



Annual Comprehensive Financial Report

An Enterprise Fund of the State of Ohio

For the Fiscal Year Ended June 30, 2022



Auditor of State of Ohio

An Enterprise Fund of the State of Ohio

Annual Comprehensive
Financial Report

For the Fiscal Year Ended June 30, 2022

Prepared by the Ohio Auditor of State’s Office

Timothy S. Keen

Chief Financial Officer

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Transmittal letter



October 6, 2022

To the citizens of the State of Ohio:

It is our pleasure to submit to you the Annual Comprehensive Financial Report (ACFR) 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 (AOS). 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.

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Independent Auditors

As part of the annual preparation of an ACFR, 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 2022, Rea & Associates Inc. is the Office’s independent auditor.

Management’s Discussion and Analysis (MD&A)

GASB Statement No. 34 (GASB 34) requires that management provide 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 limit of two successive terms. The Auditor of State, by virtue of the office, shall be the lead public official responsible for the examination, analysis, inspection, and audits all public offices. The Office completes financial and compliance audits, performance audits, special investigatory audits of public offices, provides technical expertise and local government assistance through consulting and training, and carries out other assigned statutory duties.

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 operates with five major functional units: Audit Administration, Financial Audit, Local Government Services, Ohio Performance Team, and Special Investigations Unit.

Audit Administration

Audit Administration 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, facilities and operations, human resources, legal, information technology, policy and legislative affairs, communications, and field operations.

Financial Audit

Financial Audit includes seven local audit regions, the State Audit region, and several other sections, including Data and Information Technology Audit, the Center for Audit Excellence, and Medicaid Contract Audit. 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. With employees working from across the State, this group serves all state and local government entities in Ohio.

The Data and Information Technology Audit section, formerly Information Systems Audit, a section of the State Region, consists of Information Technology auditors and managers. These auditors test IT general and application controls for various local entities as well as state agency clients. They prepare Service Organization Control reports of school Information Technology Centers, the State of Ohio Computer Center, and the Ohio Administrative Knowledge System, the State’s financial reporting and payroll application. The auditors also use advanced data acquisition, Computer Assisted Auditing Techniques, automation, and analysis to interpret large amounts of data on a centralized basis, to support auditors across the Auditor of State’s Office.

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 Independent Public Accountants conducted on behalf of the Auditor of State, comply with these auditing and accounting standards. In addition, external training on several components of auditing and compliance is conducted throughout the year.

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 Control Unit, Ohio Department of Developmental Disabilities, and the U.S. Department of Health and Human Services, Office of Inspector General.

Local Government Services

The Local Government Services Section (LGS) is a consulting and fiscal advisory group to all governmental agencies and subdivisions and is represented in four regional Offices. It provides an array of services including training and financial reporting in accordance with Generally Accepted Accounting Principles; financial forecasts and reporting; fiscal caution, fiscal watch, or fiscal emergency assistance; merger and dissolution assistance; and record reconstruction and reconciliation.

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, OPT conducts at least four performance audits of state agencies each biennium in addition to any state institution of higher education. 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, combined with data-driven analysis, typically identify and help correct inefficient managerial operations and the waste of taxpayer dollars, while providing general oversight and advice to ensure efficient operation of public Offices and the maximization of taxpayer dollars.

Special Investigations Unit

The 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 combines the specialties of forensic auditing, investigation, and legal expertise to assist in the prosecution of entity fraud and restore public money 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

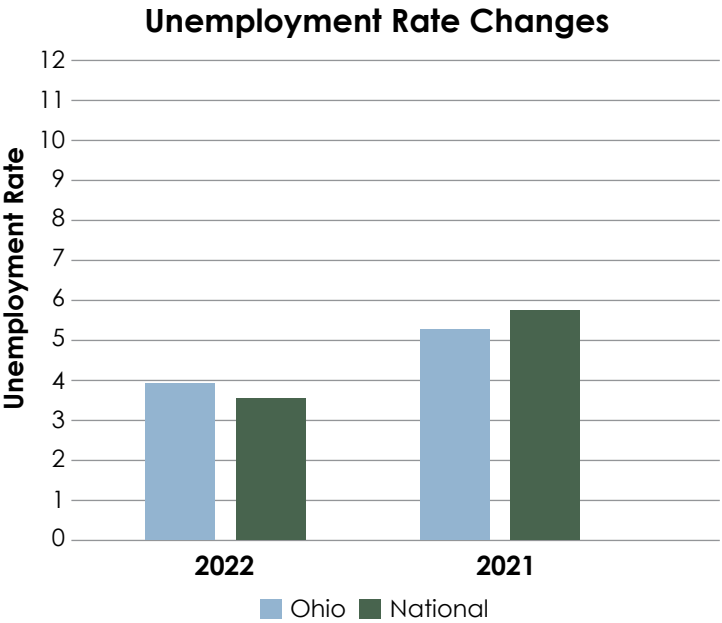
Ohio’s bicameral legislature, the General Assembly, authorizes expenditures through Appropriation Line Items (ALI) in biennial and supplemental appropriation acts. ALIs are managed, as required by the OBM, at the account category level. The major account categories are Personal Services (salaries and benefits), Maintenance (operating costs), and Equipment. OBM uses OAKS to control the Office’s expenditures by checking availability of funds before accepting purchase orders or making payments by vouchers. 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 an established internal budget process to allocate the appropriations between departments and regions. Internal budgets are monitored by the finance department reviewing expenditures against the allotted appropriation by line item. The finance department regularly provides various financial management reports to division chiefs, regional chief auditors, and department heads. 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. Also represented on these reports are current month and year-to-date revenues.

Purchase orders are reviewed and approved by the finance department to ensure availability and proper use of funds. Invoices also must be approved by the purchasing division, department, or regional office before payment.

Economic Conditions and Outlook

Ohio’s unemployment rate was 3.9 percent in June 2022, a decrease from a rate of 5.2 percent in June 2021. The national unemployment rate for June 2022 was listed at 3.6 percent, a decrease from the 5.9 percent reported for June 2021. The decreased unemployment in fiscal year 2022 is due to Ohioan’s filing less applications for traditional unemployment as economic recovery was occurring from the COVID-19 pandemic reported in fiscal year 2020. See Note 13.



Major Initiatives

Financial Audit

Completion of high-quality financial audits in 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 3,755 audit reports from July 1, 2021, through June 30, 2022, which included traditional financial and compliance audits, agreed-upon procedure (AUP) engagements, basic audits, performed by both the Office and Independent Public Accounting firms, performance and special audits.

Reduced audit costs

The Office continues to work with clients of the Auditor of State that qualify for different types of audits based on expenditure thresholds and prior audit results. The Office offers Basic Audits for small entities with annual disbursements of \$200,000 or less, or biennial disbursements of \$400,000 or less. Basic Audits carry a much lower cost and are a less time-consuming audit for eligible entities.

Issued more than \$143.6 million in Findings for Recovery

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. In fiscal year 2022, the Office issued \$143.6 million in findings for recovery from 103 reports 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.

Identified \$3.8 billion in unemployment compensation fraud

Audits of the Ohio Department of Job and Family Services (ODJFS) determined \$3.8 billion in fraudulent unemployment compensation payments were made, due to changes in federal requirements, antiquated systems, and other vulnerabilities, exacerbated by the unprecedented demands from the coronavirus pandemic. ODJFS initially failed to disclose the risk and magnitude of ongoing fraud within the unemployment system. As part of a separate public interest audit and performance audit, the Auditor’s Office provided a series of recommendations for improvements.

Higher education facilities performance audit

The Ohio Performance Team (OPT) examined Ohio’s 14 public universities, 24 regional campuses, and 23 community or technical colleges and recommended that the Ohio Department of Higher Education (ODHE) update their strategic plan of college and university facilities based on enrollment trending away from traditional on-campus classrooms to a virtual learning environment. The performance audit urged ODHE to ensure the state’s public colleges and universities are submitting up-to-date information annually about their facilities and related information used in determining future capital investments, affecting the State of Ohio’s budget, for maintaining aging buildings, new construction, and/or shifting resources to accommodate the increasingly virtual learning environment.

Coronavirus relief guidance to local governments on accounting and reporting of federal funding

Federal Coronavirus Relief legislation (the 2021 American Rescue Plan Act and the 2020 Coronavirus Aid, Relief, and Economic Security Act) provided federal funding for Ohio and its local governments. With those allocations came increased reporting and accounting requirements to ensure the funds are being used for their intended purpose. The Auditor of State’s Office has provided ongoing and updated guidance on how federal coronavirus relief funds should be handled through the Center for Audit Excellence and Local Government Services.

Local Government Services

LGS served as fiscal supervisor to 12 entities in fiscal emergency, providing financial counsel to both the local governments and the oversight commission in recovery efforts. In addition, the section is assisting three local governments in fiscal watch and four in fiscal caution.

LGS continued to emphasize its presence with smaller local governments, performing 19 reconstructions and reconciliations and 24 one-on-one fiscal officer trainings. In a new initiative, LGS provided four free hours of service, with the option to enter into a contract for additional training and services, to 13 entities to assist fiscal officers who were experiencing difficulties that could potentially jeopardize the financial health of the entity. LGS oversaw a reconciliation monitoring program for Uniform Accounting Network (UAN) client officials, which identified entities whose fiscal officer failed to reconcile for 60 days. Under this program, 107 entities were contacted with an offer to provide reconciliation assistance.

LGS produced an Ohio County Sheriff’s manual and assisted with a number of Auditor of State bulletins on estimating capital asset historical costs using the Consumer Price Index; allocation of Opioid Settlement proceeds to local governments; and the Ohio Attorney General’s Continued Professional Training Pilot Program.

LGS assisted the Auditor of State on numerous GASB exposure drafts, GASB preliminary views documents and Other Comprehensive Basis of Accounting financial statement shells. In addition, LGS served on the National State Auditor’s Association Lease Standards Implementation Workgroup and the National GFOA’s Accounting, Auditing and Financial Reporting Committee.

Medicaid Contract Audits

During fiscal year 2022, MCA released 44 Medicaid provider compliance examinations and identified \$2 million in improper payments. Additionally, the department released 15 reports on Intermediate-Care Facilities, which identified more than \$18,000 in Findings for Recovery and more than \$24,000 in unsupported or non-federal reimbursable costs. The department released four PASSPORT administrative agency reports identifying more than \$6,000 in non-federal reimbursable costs.

MCA also released 61 Agreed Upon Procedures on the Medicaid Promoting Interoperability Program (MPIP) identifying the use of electronic health records. MCA released 13 Agreed Upon Procedure reports on County Boards of Developmental Disabilities and eight associated Council of Governments identifying over \$2,300 in Findings for Recovery and \$185,000 in non-federal reimbursable costs.

MCA conducted a public interest audit of Medicaid capitation payments made from July 1, 2017, through June 30, 2020, and identified \$101 million in Medicaid payments to people incarcerated in Ohio correctional facilities and not eligible for managed care services; nearly \$3.4 million in payments to Ohioans who had died; and an estimated \$14.5 million in duplicate payments for residents with multiple identification numbers in the Medicaid system. Auditors also identified about \$84 million in potentially erroneous capitation payments that required additional confirmation.

In June 2022, MCA initiated an additional public interest audit of the Ohio Department of Medicaid focusing on Ohio’s participation in the Public Assistance Reporting Information System (PARIS), which provides interstate matches to help states identify those who may be receiving benefits in public assistance programs from more than one state simultaneously. MCA expects the results of this audit to be released by the end of the calendar year.

Ohio Performance Team

OPT conducts performance audits of Ohio public entities – from the tiniest village to the largest state agencies – to help government leaders identify and provide effective and efficient services in a transparent manner. Using data-driven analysis, OPT provides clients with high-level tools and guidance needed to make management decisions to best serve their constituents.

In fiscal year 2022, OPT released 15 projects: ten performance audits of fiscally distressed school districts, two state projects, and three city projects.

In 2022, OPT completed the legislatively requested work (HB614) on the Ohio Department of Job and Family Services to examine the Unemployment Compensation Program and provided testimony to the legislature on the status of the program and the department’s pandemic response.

OPT worked with the Ohio Department of Education (ODE) and Ohio Department of Higher Education (ODHE) to examine the College Credit Plus program (CCP). CCP gives high school students the opportunity to dual enroll, completing college coursework while in high school. Some students taking advantage of CCP graduate from high school with college degrees in hand, saving families thousands of dollars in tuition costs. OPT provided recommendations to ODE and ODHE to further improve the program and launched an online dashboard showing Ohio’s school district participation and rankings in the CCP program.

OPT also examined Ohio’s 14 public universities, 24 regional campuses, and 23 community or technical colleges and recommended that ODHE update their strategic plan for college and university facilities, with enrollment trending away from traditional on-campus classrooms to virtual learning environments. The performance audit urged ODHE to ensure the state’s public colleges and universities are submitting up-to-date information annually about their facilities and data needed to determine future capital investments for maintaining aging buildings, new construction, or shifting resources to accommodate an increasingly virtual learning environment, affecting the State’s capital budget.

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 ten investigators, 13 forensic auditors, and three attorneys, combining investigative, special auditing, and legal specialties into a cohesive team. The Unit has collaborated with federal, state, and local law enforcement agencies across Ohio.

In fiscal year 2022, the unit received 762 tips of suspected fraud and non-compliance with laws in governmental agencies throughout Ohio, with tips coming from several sources, including

public employees and concerned citizens. During the fiscal year, SIU assisted in 18 convictions related to 16 state and local governments. These convictions encompassed 25 charges, including ten theft in office convictions and restitution totaling \$194,867. SIU also has issued 33 Findings for Recovery as a civil remedy to help 20 state and local governments recover public dollars totaling \$8,146,138.

Throughout the fiscal year, SIU had about 105 active special audits and investigations and several cases waiting for court hearings.

Uniform Accounting Network

The Uniform Accounting Network (UAN) is a financial management system designed specifically for Ohio’s local governments. The program provides townships, villages, libraries, special districts, and cities with a complete computer system (hardware and software), along with training and support. UAN’s client base in fiscal year 2022 is 2,097 local government entities.

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

UAN is working on a five-year UAN software rewrite project with the assistance of a consultant. The project will convert the current UAN system from a client server application to a web-based application that will be hosted by a third party cloud vendor. This change will enhance the effectiveness of the system and provide the required accounting updates more efficiently.

Legislative Initiatives

The mission of the Ohio Auditor of State’s Office includes emphasis on a more effective, efficient, and transparent state government, which has driven the Office’s legislative agenda. The following legislative actions were taken during the 134th General Assembly:

House Bill 110: Creates FY 2022–2023 Operating Budget

Status: Signed by the Governor and enacted

As highlighted in the 2021 Annual Comprehensive Financial Report, the Auditor of State line items were fully funded and the bill maintained the Local Government Audit Support Fund, which has been successful in keeping local government audit costs low. Additionally, the budget moved the preparation and recording of deeds from the Auditor’s Office to the Department of Administrative Services. We also updated the code to require that the chief deputy auditor be a certified public accountant, and we removed outdated terms such as inspectors and other references to our employees. The Auditor’s Office is now responsible for the audits of state awards of economic development, a job previously handled by the Attorney General’s Office. Finally, the bill ensures that appointed municipal fiscal officers are held to the same continuing education standards as elected municipal fiscal officers. The past year has been spent implementing these pieces and working with other departments to ensure smooth transitions of responsibilities. Overall, it was a successful budget cycle and the Office is preparing for the next biennium budget that will be passed by June 30, 2023.

Senate Bill 15: Revise Fiscal Officer Liability for Loss of Public Funds

Status: Signed by the Governor; effective Sept. 12, 2022

While Senate Bill 15 was not explicitly supported or opposed by our Office, it will affect how we issue audit work. This bill expands on House Bill 491 from the 132nd General Assembly, which gave protection to school treasurers from liability for loss of public funds when they performed their duties without “negligence or other wrongful acts.” When other treasurers and fiscal officers learned school treasurers received these safeguards in the Ohio Revised Code, they requested the same protection from liability, with the legislative change being successfully enacted in the 134th General Assembly. The bill was signed by the Governor on June 14, 2022, and is effective 90 days from that date.

Unemployment Compensation Council

House Bill 614 of the 133rd General Assembly created the Unemployment Compensation Modernization and Improvement Council to study and report on the claims process and other issues seen in the unemployment compensation system, particularly during the Coronavirus pandemic. During the last year, the Auditor’s Office has testified in front of the Council five times to present the performance and financial audits of the Department of Job and Family Services.

Financial Information

Debt Administration: During fiscal year 2022, and as of June 30, 2022, 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 allowance 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 ACFR for the fiscal year ended June 30, 2021. 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 ACFR that conforms to program standards. Such ACFRs 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 conform 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,



Keith Faber
Auditor of State



Timothy S. Keen
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

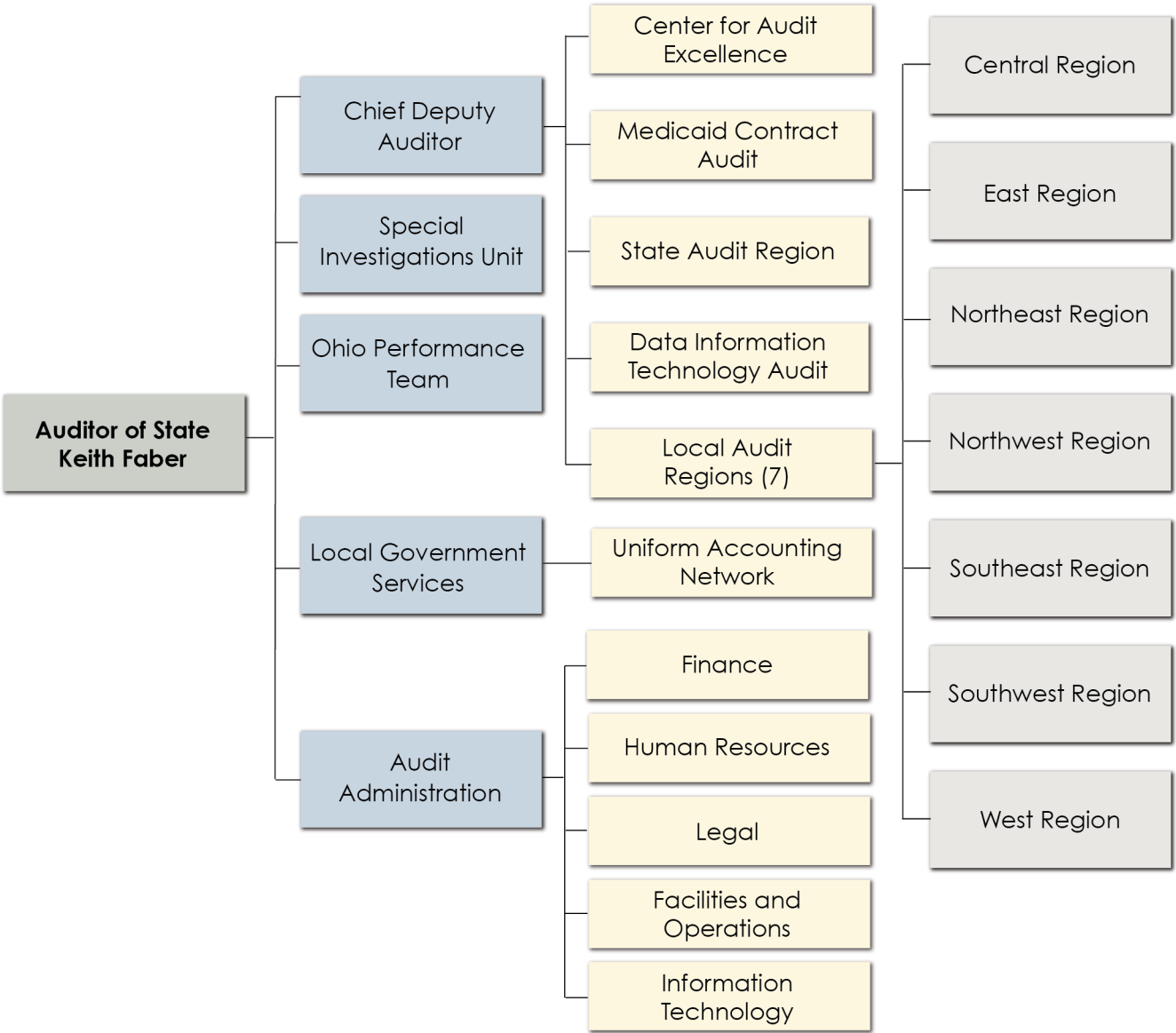
Auditor of the State of Ohio

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO



Appointed officials

Chief of Staff.....	Sloan Spalding
Deputy Chief of Staff	Alex Bilchak
Director of Operations	Fred Shimp
Chief Deputy Auditor	Robert Hinkle
Chief Financial Officer and Senior Advisor to the Auditor.....	Tim Keen
Chief Legal Counsel.....	Mary DeGenaro
Legislative Director.....	Emily Redman
Director of Communications.....	Matt Eiselstein

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and the Office of the Auditor of State
Office of the Auditor of State of Ohio
88 East Broad Street
Columbus, OH 43215

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinion

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

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 to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Independent Auditor's Report
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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2022 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Office's internal control over financial reporting and compliance.



Rea & Associates, Inc.
Gahanna, Ohio
October 6, 2022

Management's Discussion & Analysis

This discussion and analysis of the Auditor of the State of Ohio's Office (the Office) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2022. 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 Assets of the Office increased \$2,807,990, or five percent, from fiscal year 2021, primarily due to the increase of \$5,063,805 in the Net OPEB Asset, which was partially offset by a decrease of \$1,353,207 in Collateral on Lent Securities.
- Total Liabilities decreased by \$25,695,507, or thirty-two percent, from fiscal year 2021, largely attributable to the \$20,876,715 decrease in the Net Pension Liability, as well as a decrease of \$2,607,586 in Wages and Benefits Payable due to the timing of the payroll calendar.
- Total Revenues increased by \$5,122,186, or six percent, from fiscal year 2021. The increase was primarily due to a \$3,584,242 increase in State Appropriations for fiscal year 2022 used to support the conduct of local government audits. Additionally, Charges for Services increased by \$2,115,577, partially offset by the loss of \$552,216 of Intergovernmental Revenue in fiscal year 2022.
- Total Expenses increased by \$23,536,430, or fifty-six percent, from fiscal year 2021. The increase was primarily driven by personal services due to the pension and OPEB expense effect being \$23,102,711 less in fiscal year 2022 compared to fiscal year 2021.
- As a result of the activity identified above, total Net Position increased by \$24,736,697, from a deficit of \$(59,529,309) to a deficit of \$(34,792,612).

Using this Annual Report

This annual comprehensive financial report is divided into three parts: the introductory section; the financial section which include 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, 2022, as compared with June 30, 2021:

Schedule 1: Comparison of Net Position as of June 30

	2022	2021*
ASSETS		
Current Assets	\$44,136,377	\$46,767,763
Non-Current Assets		
Net Pension Asset	1,723,595	1,244,379
Net OPEB Asset	11,403,699	6,339,894
Capital Assets, Net of Accumulated Depreciation/Amortization	2,982,851	3,086,496
Total Assets	\$60,246,522	\$57,438,532
Deferred Outflows of Resources		
Pension	10,591,094	3,816,994
OPEB	188,344	3,162,929
Total Deferred Outflows of Resources	\$10,779,438	\$6,979,923
LIABILITIES		
Current Liabilities	\$13,221,796	\$16,985,081
Non-Current Liabilities		
Compensated Absences	10,065,117	10,228,071
Leases Payable	525,034	1,417,587
Net Pension Liability	31,475,454	52,352,169
Total Liabilities	\$55,287,401	\$80,982,908
Deferred Inflows of Resources		
Pension	38,744,676	23,340,524
OPEB	11,786,495	19,624,332
Total Deferred Inflows of Resources	50,531,171	42,964,856
NET POSITION		
Net Invested in Capital Assets	\$1,444,417	\$635,898
Restricted Net Position	4,593,336	4,213,747
Unrestricted (Deficit) Net Position	(40,830,365)	(64,378,954)
Total (Deficit) Net Position	(\$34,792,612)	(\$59,529,309)

*As restated due to the implementation of GASB 87

Total Assets of the Office increased \$2,807,990, or five percent, from fiscal year 2021, primarily due to the increase of \$5,063,805 in the Net OPEB Asset, which was partially offset by a decrease of \$1,353,207 in Collateral on Lent Securities under Current Assets.

Total Liabilities decreased by \$25,695,507, or thirty-two percent, from fiscal year 2021, largely attributable to the \$20,876,715 decrease in the Net Pension Liability, as well as a decrease of \$2,607,586 in Wages and Benefits Payable under Current Liabilities due to the timing of the payroll calendar.

A Note on Net Pension Liability

The net pension liability is the largest single liability reported by the Office at June 30, 2022 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” The Net OPEB asset 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, and the net pension liability to the reported net position; and subtracting deferred outflows related to pension and OPEB, the net pension asset, and the net OPEB 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 asset 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 postemployment 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 as 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. 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 is satisfied, this liability is 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 asset, respectively, not accounted for as deferred inflows/outflows.

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 below shows revenue, expense and changes in Net Position for the fiscal year ended June 30, 2022, in comparison with the fiscal year ended June 30, 2021:

Schedule 2: Change in Net Position

	2022	2021
OPERATING REVENUES		
Charges for services - Local	\$36,180,584	\$34,559,352
Charges for Services - State	11,209,825	10,715,480
Other	17,141	16,407
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue	0	552,216
Investment Income	5,073	6,643
Interest on Leases	(24,753)	0
Gain/(Loss) on Sale of Capital Assets	0	(172)
State Appropriations	42,831,542	39,247,300
Total Revenues	\$90,219,412	\$85,097,226
OPERATING EXPENSES		
Personal Services	61,238,208	35,276,990
Maintenance	2,932,592	6,486,404
Depreciation/Amortization	1,311,915	182,891
Total Expenses	\$65,482,715	\$41,946,285
Change in Net Position	\$24,736,697	\$43,150,941
Beginning (Deficit) Net Position	(59,529,309)	(102,680,250)
Ending (Deficit) Net Position	(\$34,792,612)	(\$59,529,309)

Total Revenues increased by \$5,122,186, or six percent, from fiscal year 2021. The increase was primarily due to a \$3,584,242 increase in State Appropriations for fiscal year 2022 used to support the conduct of local government audits. Additionally, Charges for Services increased by \$2,115,577, partially offset by the loss of \$552,216 of Intergovernmental Revenue in fiscal year 2022.

The inclusion of Interest on Leases is due to the Office’s implementation of GASB 87 during fiscal year 2022. This amount represents the portion of the lease expense that is a result of the implicit interest rate charged for the Office’s leased building space. Additional information can be found in Notes 1-O and 8 of the Notes to the Basic Financial Statements.

Total Expenses increased by \$23,536,430, or fifty-six percent, from fiscal year 2021. The increase was primarily driven by personal services due to the pension and OPEB expense effect being \$23,102,711 less in fiscal year 2022 compared with fiscal year 2021.

Capital Assets

At June 30, 2022, the Office had invested \$2,982,851, net of accumulated depreciation/amortization, in various classes of capital assets. This represents a decrease of three percent in net capital assets from fiscal year 2021. This decrease was due to amortization and depreciation outpacing current year additions.

As a result of implementing GASB 87, fiscal year 2022 includes \$1,006,518 of amortization for the Intangible Right to Use – Buildings. This additional amortization was partially offset by the Computer Equipment additions, which include \$886,167 for the purchase of new computer equipment as part of an officewide computer refresh conducted every four years. Due to the increasing cost of computers, the refresh was included as a capital asset for the first time in fiscal year 2022.

Depreciation/amortization expense for fiscal year 2022 totaled \$1,311,915 (see Schedule 2 above). This figure represents an increase of six hundred and seventeen percent from fiscal year 2021 and is a result of the GASB 87 implementation described above.

Schedule 3 below provides a summary of capital assets as of June 30, 2022 and 2021:

Schedule 3: Capital Assets

	2022	2021*
Computer Equipment	\$2,025,271	\$1,285,425
Office Equipment	676,914	670,692
Furniture and Fixtures	135,050	139,849
Large Internal Software Projects	1,424,498	1,424,498
Intangible Right to Use - Buildings	2,544,952	2,450,598
Subtotal	\$6,806,685	\$5,971,062
Accumulated Depreciation/Amortization	(3,823,834)	(2,884,566)
Net Capital Assets	\$2,982,851	\$3,086,496

*As restated due to the implementation of GASB 87

For more information regarding capital assets, see Notes 1-K 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.

Statement of Net Position as of June 30, 2022

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 27,269,973
Restricted Cash and Cash Equivalents	4,593,336
Accounts Receivable (net of allowance for doubtful accounts)	4,184,106
Intergovernmental Receivable	1,174,296
Appropriations Receivable	1,113,382
Collateral on Lent Securities	5,801,284
Total Current Assets	<u>44,136,377</u>
Non-Current Assets	
Net Pension Asset (See Note 5)	1,723,595
Net OPEB Asset (See Note 6)	11,403,699
Capital Assets (net of accumulated depreciation/amortization of \$3,823,834)	2,982,851
Total Non-Current Assets	<u>16,110,145</u>
Total Assets	<u>\$ 60,246,522</u>
Deferred Outflows of Resources:	
Pension	10,591,094
OPEB	188,344
Total Deferred Outflows of Resources	<u>\$ 10,779,438</u>

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Statement of Net Position as of June 30, 2022, cont.

LIABILITIES	
Current Liabilities	
Accounts Payable and Due to Other Governments	\$ 178,214
Wages Payable	2,089,550
Benefits Payable	944,747
Unearned Revenue	1,246,913
Compensated Absences Payable	1,947,688
Leases Payable	1,013,400
Obligations Under Securities Lending	5,801,284
Total Current Liabilities	<u>13,221,796</u>
Non-Current Liabilities	
Compensated Absences Payable	10,065,117
Leases Payable	525,034
Net Pension Liability (See Note 5)	31,475,454
Total Non-Current Liabilities	<u>42,065,605</u>
Total Liabilities	<u>\$ 55,287,401</u>
Deferred Inflows of Resources:	
Pension	38,744,676
OPEB	11,786,495
Total Deferred Inflows of Resources	<u>\$ 50,531,171</u>

NET POSITION	
Net Invested in Capital Assets	\$ 1,444,417
Restricted Net Position for:	
Health Benefits Surplus	3,859,597
Accrued Leave	733,739
Unrestricted (Deficit) Net Position	<u>(40,830,365)</u>
Total (Deficit) Net Position	<u>\$ (34,792,612)</u>

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, 2022

OPERATING REVENUES	
Charges for Services – Local	\$ 36,180,584
Charges for Services – State	11,209,825
Other	<u>17,141</u>
Total Operating Revenues	<u>47,407,550</u>
OPERATING EXPENSES	
Personal Services	61,238,208
Maintenance	2,932,592
Depreciation/Amortization	<u>1,311,915</u>
Total Operating Expenses	<u>65,482,715</u>
Operating Income (Loss)	<u>(18,075,165)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	5,073
Interest on Leases	(24,753)
State Appropriations	<u>42,831,542</u>
Total Non-Operating Revenues	<u>42,811,862</u>
Change in Net Position	24,736,697
Total (Deficit) Net Position – Beginning of Fiscal Year	<u>(59,529,309)</u>
Total (Deficit) Net Position – End of Fiscal Year	<u>\$ (34,792,612)</u>

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, 2022

Cash Flows from Operating Activities	
Cash Received From Charges for Services – Local	\$ 36,502,738
Cash Received From Charges for Services – State	11,197,327
Cash Received From Other Sources	17,141
Cash Restricted for Compensated Absences	(184,149)
Cash Restricted for Health Benefits Surplus	563,738
Cash Payments for Personal Services	(86,973,830)
Cash Payments for Maintenance	(2,948,199)
<i>Net Cash Used for Operating Activities</i>	<u>(41,825,234)</u>
Cash Flows from Non-Capital Financing Activities	
State Appropriations	43,707,236
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>43,707,236</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(1,068,638)
Principal Retirement – Leases	(1,051,796)
Interest – Leases	(24,753)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,145,187)</u>
Cash Flowsfrom Investing Activities	
Investment Income	5,073
<i>Net Cash Provided by Investing Activities</i>	<u>5,073</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(258,112)
Cash and Cash Equivalents at Beginning of Year	32,121,421
Cash and Cash Equivalents at End of Year	<u><u>\$ 31,863,309</u></u>

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Statement of Cash Flows for the Fiscal Year Ended June 30, 2022, cont.

Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income (Loss)	\$ (18,075,165)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities	
Depreciation/Amortization	1,311,915
<i>(Increase)/Decrease in Assets:</i>	
Accounts Receivable, net of Allowance for Doubtful Accounts	156,871
Intergovernmental Receivable	(12,498)
Collateral on Lent Securities	1,353,207
Net Pension Asset	(196,751)
Net OPEB Asset	165,290
<i>(Increase)/Decrease in Deferred Outflows:</i>	
Deferred Outflow–Pension	10,802,320
Deferred Outflow–OPEB	4,372,114
<i>Increase/(Decrease) in Liabilities:</i>	
Accounts Payable and Due to Other Governments	86,299
Wages Payable	(1,861,532)
Benefits Payable	(746,054)
Unearned Revenue	144,471
Compensated Absences Payable	(176,605)
Obligations Under Securities Lending	(1,353,207)
Net Pension Liability	(1,808,370)
<i>Increase/(Decrease) in Deferred Inflows:</i>	
Deferred Inflow–Pension	(21,523,078)
Deferred Inflow–OPEB	(14,464,461)
<i>Total Adjustments</i>	<u>(23,750,069)</u>
Net Cash Used for Operating Activities	<u><u>\$ (41,825,234)</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents	\$ 27,269,973
Restricted Cash and Cash Equivalents – Current	4,593,336
Total Cash and Cash Equivalents at Year End	<u><u>\$ 31,863,309</u></u>
Noncash Capital Financing Activities	
During fiscal year 2022, the Office entered into a lease for a building in the amount of \$139,632. This new lease resulted in the Office recognizing an intangible right to use asset and a lease liability.	

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

Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2022

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 (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. Effective September 30, 2021, HB110 transfers the responsibility as the custodial holder of all land deeds for the State of Ohio to the Department of Administrative Services Director.

The accompanying financial statements report the financial position as of June 30, 2022 and results of operations and cash flows for the fiscal year ended June 30, 2022. 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 Annual Comprehensive Financial Report (ACFR) 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 and changes in financial position and 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 summarized below. 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.

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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/amortization 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 (OBM).

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 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. 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

At June 30, 2022, the Office had no securities out on loan. The Office has been allocated with cash collateral of \$5,801,284 in 2022 from the securities lending program administered through the Ohio Treasurer of State’s Office based on the amount of cash equity in the State’s common cash and investment account.

The Treasurer routinely lends 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

Because the securities lending program is administered by the Treasurer, and is a statewide program, the Office has no ability to determine the underlying securities’ fair value. Per the Treasurer, the underlying lent securities are generally considered short term obligations and the collateral is invested in short term securities.

The State of Ohio’s ACFR provides more extensive disclosures regarding this significant accounting policy.

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 OBM for collection. In addition, the Office has a Service Level Agreement through the Ohio Attorney General’s Collection Enforcement Section for collection of unpaid fees.

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 (AGO) 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 AGO. The allowance for doubtful accounts is shown as a reduction in operating revenue in the financial statements. During fiscal year 2022, the Office recorded \$59,790 in Allowance for Doubtful Accounts. 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, the Office can request the AGO to cancel or cause to be cancelled 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 cancelled any unsatisfied claim that has not been collected for 40 years. In fiscal year 2022, the Attorney General cancelled debt relating to four closed charter school totaling \$59,829 and three local governments totaling \$98,514.

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 three 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. The Office is reporting intangible right to use assets related to leased buildings. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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, 2022, the Office has 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.

M. Compensated Absences

The Auditor’s Office accounts for compensated absences in accordance with 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 invested in capital assets consists of capital assets, net of accumulated depreciation/amortization, 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 Invested in Capital Assets — This consists of capital assets, net of accumulated depreciation/amortization 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 Invested in Capital Assets” and is not restricted.

O. New Accounting Pronouncements

For fiscal year 2022, the Office implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Office’s fiscal year 2022 financial statements. The Auditor recognized \$2,450,598 in leases payable at July 1, 2021; however, this entire amount was offset by the Intangible Right to Use – Buildings.

The Office is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 – *Omnibus 2020*, and GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the Office’s fiscal year 2022 financial statements; however, there was no effect on beginning net position.

P. Unearned Revenue

Unearned Revenue represents the amount received for UAN billings billed in advance of services being provided.

Q. Pensions and Other Postemployment Benefits (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 assets 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 assets 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 (GRF). The GRF’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 include the following:

GRF-401 (Audit Management and Services) — Audit Management and Services, is 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, is 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 Investigations) — Fraud/Corruption Audits and Investigations is used pursuant to section 117.13 of the Revised Code to support costs of the Auditor of State related to investigations and special audits conducted by the Special Investigations Unit (SIU), for which costs are not recovered through charges to local governments or state entities. SIU primarily investigates allegations of fraud, theft, and misappropriation of public funds in conjunction with law enforcement.

GRF-412 (Local Government Audit Support) — Local Government Audit Support, is 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 - Intrastate — 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 Government — 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) Revolving Loans — ORC Section 117.47 establishes this account for the Auditor to lend political subdivisions money for the cost of a performance audit. The advances must be repaid within one year of completion. This account is also used for feasibility studies of local governments and schools at the request from the local entity.

Account 5VP0 Local Government Audit Support Fund — This account was authorized by the Ohio General Assembly effective fiscal year 2020 and is to be used to provide supplementary funding for the Auditor of State to conduct financial and performance audits of political subdivisions in conjunction with Account 4220. This GRF money will be used to pay a portion of the costs of annual, biennial, and special audits performed on political subdivisions that would otherwise be covered by payments from those entities that are deposited into Account 4220.

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 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 \$27,269,973 with the Treasurer, as well as Restricted Cash and Cash Equivalents of \$4,593,336 with the Treasurer. Additional information regarding the classification of the State’s deposits and investments is contained in the State’s Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

Note 4 – Capital Assets

Capital asset activity for fiscal year 2022 is as follows:

Assets at Cost:

	Beginning Balance*	Additions	Disposals	Ending Balance
Computer Equipment	\$1,285,425	\$1,016,148	(\$276,302)	\$2,025,271
Office Equipment	670,692	52,490	(46,268)	676,914
Furniture & Fixtures	139,849	0	(4,799)	135,050
Large Internal Software Projects	1,424,498	0	0	1,424,498
Intangible Right to Use – Buildings	2,450,598	139,632	(45,278)	2,544,952
Subtotal	5,971,062	1,208,270	(372,647)	6,806,685

Accumulated Depreciation/Amortization:

Computer Equipment	(\$1,142,843)	(\$117,934)	\$276,302	(\$984,475)
Office Equipment	(557,658)	(43,325)	46,268	(554,715)
Furniture & Fixtures	(115,692)	(3,893)	4,799	(114,786)
Large Internal Software Projects	(1,068,373)	(94,967)	0	(1,163,340)
Intangible Right to Use – Buildings	0	(1,051,796)	45,278	(1,006,518)
Subtotal	(2,884,566)	(1,311,915)	372,647	(3,823,834)
Net Capital Assets	<u>\$3,086,496</u>	<u>(\$103,645)</u>	<u>\$0</u>	<u>\$2,982,851</u>

More information on capital assets can be found in Note 1-K
*As restated due to the implementation of GASB 87

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 Asset

The net pension liability (asset) and the net OPEB asset 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) calculations are 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/OPEB asset* or a long-term *net pension 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 *benefits 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 is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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 E. Town St., Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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. The amount of a member’s pension benefit vests upon receipt of the initial benefit payment.

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

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

Effective January 1, 2022, the Combined Plan was consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option is no longer available for new hires.

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

	State and Local
Fiscal Year 2022 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee *	10.0%
Fiscal Year 2022 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 contribution rate for the member-directed plan is allocated 4 percent with the remainder going to pension.

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

For fiscal year 2022, the Office’s contractually required contribution was \$7,555,809 for the traditional plan, \$299,543 for the combined plan and \$249,042 for the member-directed plan. Of these amounts, \$123,216 is reported as a benefits payable for the traditional plan, \$4,957 for the combined plan, and \$2,923 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, 2021, 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	0.36177000%	0.43745500%	
Prior Measurement Date	0.35354400%	0.43108300%	
Change in Proportionate Share	0.00822600%	0.00637200%	
Proportionate Share of the:			
Net Pension Liability	\$31,475,454	\$0	\$31,475,454
Net Pension Asset	0	1,723,595	1,723,595
Pension Expense	(4,800,574)	(69,953)	(4,870,527)

Fiscal year 2022 pension expense for the member-directed defined contribution plan was \$249,042. The aggregate pension expense for all pension plans was a negative \$4,621,485 for 2022.

At June 30, 2022, 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	\$1,604,572	\$10,692	\$1,615,264
Changes of assumptions	\$3,935,973	\$86,615	\$4,022,588
Changes in proportion and differences between Office contributions and proportionate share of contributions	1,031,757	11,575	1,043,332
Office contributions subsequent to the measurement date	3,758,687	151,223	3,909,910
Total Deferred Outflows of Resources	\$10,330,989	\$260,105	\$10,591,094
Deferred Inflows of Resources			
Differences between expected and actual experience	\$690,335	\$192,778	\$883,113
Net difference between projected and actual earnings on pension plan investments	37,438,908	369,512	37,808,420
Changes in proportion and differences between Office contributions and proportionate share of contributions	0	53,143	53,143
Total Deferred Inflows of Resources	\$38,129,243	\$615,433	\$38,744,676

\$3,909,910 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 2023. 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:			
2023	(\$4,211,961)	(\$119,419)	(\$4,331,380)
2024	(12,585,919)	(162,735)	(12,748,654)
2025	(8,803,401)	(108,861)	(8,912,262)
2026	(5,955,660)	(82,078)	(6,037,738)
2027	0	(16,214)	(16,214)
Thereafter	0	(17,244)	(17,244)
Total	(\$31,556,941)	(\$506,551)	(\$32,063,492)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67.

In 2021, the Board’s actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments.

Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented on the next page.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, 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	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2021, then 2.15 percent, simple	0.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, 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 earlier described tables.

The most recent experience study was completed for the 5-year period ended Dec. 31, 2020.

During 2021, 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 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board’s investment consultant. For each major class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2021, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00%	4.21%

Discount Rate

The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 percent. 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 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Office's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$82,986,420	\$31,475,454	(\$11,388,520)
OPERS Combined Plan	(1,286,118)	(1,723,595)	(2,064,788)

Note 6 – Defined Benefit OPEB Plans

See Note 5 for a description of the net OPEB asset.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015 will have an allowance of at least 75 percent of the base allowance.

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

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

To qualify for postemployment 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. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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’ Annual Comprehensive Financial Report 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 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2022, 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. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 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 \$99,617 for fiscal year 2022. Of this amount, \$1,169 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 asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Office’s proportion of the net OPEB asset 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	0.36408500%
Prior Measurement Date	0.35585800%
Change in Proportionate Share	0.0082270%
Proportionate Share of the Net OPEB Asset	\$11,403,699
OPEB Expense	(\$9,827,440)

At June 30, 2022, the Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in proportion and differences between Office contributions and proportionate share of contributions	\$138,419
Office contributions subsequent to the measurement date	49,925
Total Deferred Outflows of Resources	\$188,344
Deferred Inflows of Resources	
Differences between expected and actual experience	\$1,729,767
Changes of assumptions	4,616,090
Net difference between projected and actual earnings on OPEB plan investments	5,436,480
Changes in proportion and differences between Office contributions and proportionate share of contributions	4,158
Total Deferred Inflows of Resources	\$11,786,495

\$49,925 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 asset in fiscal year 2023. 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:	
2023	(\$7,200,099)
2024	(2,479,371)
2025	(1,187,843)
2026	(780,763)
2027	0
Total	<u>(\$11,648,076)</u>

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. In 2021, the Board’s actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial	8.5 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, 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.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

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 long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset

allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Health Care’s portfolios target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate

A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Office’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following table presents the Office’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Office’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower 5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Office's proportionate share of the net OPEB Asset	\$6,706,446	\$11,403,699	\$15,302,493

Sensitivity of the Office’s Proportionate Share of the Net OPEB Asset 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset 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 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Office's proportionate share of the net OPEB Asset	\$11,526,931	\$11,403,699	\$11,257,508

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

*Fifty-two weeks equal one year of service.

An employee who separates from state service with less than twelve months of state service is not entitled to compensation for unused accrued vacation leave. Employees exceeding 12 months of service are paid at their full rate of pay for 100 percent of unused vacation. Employees who have a balance of 200 hours of accrued vacation leave, as of the last day of the first pay period in November, may convert up to 40 hours of vacation at 100 percent of the hourly base rate during the December conversions.

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. An employee who separates from state service with less than twelve months of state service is not entitled to compensation for unused accrued sick leave. 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 used, 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.

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 the Ohio Department of Administrative Services (DAS), for each pay period from July 2021-June 2022. 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 \$733,739 recorded as Restricted Cash & Cash Equivalents in Fund 8060, Accrued Leave Liability Fund. The accumulated resources to fund future leave decreased from the previous year. Therefore, we reported the net effect as an increase in expense and a decrease 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, 2022 were as follows:

Beginning Amount	\$12,189,410
Plus: Fiscal Year 2022 Additions	8,502,955
Less: Fiscal Year 2022 Reductions	<u>(8,679,560)</u>
Ending Amount	<u>\$12,012,805</u>
Amount Due Within One Year	\$1,947,688

Note 8 – Lease Payable

The Office leases various office space. Under the definition of GASB 87, the Office had eight reportable leases. The Office also had three agreements that meet the short-term lease definition of GASB 87. The leases have various terms and interest rates. A summary of the changes in balances of the leases are as follo

2021 Balance*	Additions	Reductions	2022 Balance	Amount Due Within One Year
\$2,450,598	\$139,632	\$1,051,796	\$1,538,434	\$1,013,400

*As restated due to the implementation of GASB 87

The future lease payments were discounted based on the interest rate implicit in the lease or using the Office’s incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	\$1,013,400	\$14,856
2024	155,184	6,703
2025	158,635	4,250
2026	50,223	2,435
2027	51,920	1,792
2028-2029	109,072	1,566
	<u>\$1,538,434</u>	<u>\$31,602</u>

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 the Office. The State also maintains a public employee’s fidelity blanket bond through a private carrier selected by the Ohio Department of Administrative Service’s (DAS) 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 plan through either the Ohio Med Preferred Provider Organization (PPO) or the Ohio Med High Deductible Health Plan (HDHP) with a Health Savings Account administered through Optum Bank (a part of Optum Financial), which is offered through the State of Ohio. Each employee who is enrolled in the health plan will be automatically assigned a medical third party administrator, Anthem or Medical Mutual of Ohio, 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 ACFR for the fiscal year ended June 30, 2022. 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, 2022.

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 (Bureau) 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 DAS and the Bureau 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, 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 ACFR. Ohio Revised Code, Section 4123.39, provides specifically for payment of this workers’ compensation liability from appropriate state appropriations. A workers’ compensation liability has not been required to be recorded in the past four fiscal years.

Note 12 – Health Care Surplus

At the end of the fiscal year 2022, 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, 2022, the Office recorded \$3,859,597 as a surplus that is 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 ACFR for the fiscal year ended June 30, 2022.

Note 13 – COVID-19 Pandemic

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the Auditor’s Office and the State of Ohio. The impact on the Auditor’s Office’s future operating costs, revenues, and any additional recovery from funding, either federal or state, cannot be estimated.

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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 Nine Years (1)

	2022	2021	2020	2019
Office's Proportion of the Net Pension Liability	0.36177000%	0.35354400%	0.35324500%	0.35913700%
Office's Proportionate Share of the Net Pension Liability	\$31,475,454	\$52,352,169	\$69,821,271	\$98,360,343
Office's Covered Payroll	\$52,503,800	\$49,794,664	\$49,701,214	\$48,507,829
Office's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.95%	105.14%	140.48%	202.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

(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 year end.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.35434100%	0.34980700%	0.34262400%	0.34277800%	0.34277800%
\$55,589,233	\$79,435,221	\$59,346,797	\$41,342,858	\$40,409,060
\$46,826,623	\$45,219,967	\$42,642,958	\$42,024,942	\$43,855,892
118.71%	175.66%	139.17%	98.38%	92.14%
84.66%	77.25%	81.08%	86.45%	86.36%

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 Last Four Years (1)

	2022	2021	2020	2019
Office's Proportion of the Net Pension Asset	0.43745500%	0.43108300%	0.41555400%	0.38513800%
Office's Proportionate Share of the Net Pension Asset	\$1,723,595	\$1,244,379	\$866,530	\$430,671
Office's Covered Payroll	\$1,944,343	\$1,899,786	\$1,849,857	\$1,647,207
Office's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-88.65%	-65.50%	-46.84%	-26.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	169.88%	157.67%	145.28%	126.64%

(1) Amounts for the combined plan are not presented prior to 2019 because 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 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/Asset
Ohio Public Employees Retirement System — OPEB Plan Last Six Years (1)

	2022	2021	2020	2019	2018	2017
Office's Proportion of the Net OPEB Liability (Asset)	0.3640850%	0.3558580%	0.3559850%	0.3638490%	0.3594900%	0.3546650%
Office's Proportionate Share of the Net OPEB Liability (Asset)	(\$11,403,699)	(\$6,339,894)	\$49,170,777	\$47,437,320	\$39,037,965	\$35,822,370
Office's Covered Payroll	\$56,775,367	\$53,818,086	\$53,781,631	\$52,775,259	\$50,919,600	\$49,012,957
Office's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-20.09%	-11.78%	91.43%	89.89%	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	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 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 Ten Fiscal Years (1)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net Pension Liability – Traditional Plan										
Contractually Required Contribution	\$7,555,809	\$6,950,567	\$7,111,412	\$6,884,361	\$6,406,967	\$5,779,061	\$5,261,771	\$5,030,793	\$4,901,471	\$5,701,266
Contributions in Relation to the Contractually Required Contribution	(7,555,809)	(6,950,567)	(7,111,412)	(6,884,361)	(6,406,967)	(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	\$0	\$0	0
Office Covered Payroll	\$53,970,064	\$49,646,907	\$50,795,800	\$49,174,007	\$47,456,016	\$46,230,583	\$43,848,092	\$41,923,275	\$40,845,591	\$43,855,892
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.50%	12.50%	12.00%	12.00%	12.00%	13.00%
Net Pension Asset – Combined Plan (2)										
Contractually Required Contribution	\$299,543	\$256,981	\$268,615	\$248,211	\$221,352	\$207,304	\$169,339	\$153,580		
Contributions in Relation to the Contractually Required Contribution	(299,543)	(256,981)	(268,615)	(248,211)	(221,352)	(207,304)	(169,339)	(153,580)		
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Office Covered Payroll	\$2,139,593	\$1,835,579	\$1,918,679	\$1,772,936	\$1,640,818	\$1,657,629	\$1,411,158	\$1,279,833		
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.49%	12.51%	12.00%	12.00%		
Net OPEB Liability/Asset – OPEB Plan (3)										
Contractually Required Contribution	\$99,617	\$83,757	\$85,896	\$101,457	\$343,555	\$812,773				
Contributions in Relation to the Contractually Required Contribution	(99,617)	(83,757)	(85,896)	(101,457)	(343,555)	(812,773)				
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0				
Office Covered Payroll	\$58,600,077	\$53,576,405	\$54,861,868	\$53,483,363	\$51,616,654	\$50,257,922				
Contributions as a Percentage of Covered Payroll	0.17%	0.16%	0.16%	0.19%	0.67%	1.62%				

(1) 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.

(2) Information prior to 2015 is not available.

(3) 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, 2022

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported in 2022 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 prior years are presented below:

	2022	2019	2017 and 2018	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent incl. wage inflation	3.25 to 10.75 percent incl. wage inflation	3.25 to 10.75 percent incl. wage inflation	4.25 to 10.05 percent incl. wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013, Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013, Retirees	See below	See below	See below	See below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for post-January 7, 2013, retirees are as follows:

COLA or Ad Hoc COLA | Post-January 7, 2013, retirees

2022	3 percent, simple, through 2022, then 2.05 percent simple
2021	.5 percent, simple, through 2021, then 2.15 percent, simple
2020	1.4 percent, simple, through 2020, then 2.15 percent, simple
2017 through 2019	3 percent, simple, through 2018, then 2.15 percent, simple
2016 and prior	3 percent, simple, through 2018, then 2.8 percent, simple

Amounts reported for 2022 use mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Amounts reported for 2017 through 2021 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 Pension –Combined Plan

For 2022, the combined plan changed the future salary increases, from 3.32 percent to 8.25 percent, (including inflation) to 2.75 percent to 8.25 percent (including inflation). For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in Fiscal year 2019	6.00 percent
Fiscal year 2018	6.50 percent
Municipal Bond Rate:	
Fiscal year 2022	1.84 percent
Fiscal year 2021	2.00 percent
Fiscal year 2020	2.75 percent
Fiscal year 2019	3.71 percent
Fiscal year 2018	3.31 percent
Single Discount Rate:	
Fiscal year 2021	6.00 percent
Fiscal year 2020	3.16 percent
Fiscal year 2019	3.96 percent
Fiscal year 2018	3.85 percent
Health Care Cost Trend Rate:	
Fiscal year 2022	5.50 percent, initial; 3.5 percent, ultimate in 2034
Fiscal year 2021	8.50 percent, initial; 3.5 percent, ultimate in 2035
Fiscal year 2020	10.0 percent, initial; 3.5 percent, ultimate in 2030
Fiscal year 2019	10.0 percent, initial; 3.25 percent, ultimate in 2029
Fiscal year 2018	7.5 percent, initial; 3.25 percent, ultimate in 2028

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in fiscal year 2021.

Statistical Section

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AOS Statistics

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

Financial Trends..... 74

This schedule contains trend information to help the reader understand how the Auditor of State's financial performance and well-being have changed over time.

Revenue Capacity..... 76

These schedules contain information to help the reader assess the Auditor of State's most significant operating and non-operating revenue sources, and rate structure.

Debt Capacity

N/A – The Auditor of State has no Debt to report.

Economic and Demographic Information 80

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Auditor of State's activities take place.

Operating Information 84

These schedules contain service data to help the reader understand how the information in the Auditor of State's financial report relates to the services the Auditor of State provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Additional demographic information can be located in the State of Ohio's ACFR for the fiscal year ended June 30, 2022.

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

	Fiscal Year Ended June 30			
	2022	2021	2020	2019
OPERATING REVENUES				
Charges For Services - Local	\$ 36,180,584	\$ 34,559,352	\$ 37,495,825	\$ 36,253,609
Charges For Services - State	11,209,825	10,715,480	9,186,134	8,501,140
Other	17,141	16,407	113,903	381,323
Total Operating Revenues	47,407,550	45,291,239	46,795,862	45,136,072
OPERATING EXPENSES				
Personal Services	61,238,208	35,276,990	89,042,040	95,970,087
Maintenance	2,932,592	6,486,404	5,931,398	6,148,436
Depreciation/Amortization	1,311,915	182,891	247,866	228,952
Other	0	0	0	0
Total Operating Expenses	65,482,715	41,946,285	95,221,304	102,347,475
Operating Income (Loss)	(18,075,165)	3,344,954	(48,425,442)	(57,211,403)
NON-OPERATING REVENUES/(EXPENSES)				
Intergovernmental Revenue	0	552,216	0	0
Investment Income	5,073	6,643	21,429	23,890
Interest on Capital Assets	(24,753)	0	0	0
Gain/(Loss) on Sale of Capital Assets	0	(172)	14,603	38,077
State Appropriations	42,831,542	39,247,300	39,320,395	30,789,255
Total Non-Operating Revenues/(Expenses)	42,811,862	39,805,987	39,356,427	30,851,222
Transfers-In/Capital Contribution	0	0	0	0
CHANGE IN NET POSITION	\$ 24,736,697	\$ 43,150,941	\$ (9,069,015)	\$ (26,360,181)
NET POSITION BY TYPE				
Net Invested in Capital Assets	\$ 1,444,417	\$ 635,898	724,252	766,820
Restricted Net Position	4,593,336	4,213,747	3,637,807	1,865,964
Unrestricted Net Position (Deficit)	(40,830,365)	(64,378,954)	(107,042,309)	(96,244,019)
Total (Deficit) Net Position	\$ (34,792,612)	\$ (59,529,309)	\$ (102,680,250)	\$ (93,611,235)

Source: Auditor of State of Ohio

	Fiscal Year Ended June 30					
	2018	2017	2016	2015	2014	2013
\$	36,154,946	\$ 36,956,336	\$ 39,013,830	\$ 33,663,217	\$ 37,376,015	\$ 37,521,241
	9,513,450	9,609,197	9,914,574	9,459,733	9,180,403	9,559,872
	394,264	387,917	440,606	322,587	297,133	235,559
	46,062,660	46,953,450	49,369,010	43,445,537	46,853,551	47,316,672
	75,972,532	83,139,543	72,512,431	64,566,700	63,245,026	60,089,588
	5,309,341	7,656,835	6,105,878	3,476,221	6,934,392	5,325,643
	292,830	306,387	320,185	418,172	406,798	428,534
	0	0	0	1,595,656	0	0
	81,574,703	91,102,765	78,938,494	70,056,749	70,586,216	65,843,765
	(35,512,043)	(44,149,315)	(29,569,484)	(26,611,212)	(23,732,665)	(18,527,093)
	0	0	0	0	0	0
	15,559	11,566	8,150	5,144	3,196	2,945
	0	0	0	0	0	0
	(388)	2,579	21,243	25,321	10,500	(219)
	22,117,461	30,603,048	30,332,459	28,261,895	27,822,384	26,869,868
	22,132,632	30,617,193	30,361,852	28,292,360	27,836,080	26,872,594
	0	0	0	1,998	0	0
\$	(13,379,411)	\$ (13,532,122)	\$ 792,368	\$ 1,683,146	\$ 4,103,415	\$ 8,345,501
\$	938,461	\$ 1,193,477	\$ 1,337,688	\$ 1,353,708	\$ 1,585,984	\$ 1,890,639
	842,520	843,637	787,861	1,837,623	3,014,482	2,353,747
	(69,032,035)	(55,908,757)	(6,838,369)	(8,696,519)	(11,788,800)	22,759,306
\$	(67,251,054)	\$ (53,871,643)	\$ (4,712,820)	\$ (5,505,188)	\$ (7,188,334)	\$ 27,003,692

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

	Fiscal Year Ended June 30			
	2022	2021	2020	2019
OPERATING REVENUES:				
Charges For Services – Local				
Audits - Local Governments	\$ 26,990,930	\$ 27,290,296	\$ 29,027,465	\$ 28,881,630
Local Government Services	3,477,241	3,093,744	3,151,321	2,899,586
Uniform Accounting Network Fees	5,712,413	4,175,312	5,317,039	4,472,393
LEAP Audits	0	0	0	0
Total Charges For Services – Local	36,180,584	34,559,352	37,495,825	36,253,609
Charges For Services - State				
Audits - State Agencies	9,080,414	8,752,551	7,783,784	6,525,108
Medicaid Contract Audits	2,129,411	1,962,929	1,402,350	1,976,032
Total Charges For Services – State	11,209,825	10,715,480	9,186,134	8,501,140
Other Operating Revenues	17,141	16,407	113,903	381,323
TOTAL OPERATING REVENUES	47,407,550	45,291,239	46,795,862	45,136,072
NON-OPERATING REVENUES:				
Intergovernmental Revenue	0	552,216	0	0
Investment Income	5,073	6,643	21,429	23,890
Gain on Sale of Capital Assets	0	0	14,603	38,077
State Appropriations	42,831,542	39,247,300	39,320,395	30,789,255
TOTAL NON-OPERATING REVENUES	42,836,615	39,806,159	39,356,427	30,851,222
TOTAL OFFICE REVENUES	\$ 90,244,165	\$ 85,097,398	\$ 86,152,289	\$ 75,987,294

Source: Auditor of State of Ohio

	Fiscal Year Ended June 30					
	2018	2017	2016	2015	2014	2013
	\$ 28,865,061	\$ 28,753,452	\$ 31,138,578	\$ 27,514,634	\$ 30,145,164	\$ 29,536,330
	2,942,475	3,240,235	3,064,604	2,682,898	3,101,446	3,192,097
	4,347,410	4,862,650	4,717,821	3,468,376	4,062,934	4,542,052
	0	99,999	92,827	(2,691)	66,471	250,762
	36,154,946	36,956,336	39,013,830	33,663,217	37,376,015	37,521,241
	6,872,709	6,358,461	7,102,382	6,556,141	6,280,745	6,973,140
	2,640,741	3,250,736	2,812,192	2,903,592	2,899,658	2,586,732
	9,513,450	9,609,197	9,914,574	9,459,733	9,180,403	9,559,872
	394,264	387,917	440,606	322,587	297,133	235,559
	46,062,660	46,953,450	49,369,010	43,445,537	46,853,551	47,316,672
	0	0	0	0	0	0
	15,559	11,566	8,150	5,144	3,196	2,945
	0	2,579	21,243	25,321	10,500	0
	22,117,461	30,603,048	30,332,459	28,261,895	27,822,384	26,869,868
	22,133,020	30,617,193	30,361,852	28,292,360	27,836,080	26,872,813
	\$ 68,195,680	\$ 77,570,643	\$ 79,730,862	\$ 71,737,897	\$ 74,689,631	\$ 74,189,485

Schedule 3: Rate Schedule, Last Ten Fiscal Years

Fiscal Year	State Rate	Local Government Audit Rate	Local Government Services Rate
2022	\$85.00	\$41.00	\$50.00
2021	\$79.00	\$41.00	\$50.00
2020	\$76.00	\$41.00	\$50.00
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

NOTES:

The State rate is an hourly rate charged to all State Agency audits and Medicaid Provider Audits. An independent third party firm calculates the maximum allowable rate consistent with Federal statewide indirect cost allocation guidelines. The Auditor of State charges 50 percent of the applicable billing rate for services provided by AOS interns.

Source: Auditor of State of Ohio

Local Government Services Tiered Fee Schedule
For Financial Reporting Compilation and Review Services

	Counties	Municipalities & Other Local Govts	Schools	LGS Tiered Rate FY 2021	LGS Tiered Rate FY 2022
Tier I	\$100,000,001 or More	\$50,000,001 or More	\$50,000,001 or More	\$65.00	\$75.00
Tier II	\$50,000,001 – \$100,000,000	\$10,000,001 – \$50,000,000	\$10,000,001 – \$50,000,000	\$60.00	\$67.00
Tier III	\$50,000,000 or Less	\$10,000,000 or Less	\$10,000,000 or Less	\$55.00	\$55.00

NOTES:

Beginning in fiscal year 2021, Local Government Services (LGS) used a tiered fee schedule for financial reporting compilation and review services. AOS will base the tiered LGS billing rates on a local government’s total combined revenues as reported in the most recently audited financial statements. For services including, but not limited to, consulting, fiscal advisory, and training services, LGS will charge \$50.00, regardless of the size of the local government or its total revenues.

Source: Auditor of State of Ohio

-Continued

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

Uniform Accounting Network Monthly Fee Schedule

From	To	July 1, 2012 to June 30, 2022
\$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

NOTES:

The Uniform Accounting Network (UAN) Program Participation Fees are composed of two components: A monthly User Fee based on the total resources of the entity as shown in the table above and a Hardware Surcharge of \$50 per month for each entity.

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

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

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

	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
Agreed Upon Procedures										
Cities	1	1	1	0	0	0	0	1	0	6
Counties	2	6	2	1	0	0	1	2	3	3
School Districts	0	0	0	1	1	9	2	1	2	2
State Agencies	7	3	5	5	4	2	3	3	11	5
Medicaid Contract	41	26	1	18	22	91	74	58	54	59
Townships / Villages	364	299	384	326	325	376	283	243	325	421
Other	403	481	656	864	1008	624	362	372	407	482
	818	816	1,049	1,215	1,360	1,102	725	680	802	978
Basic Audit										
Cities	0	0	0	0	0	0	0	0		
Counties	0	1	1	2	0	1	0	1		
School Districts	0	0	0	0	0	1	0	0		
State Agencies	0	0	0	0	0	0	0	0		
Medicaid Contract	0	0	0	0	0	0	0	0		
Townships / Villages	88	104	105	46	40	54	48	42		
Other	307	303	321	216	223	198	154	147		
	395	408	427	264	263	254	202	190	0	0
Financial Audits										
Cities	237	244	249	229	249	258	234	239	253	260
Colleges & Universities	37	38	39	40	40	39	40	41	81	82
Community School District:	306	299	323	351	342	381	321	367	380	327
Counties	89	75	89	86	90	91	89	88	87	90
Libraries	43	70	68	64	66	17	86	94	61	78
School Districts	567	610	641	642	630	633	657	686	626	686
State Agencies	16	16	18	17	18	20	26	21	91	25
Townships	238	353	376	352	401	413	441	448	300	374
Villages	190	235	246	282	265	262	228	269	268	336
Other	737	776	814	810	799	884	751	734	786	721
	2,460	2,716	2,863	2,873	2,900	2,998	2,873	2,987	2,933	2,979

-Continued

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

	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
Medicaid Provider Audits	44	23	17	16	24	20	26	20	22	19
Performance Audits										
Cities	3	5	1	0	1	2	1	3	3	9
Colleges & Universities	0	0	0	1	0	0	0	0	0	0
Counties	0	1	0	0	0	0	0	2	1	1
School Districts	10	4	6	10	10	14	10	17	13	10
State Agencies	2	4	1	3	0	4	0	4	1	4
Townships / Villages	0	1	0	0	1	0	2	0	0	2
Other	0	0	2	0	1	1	1	0	0	0
	15	15	10	14	13	21	14	26	18	26
Special Audits										
Cities	1	0	2	0	0	0	0	1	0	1
Counties	0	0	0	0	0	0	1	3	1	1
School Districts	0	0	0	0	0	1	2	0	1	1
State Agencies	0	0	0	1	0	0	0	0	0	0
Townships / Villages	1	2	0	0	1	0	2	1	1	1
Other	0	2	0	1	0	3	4	3	2	5
	2	4	2	2	1	4	9	8	5	9
SOC 1 Reports	21	21	21	20	20	22	24	25	24	23
TOTAL	3,755	4,003	4,389	4,404	4,581	4,421	3,873	3,936	3,804	4,034

Source: Auditor of State’s website, Audit Search (<https://ohioauditor.gov/auditsearch/Search.aspx>); Medicaid Contract Agreed Upon Procedures and Medicaid Provider Audits obtained from the Medicaid Contract Region; SOC 1 obtained from the Data and Information Technology Audit section.

Basic Audits compiled as a separate audit type for FY 2015.

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

Project Type	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
GAAP Compilations:					
GPFS/ACFR Under GASB No. 34	51	55	53	55	54
Basic Financial Statements Under GASB No. 34	174	173	176	164	166
Consultation/Supervision Only	12	13	20	24	21
Cash Basis	39	40	42	50	62
Fiscal Emergency/Watch/Caution	29	37	31	60	59
Reconciliations & Reconstructions	19	19	35	25	18
Special Projects*	156	82	35	27	28
General Assistance, Training	38	37	28	18	7
Manuals	2	3	4	5	5
Fund Requests	142	132	182	167	157
Contact Us Inquiry	40	70	61	90	196
Constituent/Client Contact	2,415	2,730	2,178	2055	1612
UAN Monitoring	18	26	33	25	26
Dissolution/Merger Assistance	1	3	3	N/A	N/A
TOTAL	3,136	3,420	2,881	2,765	2,411

FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
56	61	62	65	61
168	166	168	172	171
23	20	21	26	30
51	55	57	46	50
54	67	73	83	72
12	22	13	18	8
28	19	21	19	9
18	7	10	24	21
4	4	4	3	4
123	107	169	147	140
110	N/A	N/A	N/A	N/A
866	N/A	N/A	N/A	N/A
25	26	25	25	33
N/A	N/A	N/A	N/A	N/A
1,538	554	623	628	599

*In fiscal year 2022, additional programs implemented for UAN Reconciliation Alerts, FHI Alerts, and 4-Free Hours consultation.

N/A - Started tracking information in fiscal year identified

Source: Local Government Services, Auditor of State Ohio

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

	Fiscal Year Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Administration	48	52	45	44	44	45	44	37	44	47
Audit	539	546	558	553	577	578	569	593	539	537
Information Technology	51	49	54	53	52	54	53	51	53	53
Legal	10	7	9	6	7	6	7	10	8	10
Local Government Services	47	45	48	50	49	50	52	51	52	54
Ohio Performance Team	37	31	32	30	30	31	34	37	30	36
Special Investigations Unit*	30	31	27	27	28	24	24	17	44	43
TOTAL	762	761	773	763	787	788	783	796	770	780

Source: Auditor of State of Ohio/HR
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 Columbus, OH 43215 <i>Counties served:</i> Ashland, Crawford, Delaware, Fairfield, Franklin, Holmes, Knox, Licking, Madison, Marion, Morrow, Pickaway, Richland, Union, Wayne Phone: 614-466-3402 or 800-443-9275 Fax: 866-486-0007
East	Joey Jones, CPA, Chief Auditor Conference Center, Suite 154 6000 Frank Ave., NW North Canton, OH 44720 <i>Counties served:</i> Carroll, Columbiana, Jefferson, Mahoning, Portage, Stark, Summit, Trumbull Phone: 330-438-0617 or 800-443-9272 Fax: 866-238-0092
Northeast	Allen Allred, CPA, CFE, Chief Auditor Lausche Bldg, 12th Floor 615 Superior Ave., NW Cleveland, OH 44113 <i>Counties served:</i> Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina Phone: 216-787-3665 or 800-626-2297 Fax: 866-486-0003
Northwest	Jonathan Lawless, CFE, Chief Auditor One Government Center Room 1420 Toledo, OH 43604-2246 <i>Counties served:</i> Defiance, Erie, Fulton, Hancock, Henry, Huron, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Williams, Wood, Wyandot Phone: 419-245-2811 or 800-443-9276 Fax: 866-486-0002
Southeast	Shane Statler, CFE, Chief Auditor 9711 E. Pike Rd. Cambridge, OH 43725 <i>Counties served:</i> Athens, Belmont, Coshocton, Gallia, Guernsey, Harrison, Hocking, Jackson, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, Vinton, Washington Phone: 740-594-3300 or 800-441-1389 Fax: 866-486-0006
Southwest	Cristal Jones, CPA, Chief Auditor 10653 Techwood Circle Blue Ash, OH 45242 <i>Counties served:</i> Adams, Brown, Butler, Clermont, Clinton, Fayette, Hamilton, Highland, Lawrence, Pike, Ross, Scioto, Warren Phone: 513-361-8550 or 800-368-7419 Fax: 866-381-0094
State	Deborah Liddil, CPA, CGFM, Chief Auditor 88 East Broad Street, 5th Floor Columbus, OH 43215 Phone: 614-466-3402 or 800-443-9275 Fax: 866-486-0007
West	Donna K. Waldron, CPA, CFE, MBA, Chief Auditor 130 West Second Street Suite 2040 Dayton, OH 45402 <i>Counties served:</i> Allen, Auglaize, Champaign, Clark, Darke, Greene, Hardin, Logan, Mercer, Miami, Montgomery, Preble, Shelby, Van Wert Phone: 937-285-6677 or 800-443-9274 Fax: 866-486-0010

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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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- Kim Eckert
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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022



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