employees.

*Formerly reported as Fraud and Investigative Audits

Schedule 7: Audit Regions Directory

Central Stacie Scholl, CPA, Chief Auditor
88 East Broad Street, 5th Floor — Phone: (614) 466-3402 or (800) 443-9275
Columbus, OH 43215 — Fax: (614) 728-7199
Counties Served: Ashland, Crawford, Delaware, Fairfield, Franklin, Holmes, Knox, Licking, Madison, Marion, Morrow, Pickaway, Richland, Union, Wayne

East Joey Jones, CPA, Chief Auditor
Voinovich Government Center — Phone: (330) 797-9900 or (800) 443-9271
242 Federal Plaza W, Suite 302 — Fax: (330) 797-9949
Youngstown, OH 44503
Counties Served: Carroll, Columbiana, Jefferson, Mahoning, Portage, Stark, Summit, Trumbull

Northeast Allen Alred, CPA, CFE, Chief Auditor
Lausche Bldg, 12th Floor — Phone: (216) 787-3665 or (800) 626-2297
615 Superior Ave, NW — Fax: (216) 787-3361
Cleveland, OH 44113
Counties Served: Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina

Northwest Stephen Flickinger, CPA, CFE, Chief Auditor
One Government Center — Phone: (419) 245-2811 or (800) 443-9276
Room 1420 — Fax: (419) 245-2484
Toledo, OH 43604-2246
Counties Served: Defiance, Erie, Fulton, Hancock, Henry, Huron, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Williams, Wood, Wyandot

Southeast Shane Statler, CFE, Chief Auditor
53 Johnson Road — Phone: (740) 594-3300 or (800) 441-1389
The Plains, Ohio 45780 — Fax: (740) 594-2110
Counties Served: Athens, Belmont, Coshocton, Gallia, Guernsey, Harrison, Hocking, Jackson, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, Vinton, Washington

Southwest Loren Crisp, CPA, Chief Auditor
11117 Kenwood Road — Phone: (513) 361-8550 or (800) 368-7419
Blue Ash, OH 45242 — Fax: (513) 361-8577
Counties Served: Adams, Brown, Butler, Clermont, Clinton, Fayette, Hamilton, Highland, Lawrence, Pike, Ross, Scioto, Warren

State Audits Deborah Liddil, CPA, CGFM, Chief Auditor
See Columbus Address Above

West Donna Waldron, CPA, CFE, MBA, Chief Auditor
One First National Plaza — Phone: (937) 285-6677 or (800) 443-9274
130 West Second Street, Suite 2040 — Fax: (937) 285-6688
Dayton, OH 45402
Counties Served: Allen, Auglaize, Champaign, Clark, Darke, Greene, Hardin, Logan, Mercer, Miami, Montgomery, Preble, Shelby, Van Wert

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This report was prepared by the Finance Department and Local Government Services.
Special thanks to the following staff for their contributions:

Janeen Bell-Dawson
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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Auditor of State of Ohio

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