

OHIO AUDITOR OF STATE
KEITH FABER



Annual Comprehensive Financial Report

An Enterprise Fund of the State of Ohio

For the Fiscal Year Ended June 30, 2023

Efficient • Effective • Transparent

OHIO AUDITOR OF STATE
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Auditor of State of Ohio

An Enterprise Fund of the State of Ohio

**Annual Comprehensive
Financial Report**

For the Fiscal Year Ended June 30, 2023

Prepared by the Ohio Auditor of State's Office

Timothy S. Keen

Chief Financial Officer

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Transmittal letter



October 10, 2023

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).

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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.

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 [§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 2023, 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 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; record reconstruction and reconciliation.

Ohio Performance Team

The Ohio Performance Team (OPT) conducts performance audits of public offices pursuant to [Chapter 117](#) of the Ohio Revised Code or upon direction of the General Assembly. Pursuant to [§117.46](#) of the Ohio Revised Code, OPT conducts at least four performance audits of state agencies each biennium, which can include 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 [§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

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, investigators and legal, to assist in the prosecution of entity fraud, restoring public money back to the local entity.

Basis of Accounting

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

Budgetary Controls

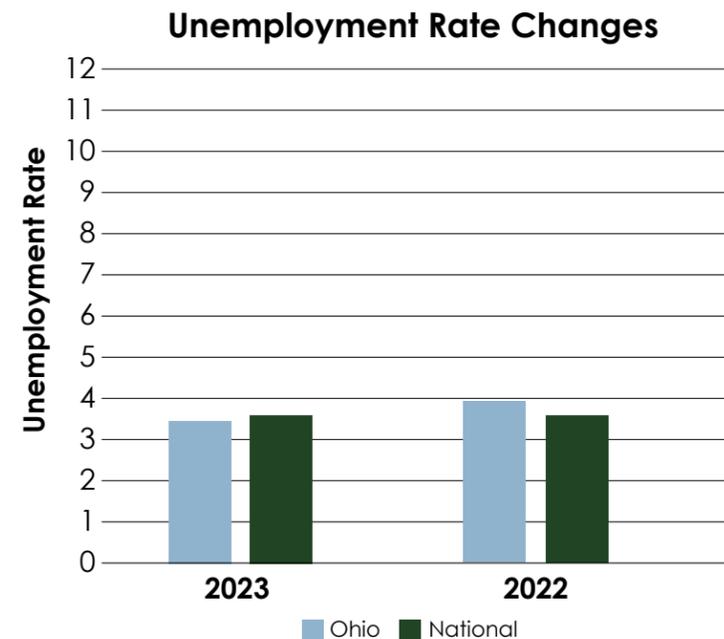
Ohio’s bicameral legislature, the General Assembly, authorizes expenditures through Ohio’s bicameral legislature, the General Assembly, authorizes expenditures through Appropriation Line Items (ALI) in biennial and supplemental appropriation acts. ALIs are managed, as required by the OBM, at the account 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 prior to 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 provides various financial management reports to division chiefs, regional chief auditors, and department heads on a regular basis. Included in these management reports are current month expenditures with a detailed transaction listing, as well as a comparison of year-to-date spending versus

appropriated amounts. 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 prior to payment.

Economic Conditions and Outlook

Ohio’s unemployment rate was 3.4 percent in June 2023, a decrease from a rate of 3.9 percent in June 2022. The national unemployment rate for June 2023 was listed at 3.6 percent, unchanged from the 3.6 percent reported for June 2022. The decreased unemployment in fiscal year 2023 is due in part to Ohio’s continued recovery of jobs lost due to the COVID-19 economic shutdown induced recession.



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 3,955 audit reports from July 1, 2022, through June 30, 2023, 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 and Agreed Upon Procedure audits for entities with expenditures under \$5 million in either of the years being audited. Basic and Agreed Upon Procedure audits carry a much lower cost and are a less time-consuming audit for eligible entities.

Issued more than \$4.1 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 2023, the Office issued \$4.1 million in findings for recovery from 124 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.

College Credit Plus

A performance audit was released in fiscal year 2023 of the state's College Credit Plus (CCP) Program found that enrolled middle and high-school students saved more than \$163 million in tuition costs in 2021, an average of \$4,368 per family. Additionally, the number college credits earned through CCP more than tripled in the first seven years of the program and more students likely would take advantage of dual enrollment with improved outreach and expanded opportunities for completing coursework away from college campuses. The Auditor's Office launched a powerful new online dashboard that provides detailed information on school district's participation in CCP, including rankings of school districts' dual enrollment, information about home school and private school participation, and geographic breakdowns of college and university CCP outreach throughout the state.

Public Assistance Reporting Information System Alerts (PARIS)

The Medicaid section conducted a new audit of the Ohio Department of Medicaid (ODM) and found that County Departments of Job and Family Services caseworkers processed system alerts to determine if benefit recipients were potentially receiving duplicative assistance from multiple states. In total, 59% of the Public Assistance Reporting Information System Alerts reviewed by auditors were not addressed as required, and the inaction could be costing the state between \$5.3 million and \$24.5 million annually if ineligible residents are receiving duplicative program support. The Auditor of State's Office recommended that ODM evaluate its process for responding to PARIS Alerts; monitor county offices' responses and provide updated guidance for addressing alerts; and identify and recoup any improper capitation payments that were made for recipients receiving benefits in multiple states.

State Teachers Retirement System

A special audit of the State Teachers Retirement System of Ohio (STRS) found no evidence of fraud, illegal acts, or data manipulation related to the \$90 billion held in trust by STRS for its members. Review of the STRS system found organization structure, control environment, and operations that were suitably designed and well monitored, both internally and by independent experts. Recommendations provided are that STRS, the Ohio Retirement Study Council (ORSC), and state lawmakers should conduct a review of pension system policies and related laws and consider changes to improve the overall management of the funds. That includes potentially implementing more effective safeguards to ensure required actuarial reviews and fiduciary audits are conducted in a timely manner, rethinking how or whether bonus payments are offered to investment staff, and removing trade secret provisions that shield investment decision from further scrutiny.

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. LGS performed 25 reconstructions and reconciliations along with 34 one-on-one fiscal officer trainings. LGS provided four free hours of service, with the option to enter a contract for additional training and services, to 17 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, 132 entities were contacted to provide reconciliation assistance.

LGS updated manuals to villages, townships, sheriffs, and ADAMH boards along with assisting on several Auditor of State bulletins on estimating capital asset historical costs using the Consumer Price Index; GASB 87 Leases, and Ohio Facilities Construction Commission issues.

LGS collaborated with the Ohio Library Council in updating program codes and definitions for library chart of accounts. LGS provided reconstruction and reconciliation services to a school district, and related joint venture, along with input from the state Software Development Team related to school software issues.

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, 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 2023, MCA released 37 Medicaid provider compliance examinations and identified over \$1.7 million in improper payments. Additionally, the department released 15 reports on Intermediate-Care Facilities, which identified more than \$20,000 in findings for recovery and more than \$28,000 in unsupported or non-federal reimbursable costs. The department released four PASSPORT administrative agency reports identifying more than \$1,100 in non-federal reimbursable costs. MCA released 18 Agreed Upon Procedure reports on County Boards of Developmental Disabilities and five associated Council of Governments identifying over \$4,500 in findings for recovery and \$2.3 million in unsupported non-federal reimbursable costs.

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), referenced above in Major Initiatives.

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 2023, OPT released 13 projects: four performance audits of fiscally distressed school districts, six state agencies, one county, one city, and the Co-Located Institution of Higher Education.

In 2023, OPT completed a performance audit of the College Credit Plus Program, a joint venture between the Ohio Department of Education and Ohio Department of Higher Education, releasing a performance audit in August 2022. OPT also provided testimony to the Ohio Legislature on changes to the program based on the recommendations of the report. As a part of the project, dashboards of participation by school district and college were developed providing detailed information on school districts' participation in CCP. Through this program, enrolled middle and high school students saved more than \$163 million in tuition costs in 2021.

In a continued project from fiscal year 2022, OPT's examination of Ohio's 14 public universities, 24 regional campuses, and 23 community or technical colleges provided recommendations to institutions of Higher Education who share adjacent campuses with opportunities to collaborate and provide more efficient and effective services to their students.

OPT performed audit work for the Ohio Department of Natural Resources, analyzing their Orphan Wells and Dredging programs and a review of the Ohio Department of Administrative Services Multi Agency Radio Communications System (MARCS), and the workforce program within the Ohio Department of Job and Family Services.

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 12 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 2023, the unit received 870 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 27 convictions related to 23 state and local governments. These convictions encompassed 56 charges, including 11 theft in office convictions and restitution totaling \$2,950,644. SIU also has issued 51 findings for recovery as a civil remedy to help 28 state and local governments recover public dollars totaling \$3,575,444.

Throughout the fiscal year, SIU had an average of 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 2023 is 2,128 local government entities.

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

UAN is currently working on a five-year UAN software rewrite project with the assistance of a consultant. The rewrite 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 in a more efficient manner.

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 135th General Assembly:

House Bill 33: Creates Fiscal Year 2024 – 2025 Operating Budget

Status: Signed by the Governor and effective July 1, 2023

In the fall of 2022, the Auditor of State's Office prepared and submitted the fiscal year 2024-2025 biennial budget for the Auditor of State's Office. The Auditor of State line items were fully funded, in the executive budget submission and enacted budget. The budget maintained the Local

Government Audit Support Fund, which has been successful in keeping local government audit costs at the current rate. During the legislative process, the Auditor's Office requested additional funding in the Fraud/Corruption Audits and Investigations line item. The funding request was needed for additional investigators and forensic auditors as the demand for this work continues. The Auditor's Office was able to secure additional funding as an outgrowth of the College Credit Plus Performance Audit. The additional funding will be utilized to incentivize schools to add more College Credit Plus courses in high school setting. In House Bill 33, the Leverage for Efficiency, Accountability, and Performance (LEAP) fund that was created over 10 years ago was realigned as the Auditor's Innovation Fund. The biennial budget process was overall successful. The budget was signed June 30, 2023, with an effective date of July 1, 2023.

Senate Bill 91: Fraud Reporting & Training for State and Local Employees

Status: Pending in the House Government Oversight Committee

Senate Bill 91 would require certain public employees to report suspected fraud, theft in office, or misuse or misappropriation of public money to the Auditor of State's office in a timely manner. The legislation also requires the Auditor of State's Office to create training material detailing Ohio's fraud-reporting system and the means of reporting fraud, waste, and abuse. The training language was included in House Bill 33, along with additional funding for the Special Investigations Unit. Senate Bill 91 passed unanimously out of the Ohio Senate.

House Bill 101: Reform the Village Dissolution Process

Status: Pending in the Senate Local Government Committee

House Bill 101 modifies the procedure for winding down the affairs of a dissolved village by creating the Transition Supervisory Board (TSB) to oversee the dissolution process. The TSB would supervise the various aspects of the transition and would appoint a receiver-trustee to perform certain duties including the collection of taxes, resolution of debts, etc. The Auditor of State would perform a final audit of the dissolved village as required by current law.

Senate Bill 104 & House Bill 219: Reforms to the College Credit Plus Program

Status: Pending in the Senate Workforce and Higher Education Committee and the House Higher Education Committee

Senate Bill 104 would update the College Credit Plus (CCP) program by enacting several recommendations from the Auditor of State's 2022 College Credit Plus performance audit. The legislation seeks to increase program participation by addressing a few key areas including, allowing students to sign up for CCP classes on a semester-by-semester basis; improving access to CCP courses in the high school setting through increased high school teacher credentialing; and additional reforms such as requiring universities and colleges to provide an orientation program to the CCP students.

Redistricting

Constitutionally, the Auditor is a member of the Ohio Redistricting Commission. During the last year, the Office has engaged in numerous Commission meetings, staff conversations, and work on the redistricting process required after the 2020 US Census Results.

Financial Information

Debt Administration: During fiscal year 2023, and as of June 30, 2023, 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, 2022. 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

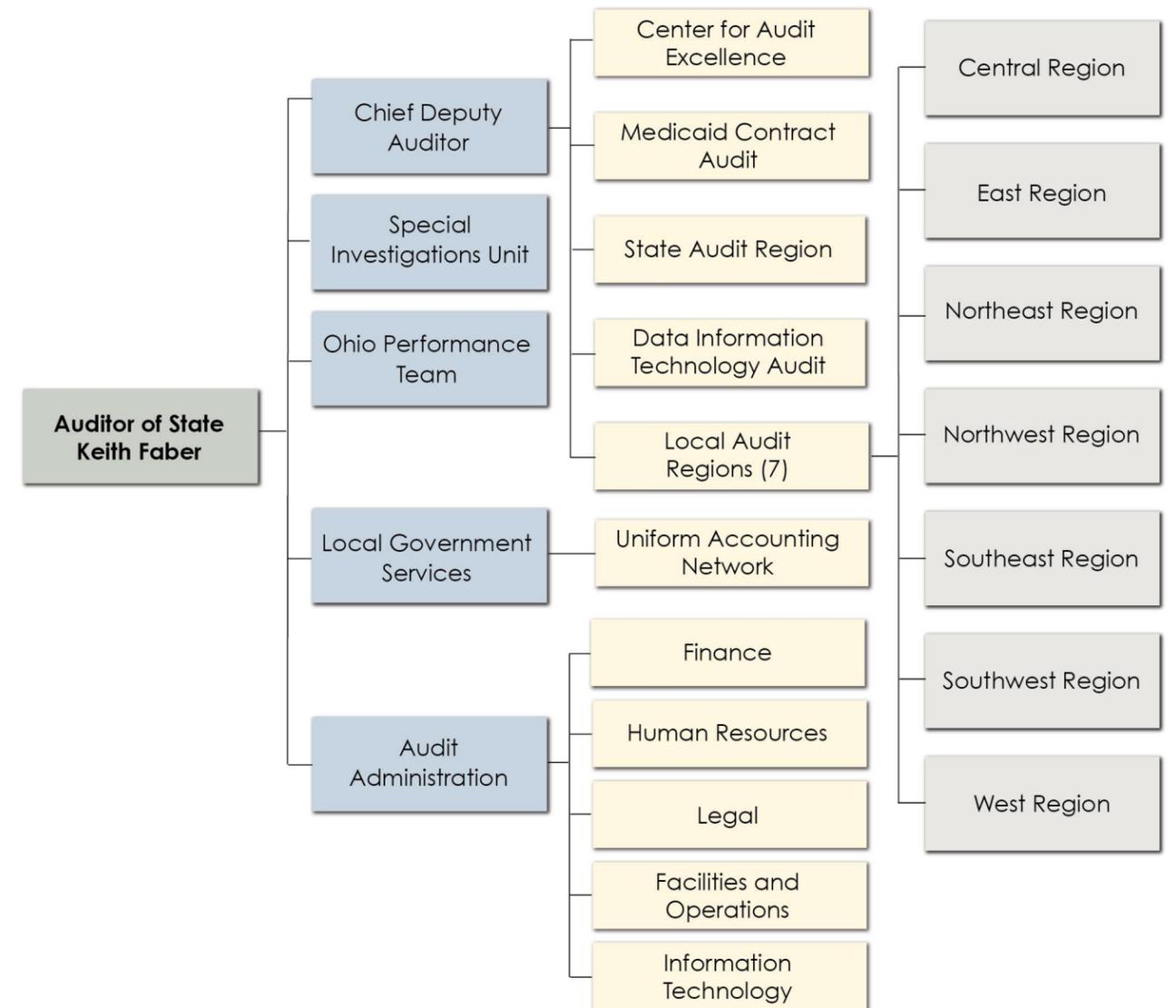
Auditor of the State of Ohio

For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

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	Thomas Hancock
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, 2023, 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, 2023, 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, 2023, 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.

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Office of the Auditor of State of Ohio
Independent Auditor's Report
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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.

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.

Office of the Auditor of State of Ohio
Independent Auditor's Report
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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.

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 10, 2023 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.

Rea & Associates, Inc.
Dublin, Ohio
October 10, 2023

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, 2023. 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 decreased \$6,908,030, or eleven percent, from fiscal year 2022, primarily due to the Ohio Public Employee Retirement System (OPERS) reporting a Net OPEB Liability rather than a Net OPEB Asset, which was partially offset by an increase in Capital Assets due the addition of Development in Progress and an increase in Cash and Cash Equivalents.
- Total Liabilities increased by \$79,917,622, or one hundred and forty-three percent, from fiscal year 2022, largely attributable to an increase of \$75,758,154 in Net Pension Liability, as well as OPERS reporting a Net OPEB Liability rather than a Net OPEB Asset.
- The combined decrease in Net Pension and OPEB Assets, and the increase in Net Pension and OPEB Liabilities of \$90,006,861 during fiscal year 2023, was largely offset by the \$36,155,876 increase in Deferred Outflows, and the \$49,362,091 decrease in Deferred Inflows.
- Total Revenues increased by \$2,414,253, or three percent, from fiscal year 2022. The increase was primarily due to a \$2,793,344 increase in State Appropriations for fiscal year 2023 used to support the conduct of local government audits. This increase was partially offset by a decrease of \$394,447 in Operating Revenue.
- Total Expenses increased by \$28,481,652 or forty-three percent, from fiscal year 2022. The increase was primarily driven by personal services due to the significant pension and OPEB liability increases in fiscal year 2023.
- As a result of the activity identified above, total Net Position decreased by \$1,307,685, from a deficit of (\$34,769,595) to a deficit of (\$36,077,280).

Using this Annual Report

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

Statement of Net Position

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

The following schedule provides a summary of the Office's Net Position as of June 30, 2023 as compared with June 30, 2022:

Schedule 1: Comparison of Net Position as of June 30

	2023	2022*
ASSETS		
Current Assets	\$46,027,590	\$44,136,377
Non-Current Assets		
Net Pension Asset	1,203,783	1,723,595
Net OPEB Asset	0	11,403,699
Capital Assets:		
Development in Progress	2,856,820	0
Depreciable Capital Assets, Net of Accumulated Depreciation/Amortization	3,814,788	3,547,340
Total Assets	\$53,902,981	\$60,811,011
Deferred Outflows of Resources		
Pension	39,935,179	10,591,094
OPEB	7,000,135	188,344
Total Deferred Outflows of Resources	\$46,935,314	\$10,779,438
LIABILITIES		
Current Liabilities	\$14,750,968	\$13,488,860
Non-Current Liabilities		
Compensated Absences	10,236,507	10,065,117
Leases Payable	1,200,196	525,034
Subscription Payable	0	274,408
Net Pension Liability	107,233,608	31,475,454
Net OPEB Liability	2,325,216	0
Total Liabilities	\$135,746,495	\$55,828,873
Deferred Inflows of Resources		
Pension	402,207	38,744,676
OPEB	766,873	11,786,495
Total Deferred Inflows of Resources	1,169,080	50,531,171
NET POSITION		
Net Investment in Capital Assets	\$3,847,487	\$1,467,434
Restricted Net Position	5,710,652	5,961,603
Unrestricted (Deficit) Net Position	(45,635,419)	(42,198,632)
Total (Deficit) Net Position	(\$36,077,280)	(\$34,769,595)

*As restated due to the implementation of GASB 96

Total Assets of the Office decreased \$6,908,030, or eleven percent, from fiscal year 2022, primarily due to the Ohio Public Employee Retirement System (OPERS) reporting a Net OPEB Liability rather than a Net OPEB Asset, which was partially offset by an increase in Capital Assets due the addition of Development in Progress and an increase in Cash and Cash Equivalents.

Total Liabilities increased by \$79,917,622, or one hundred and forty-three percent, from fiscal year 2022, largely attributable to an increase of \$75,758,154 in Net Pension Liability, as well as OPERS reporting a Net OPEB Liability rather than a Net OPEB Asset.

The change from Net OPEB Asset to Net OPEB Liability in fiscal year 2023 is due primarily to the difference between projected and actual earnings on investments. Additional information can be found in the Required Supplementary Information Schedules and Note 6.

The combined decrease in Net Pension and OPEB Assets, and the increase in Net Pension and OPEB Liabilities of \$90,006,861 during fiscal year 2023, was largely offset by the \$36,155,876 increase in Deferred Outflows, and the \$49,362,091 decrease in Deferred Inflows.

A Note on Net Pension Liability

The net pension liability is the largest single liability reported by the Office at June 30, 2023, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The Net OPEB liability is reported consistent with GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Office's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position; and subtracting deferred outflows related to pension and OPEB and the net pension asset.

These GASB 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 OPEB 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 shows revenues, expenses, and changes in Net Position for the fiscal year ended June 30, 2023, in comparison with the fiscal year ended June 30, 2022:

Schedule 2: Change in Net Position

	2023	2022*
OPERATING REVENUES		
Charges for services - Local	\$36,354,889	\$36,180,584
Charges for Services - State	10,481,454	11,209,825
Other	176,760	17,141
NON-OPERATING REVENUES		
Investment Income	20,429	5,073
State Appropriations	45,624,886	42,831,542
Total Revenues	\$92,658,418	\$90,244,165
OPERATING EXPENSES		
Personal Services	89,409,610	61,238,208
Maintenance	2,700,978	2,909,575
Depreciation/Amortization	1,818,122	1,311,915
NON-OPERATING EXPENSES		
Interest on Leases/Subscriptions	36,821	24,753
Loss on Sale of Capital Assets	572	0
Total Expenses	\$93,966,103	\$65,484,451
Change in Net Position	(\$1,307,685)	\$24,759,714
Beginning (Deficit) Net Position	(34,769,595)	(59,529,309)
Ending (Deficit) Net Position	(\$36,077,280)	(\$34,769,595)

*As restated due to the implementation of GASB 96

Total Revenues increased by \$2,414,253 or three percent, from fiscal year 2022. The increase was primarily due to a \$2,793,344 increase in State Appropriations for fiscal year 2023 used to support the conduct of local government audits. This increase was partially offset by a decrease of \$394,447 in Operating Revenue.

Total Expenses increased by \$28,481,652, or forty-three percent, from fiscal year 2022. The increase was primarily driven by personal services due to the significant pension and OPEB liability increases in fiscal year 2023.

Capital Assets and Long-Term Debt

Capital Assets

At June 30, 2023, the Office had invested \$6,671,608, net of accumulated depreciation / amortization, in various classes of capital assets. This represents an increase of eighty-eight percent in net capital assets from fiscal year 2022. This increase was primarily due to the addition of the Development in Progress class of asset representing the cost of purchased and internally-developed Large Internal Software Projects in progress. In fiscal year 2023, the Office had two software applications in the process of being developed. These consisted of an upgrade to the Office's electronic workpaper audit management system and a rewrite of the Uniform Accounting Network from a client server application to a web-based application.

Schedule 3 below provides a summary of capital assets as of June 30, 2023 and 2022:

Schedule 3: Capital Assets (net of Depreciation/Amortization)

	2023	2022*
Development in Progress	\$2,856,820	\$0
Computer Equipment	710,343	1,040,797
Office Equipment	219,180	122,198
Furniture and Fixtures	18,990	20,264
Large Internal Software Projects	237,595	261,158
Intangible Right to Use - Buildings	2,160,238	1,538,434
Intangible Right to Use - Software	468,442	564,489
Net Capital Assets	\$6,671,608	\$3,547,340

*As restated due to the implementation of GASB 96

For more information regarding capital assets, see Notes 1-K and 4 of the Notes to the Basic Financial Statements.

Long-term Debt

At June 30, 2023, the Office had \$2,561,806 in long-term obligations related to office space leases under the definition of GASB 87, and various contracts that meet the GASB 96 definition of a subscription-based information technology arrangement (SBITA). This amount increased \$481,900, or twenty-three percent, from fiscal year 2022. This is primarily due to the Office's extension of two leases for buildings during fiscal year 2023, which net of annual amortization was \$621,804.

Schedule 4 provides a summary of leases and subscriptions payable as of June 30, 2023 and 2022:

Schedule 4: Long-Term Debt

	2023	2022*
Leases	\$2,160,238	\$1,538,434
Subscriptions	401,568	541,472
Total Long-term Debt	\$2,561,806	\$2,079,906

*As restated due to the implementation of GASB 96

For more information regarding lease and subscription payable, see Note 1-L and 8 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, or Zach Curth, Assistant Finance Director, Department of Finance, 88 East Broad Street, 4th Floor, Columbus, Ohio 43215, 800-282-0370.

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Basic Financial Statements

Statement of Net Position as of June 30, 2023

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 28,856,767
Restricted Cash and Cash Equivalents	4,506,869
Accounts Receivable (net of allowance for doubtful accounts)	3,843,774
Intergovernmental Receivable	1,359,065
Appropriations Receivable	1,328,929
Collateral on Lent Securities	6,132,186
Total Current Assets	<u>46,027,590</u>
Non-Current Assets	
Net Pension Asset (See Note 5)	1,203,783
Capital Assets:	
Development in Progress	2,856,820
Depreciable Capital Assets (net of accumulated depreciation/amortization of \$5,408,597)	3,814,788
Total Non-Current Assets	<u>7,875,391</u>
Total Assets	<u>\$ 53,902,981</u>
Deferred Outflows of Resources:	
Pension	39,935,179
OPEB	7,000,135
Total Deferred Outflows of Resources	<u>\$ 46,935,314</u>

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Statement of Net Position as of June 30, 2023, cont.

LIABILITIES	
Current Liabilities	
Accounts Payable and Due to Other Governments	\$ 444,595
Wages Payable	2,362,611
Benefits Payable	1,098,353
Unearned Revenue	1,299,032
Compensated Absences Payable	2,052,581
Leases Payable	960,042
Subscription Payable	401,568
Obligations Under Securities Lending	6,132,186
Total Current Liabilities	<u>14,750,968</u>
Non-Current Liabilities	
Compensated Absences Payable	10,236,507
Leases Payable	1,200,196
Net Pension Liability (See Note 5)	107,233,608
Net OPEB Liability (See Note 6)	2,325,216
Total Non-Current Liabilities	<u>120,995,527</u>
Total Liabilities	<u>\$ 135,746,495</u>
Deferred Inflows of Resources:	
Pension	402,207
OPEB	766,873
Total Deferred Inflows of Resources	<u>\$ 1,169,080</u>

NET POSITION

Net Investment in Capital Assets	\$ 3,847,487
Restricted Net Position for:	
Health Benefits Surplus	3,408,537
Accrued Leave	1,098,332
Pension Plan	1,203,783
Unrestricted (Deficit) Net Position	<u>(45,635,419)</u>
Total (Deficit) Net Position	<u>\$ (36,077,280)</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, 2023

OPERATING REVENUES	
Charges for Services – Local	\$ 36,354,889
Charges for Services – State	10,481,454
Other	176,760
Total Operating Revenues	<u>47,013,103</u>
OPERATING EXPENSES	
Personal Services	89,409,610
Maintenance	2,700,978
Depreciation/Amortization	1,818,122
Total Operating Expenses	<u>93,928,710</u>
Operating Income (Loss)	<u>(46,915,607)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	20,429
Interest on Leases/Subscriptions	(36,821)
Loss on Sale of Capital Assets	(572)
State Appropriations	45,624,886
Total Non-Operating Revenues	<u>45,607,922</u>
Change in Net Position	(1,307,685)
Total (Deficit) Net Position – Beginning of Fiscal Year (as restated, see Note 1P)	<u>(34,769,595)</u>
Total (Deficit) Net Position – End of Fiscal Year	<u>\$ (36,077,280)</u>

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

Statement of Cash Flows for the Fiscal Year Ended June 30, 2023

Cash Flows from Operating Activities	
Cash Received From Charges for Services – Local	\$ 36,714,228
Cash Received From Charges for Services – State	10,296,685
Cash Received From Other Sources	176,760
Cash Restricted for Compensated Absences	364,593
Cash Restricted for Health Benefits Surplus	(451,060)
Cash Payments for Personal Services	(84,161,236)
Cash Payments for Maintenance	<u>(2,633,843)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(39,693,873)</u>
Cash Flows from Non-Capital Financing Activities	
State Appropriations	45,409,339
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>45,409,339</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(2,804,332)
Proceeds from Sale of Capital Assets	1,375
Principal Retirement – Leases	(1,013,400)
Interest – Leases	(14,856)
Principal Retirement - Subscriptions	(382,390)
Interest - Subscriptions	<u>(21,965)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(4,235,568)</u>
Cash Flows from Investing Activities	
Investment Income	20,429
<i>Net Cash Provided by Investing Activities</i>	<u>20,429</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,500,327
Cash and Cash Equivalents at Beginning of Year	<u>31,863,309</u>
Cash and Cash Equivalents at End of Year	<u>\$ 33,363,636</u>

-Continued

Statement of Cash Flows for the Fiscal Year Ended June 30, 2023, cont.

Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income (Loss)	\$ (46,915,607)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities	
Depreciation/Amortization	1,818,122
<i>(Increase)/Decrease in Assets:</i>	
Accounts Receivable, net of Allowance for Doubtful Accounts	340,332
Intergovernmental Receivable	(184,769)
Collateral on Lent Securities	(330,902)
Net Pension Asset	(223,088)
<i>(Increase)/Decrease in Deferred Outflows:</i>	
Deferred Outflow–Pension	28,681,010
Deferred Outflow–OPEB	4,837,610
<i>Increase/(Decrease) in Liabilities:</i>	
Accounts Payable and Due to Other Governments	4,066
Wages Payable	273,061
Benefits Payable	153,606
Unearned Revenue	52,119
Compensated Absences Payable	276,283
Obligations Under Securities Lending	330,902
Net Pension Liability	(4,413,067)
Net OPEB Liability	(121,850)
<i>Increase/(Decrease) in Deferred Inflows:</i>	
Deferred Inflow–Pension	(15,453,443)
Deferred Inflow–OPEB	(8,818,258)
<i>Total Adjustments</i>	<u>7,221,734</u>
Net Cash Used for Operating Activities	<u>\$ (39,693,873)</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents	\$ 28,856,767
Restricted Cash and Cash Equivalents – Current	4,506,869
Total Cash and Cash Equivalents at Year End	<u>\$ 33,363,636</u>
Noncash Capital Financing Activities	
Entering into a Lease for a Building	\$ 1,635,204
Accounts Payable for Development in Progress	262,315
Acquiring Software through a Subscription	242,486
Trade-in of Vehicle on new Vehicle Purchase	14,036
Total Noncash Transactions	<u>\$ 2,154,041</u>

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, 2023

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, as well as other functions mandated by Ohio law.

The accompanying financial statements report the financial position as of June 30, 2023 and results of operations and cash flows for the fiscal year ended June 30, 2023. The Office is a department of the primary government of the State of Ohio and is a proprietary operation (enterprise fund) 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 have 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

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions. Restricted assets include amounts held in trust by the pension plans for future benefits. Restricted Cash and Cash Equivalents are also 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, 2023, the Office had no securities out on loan. The Office has been allocated with cash collateral of \$6,132,186 in 2023 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 2023, the Office recorded \$38,821 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 [§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 2023, the Attorney General cancelled debt relating to one local government totaling \$36,566. No write-offs occurred related to closed Charter Schools during the fiscal year

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.

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	10-25 Years

The Office is reporting intangible right to use assets related to lease assets and subscription assets. The lease assets include buildings and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent

intangible right to use assets related to the use of another party’s IT software. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease/subscription term or the useful life of the underlying asset.

L. Leases and SBITAs

The Office serves as lessee in various noncancellable leases. At the commencement of a lease, the Office initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The Office is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, the Office initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of lease payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on in a systematic and rational manner over the shorted of the subscription term or the useful life of the underlying IT asset Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

M. Appropriations Receivable

At June 30, 2023, 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.

N. 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.

O. Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation/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 Investment 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 Investment in Capital Assets" and is not restricted.

P. New Accounting Pronouncements

For fiscal year 2023, the Office implemented Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Auditor did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). These changes were incorporated in the Office's 2022 financial statements. The Auditor recognized \$541,472 in subscriptions payable at July 1, 2022 which was offset by the subscription asset of \$564,489. The difference of \$23,017 represents payments made to the SBITA vendor at the commencement of the subscription term. Thus, beginning net position was restated from (\$34,792,612) to (\$34,769,595).

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

Q. Unearned Revenue

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

R. 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.

S. 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 [§117.13](#) of the Ohio 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 [§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 [§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 [§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), [§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 [§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 [§117.44](#) establishes an account for the Auditor to conduct training programs. ORC [§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 [§117.101](#) establishes this account for the Auditor to create and maintain a uniform and compatible computerized financial management and accounting system. ORC [§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 [§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 of the local entity.

Account 5VP0 Local Government Audit Support Fund — ORC [§117.131](#) establishes this account for the Auditor to offset the financial, performance, and other audit costs that would otherwise be charged to local public offices in the absence of the account.

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 the custodian for the Office's cash and cash equivalents. The Treasurer's cash and investment pool holds the Office's assets, valued at the Treasurer's reported carrying amount. The Auditor's Office Cash and Cash Equivalents consist of \$28,856,767 with the Treasurer, as well as Restricted Cash and Cash Equivalents of \$4,506,869 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, 2023.

Note 4 – Capital Assets

Capital asset activity for fiscal year 2023 is as follows:

	Balance 6/30/2022*	Additions	Reductions	Balance 6/30/2023
Non-depreciable Capital Assets				
Development in Progress	\$0	\$2,856,820	\$0	\$2,856,820
Depreciable Capital Assets				
Tangible Assets				
Computer Equipment	2,025,272	64,623	(87,821)	2,002,074
Office Equipment	676,913	156,357	(88,610)	744,660
Furniture & Fixtures	135,050	2,883	(3,278)	134,655
Total Tangible Assets	2,837,235	223,863	(179,709)	2,881,389
Intangible Assets				
Large Internal Software Projects	1,424,498	0	0	1,424,498
Intangible Right to Use Lease Assets				
Intangible Right to Use - Buildings	2,544,952	1,635,204	(69,633)	4,110,523
Subscription Assets				
Intangible Right to Use - Software	564,489	242,486	0	806,975
Total Intangible Assets	4,533,939	1,877,690	(69,633)	6,341,996
Total Depreciable Capital Assets	7,371,174	2,101,553	(249,342)	9,223,385
Less Accumulated Depreciation/Amortization				
Depreciation				
Tangible Assets				
Computer Equipment	(984,475)	(395,077)	87,821	(1,291,731)
Office Equipment	(554,715)	(45,339)	74,574	(525,480)
Furniture & Fixtures	(114,786)	(2,210)	1,331	(115,665)
Total Tangible Assets	(1,653,976)	(442,626)	163,726	(1,932,876)
Amortization				
Intangible Assets				
Large Internal Software Projects	(1,163,340)	(23,563)	0	(1,186,903)
Intangible Right to Use Lease Assets				
Intangible Right to Use - Buildings	(1,006,518)	(1,013,400)	69,633	(1,950,285)
Subscription Assets				
Intangible Right to Use - Software	0	(338,533)	0	(338,533)
Total Intangible Assets	(2,169,858)	(1,375,496)	69,633	(3,475,721)
Total Accumulated Depreciation/Amortization	(3,823,834)	(1,818,122)	233,359	(5,408,597)
Total Depreciable Capital Assets, Net	3,547,340	283,431	(15,983)	3,814,788
Capital Assets, Net	\$3,547,340	\$3,140,251	(\$15,983)	\$6,671,608

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

*As restated due to the implementation of GASB 96

Note 5 – Defined Benefit Pension Plans

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

Net Pension Liability (Asset)/Net OPEB Liability

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

The net pension/OPEB liability (asset) represent the Office's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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/OPEB 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 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. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan.

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

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

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.

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

	State and Local Divisions	
	Traditional	Combined
Fiscal Year 2023 Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee *	10.0%	10.0%
Fiscal Year 2023 Actual Contribution Rates		
Employer:		
Pension **	14.0%	12.0%
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	<u>14.0%</u>	<u>14.0%</u>
Employee	<u>10.0%</u>	<u>10.0%</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement fund 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% for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

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

For fiscal year 2023, the Office’s contractually required contribution was \$7,637,971 for the traditional plan, \$288,903 for the combined plan and \$284,037 for the member-directed plan. Of these amounts, \$308,155 is reported as a benefits payable for the traditional plan, \$9,913 for the combined plan, and \$8,466 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, 2022, 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	0.36301100%	0.51074900%	
Prior Measurement Date	0.36177000%	0.43745500%	
Change in Proportionate Share	<u>0.00124100%</u>	<u>0.07329400%</u>	
Proportionate Share of the:			
Net Pension Liability	\$107,233,608	\$0	\$107,233,608
Net Pension Asset	0	1,203,783	1,203,783
Pension Expense	16,396,492	121,794	16,518,286

Fiscal year 2023 pension expense for the member-directed defined contribution plan was \$284,037. The aggregate pension expense for all pension plans was \$16,802,323 for 2023.

At June 30, 2023, 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	\$3,561,851	\$74,008	\$3,635,859
Changes of assumptions	1,132,848	79,696	1,212,544
Net difference between projected and actual earnings on pension plan investments	30,564,947	438,709	31,003,656
Changes in proportion and differences between Office contributions and proportionate share of contributions	423,006	9,336	432,342
Office contributions subsequent to the measurement date	<u>3,518,727</u>	<u>132,051</u>	<u>3,650,778</u>
Total Deferred Outflows of Resources	<u>\$39,201,379</u>	<u>\$733,800</u>	<u>\$39,935,179</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$172,005	\$172,005
Changes in proportion and differences between Office contributions and proportionate share of contributions	<u>0</u>	<u>230,202</u>	<u>230,202</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$402,207</u>	<u>\$402,207</u>

\$3,650,778 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 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	OPERS Traditional Plan	OPERS Combined Plan	Total
2024	\$4,530,483	(\$13,768)	\$4,516,715
2025	7,182,573	49,133	7,231,706
2026	8,996,751	80,403	9,077,154
2027	14,972,845	157,302	15,130,147
2028	0	(33,161)	(33,161)
Thereafter	0	(40,367)	(40,367)
Total	\$35,682,652	\$199,542	\$35,882,194

Actuarial Assumptions – OPERS

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

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

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

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent

of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all 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.

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

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

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

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

Discount Rate

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

Sensitivity of the 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	\$160,632,368	\$107,233,608	\$62,815,423
OPERS Combined Plan	(628,221)	(1,203,783)	(1,659,934)

Note 6 – Defined Benefit OPEB Plans

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2023, 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 beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

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

For fiscal year 2023, the Office’s contractually required contribution was \$48,151 for the combined plan and \$86,561 for the member-directed plan. Of these amounts, \$1,652 is reported as an intergovernmental payable for the combined plan and \$2,580 for the member directed plan.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Office’s proportion of the net OPEB liability was based on the Office’s share of contributions to the retirement plan relative to the

contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.36877800%
Prior Measurement Date	<u>0.36408500%</u>
Change in Proportionate Share	<u>0.0046930%</u>
Proportionate Share of the Net OPEB Liability	\$2,325,216
OPEB Expense	(\$3,967,786)

At June 30, 2023, the Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Changes of assumptions	\$2,271,091
Net difference between projected and actual earnings on OPEB plan investments	4,617,961
Changes in proportion and differences between Office contributions and proportionate share of contributions	50,636
Office contributions subsequent to the measurement date	<u>60,447</u>
Total Deferred Outflows of Resources	<u>\$7,000,135</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$580,000
Changes of assumptions	<u>186,873</u>
Total Deferred Inflows of Resources	<u>\$766,873</u>

\$60,447 reported as deferred outflows of resources related to OPEB resulting from Office contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in fiscal year 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Fiscal Year Ending June 30:	
2024	\$811,952
2025	1,689,976
2026	1,440,030
2027	<u>2,230,857</u>
Total	<u>\$6,172,815</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. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

For 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.

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

Discount Rate

A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the

measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the Office’s proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the Office’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
Office's proportionate share of the net OPEB Liability	\$7,913,976	\$2,325,216	(\$2,286,424)

Sensitivity of the Office’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or 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 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Office's proportionate share of the net OPEB Liability	\$2,179,478	\$2,325,216	\$2,489,252

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 selected, during the December conversions.

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

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 2022-June 2023. 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 \$1,098,332 recorded as Restricted Cash & Cash Equivalents in Fund 8060, Accrued Leave Liability Fund. The accumulated resources to fund future leave increased from the previous year. Therefore, we reported the net effect as a decrease in expense and an increase in restricted cash. The compensated absences liability reported for the Office does not reflect the total State of Ohio balance in DAS' Accrued Leave Liability Fund 8060.

Changes in the compensated absences liability for the fiscal year ended June 30, 2023 were as follows:

Beginning Amount	\$12,012,805
Plus: Fiscal Year 2023 Additions	8,511,547
Less: Fiscal Year 2023 Reductions	<u>(8,235,264)</u>
Ending Amount	<u>\$12,289,088</u>
Amount Due Within One Year	\$2,052,581

Note 8 – Lease and Subscription Payable

The Office leases various office space. Under the definition of GASB 87, the Office had eight reportable leases. The Office also had four agreements that meet the short-term lease definition of GASB 87. The leases have various terms and interest rates.

The Office has also entered into various contracts that meet the GASB 96 definition of a SBITA. The Office had seven reportable software subscriptions related to the Auditor's Microsoft agreement that extends through September 30, 2024.

A summary of the changes in balances of the leases and subscriptions are as follows:

	2022 Balance*	Additions	Reductions	2023 Balance	Amount Due Within One Year
Leases	\$1,538,434	\$1,635,204	\$1,013,400	\$2,160,238	\$960,042
Subscriptions	\$541,472	\$242,486	\$382,390	\$401,568	\$401,568

*As restated due to the implementation of GASB 96

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

Year	<u>Leases</u>		<u>Subscriptions</u>	
	Principal	Interest	Principal	Interest
2024	\$960,041	\$48,499	\$401,568	\$11,526
2025	988,981	20,547		
2026	50,223	2,435		
2027	51,920	1,792		
2028	53,638	1,127		
2029	55,434	439		
	<u>\$2,160,238</u>	<u>\$74,839</u>	<u>\$401,568</u>	<u>\$11,526</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 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 State's one medical plan, Ohio Med. Through Ohio Med there are three medical plan options, Ohio Med Narrow Network, 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). 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 employee's 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, 2023. 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, 2023.

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.

Note 12 – Health Care Surplus

At the end of the fiscal year 2023, 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, 2023, the Office recorded \$3,408,537 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, 2023.

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 Ten Years

	2023	2022	2021	2020
Office's Proportion of the Net Pension Liability	0.36301100%	0.36177000%	0.35354400%	0.35324500%
Office's Proportionate Share of the Net Pension	\$107,233,608	\$31,475,454	\$52,352,169	\$69,821,271
Office's Covered Payroll	\$56,270,936	\$52,503,800	\$49,794,664	\$49,701,214
Office's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.57%	59.95%	105.14%	140.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%

	2019	2018	2017	2016	2015	2014
	0.35913700%	0.35434100%	0.34980700%	0.34262400%	0.34277800%	0.34277800%
	\$98,360,343	\$55,589,233	\$79,435,221	\$59,346,797	\$41,342,858	\$40,409,060
	\$48,507,829	\$46,826,623	\$45,219,967	\$42,642,958	\$42,024,942	\$43,855,892
	202.77%	118.71%	175.66%	139.17%	98.38%	92.14%
	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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 Pension Asset
 Ohio Public Employees Retirement System — Combined Plan Last Five Years (1)

	2023	2022	2021	2020	2019
Office's Proportion of the Net Pension Asset	0.51074900%	0.43745500%	0.43108300%	0.41555400%	0.38513800%
Office's Proportionate Share of the Net Pension Asset	\$1,203,783	\$1,723,595	\$1,244,379	\$866,530	\$430,671
Office's Covered Payroll	\$2,387,264	\$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	-50.43%	-88.65%	-65.50%	-46.84%	-26.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.14%	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 Seven Years (1)

	2023	2022	2021	2020	2019	2018	2017
Office's Proportion of the Net OPEB Liability (Asset)	0.3687780%	0.3640850%	0.3558580%	0.3559850%	0.3638490%	0.3594900%	0.3546650%
Office's Proportionate Share of the Net OPEB Liability (Asset)	\$2,325,216	(\$11,403,699)	(\$6,339,894)	\$49,170,777	\$47,437,320	\$39,037,965	\$35,822,370
Office's Covered Payroll	\$61,377,998	\$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	3.79%	-20.09%	-11.78%	91.43%	89.89%	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	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)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Pension Liability – Traditional Plan										
Contractually Required Contribution	\$7,637,971	\$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
Contributions in Relation to the Contractually Required Contribution	<u>(7,637,971)</u>	<u>(7,555,809)</u>	<u>(6,950,567)</u>	<u>(7,111,412)</u>	<u>(6,884,361)</u>	<u>(6,406,967)</u>	<u>(5,779,061)</u>	<u>(5,261,771)</u>	<u>(5,030,793)</u>	<u>(4,901,471)</u>
Contribution Deficiency (Excess)	<u>\$0</u>									
Office Covered Payroll	\$54,556,936	\$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
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>12.50%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>
Net Pension Asset – Combined Plan (2)										
Contractually Required Contribution	\$288,903	\$299,543	\$256,981	\$268,615	\$248,211	\$221,352	\$207,304	\$169,339	\$153,580	
Contributions in Relation to the Contractually Required Contribution	<u>(288,903)</u>	<u>(299,543)</u>	<u>(256,981)</u>	<u>(268,615)</u>	<u>(248,211)</u>	<u>(221,352)</u>	<u>(207,304)</u>	<u>(169,339)</u>	<u>(153,580)</u>	
Contribution Deficiency (Excess)	<u>\$0</u>									
Office Covered Payroll	\$2,407,525	\$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	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.49%</u>	<u>12.51%</u>	<u>12.00%</u>	<u>12.00%</u>	
Net OPEB Liability/Asset – OPEB Plan (3)										
Contractually Required Contribution	\$134,712	\$99,617	\$83,757	\$85,896	\$101,457	\$343,555	\$812,773			
Contributions in Relation to the Contractually Required Contribution	<u>(134,712)</u>	<u>(99,617)</u>	<u>(83,757)</u>	<u>(85,896)</u>	<u>(101,457)</u>	<u>(343,555)</u>	<u>(812,773)</u>			
Contribution Deficiency (Excess)	<u>\$0</u>									
Office Covered Payroll	\$59,611,590	\$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	<u>0.23%</u>	<u>0.17%</u>	<u>0.16%</u>	<u>0.16%</u>	<u>0.19%</u>	<u>0.67%</u>	<u>1.62%</u>			

(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, 2023

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning 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 including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	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	
2023	3 percent, simple through 2023, then 2.05 percent, simple
2022	3 percent, simple through 2022, then 2.05 percent, simple
2021	0.5 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 beginning in 2022 use mortality rates 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.

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

Beginning in 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 2023	4.05 percent
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 2023	5.22 percent
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 2023	5.50 percent, initial; 3.5 percent, ultimate in 2036
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	80
This schedule presents information to help the reader assess the affordability of the Office’s current levels of outstanding debt.	
Economic and Demographic Information	82
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	86
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, 2023.

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

	Fiscal Year Ended June 30			
	2023	2022	2021	2020
OPERATING REVENUES				
Charges For Services - Local	\$ 36,354,889	\$ 36,180,584	\$ 34,559,352	\$ 37,495,825
Charges For Services - State	10,481,454	11,209,825	10,715,480	9,186,134
Other	176,760	17,141	16,407	113,903
Total Operating Revenues	47,013,103	47,407,550	45,291,239	46,795,862
OPERATING EXPENSES				
Personal Services	89,409,610	61,238,208	35,276,990	89,042,040
Maintenance	2,700,978	2,909,575	6,486,404	5,931,398
Depreciation/Amortization	1,818,122	1,311,915	182,891	247,866
Other	0	0	0	0
Total Operating Expenses	93,928,710	65,459,698	41,946,285	95,221,304
Operating Income (Loss)	(46,915,607)	(18,052,148)	3,344,954	(48,425,442)
NON-OPERATING REVENUES/(EXPENSES)				
Intergovernmental Revenue	0	0	552,216	0
Investment Income	20,429	5,073	6,643	21,429
Interest on Leases/Subscriptions	(36,821)	(24,753)	0	0
Gain/(Loss) on Sale of Capital Assets	(572)	0	(172)	14,603
State Appropriations	45,624,886	42,831,542	39,247,300	39,320,395
Total Non-Operating Revenues	45,607,922	42,811,862	39,805,987	39,356,427
Transfers-In/Capital Contribution	0	0	0	0
CHANGE IN NET POSITION	\$ (1,307,685)	\$ 24,759,714	\$ 43,150,941	\$ (9,069,015)
NET POSITION BY TYPE				
Net Investment in Capital Assets	\$ 3,847,487	\$ 1,467,434	\$ 635,898	\$ 724,252
Restricted Net Position	5,710,652	5,961,603	4,213,747	3,637,807
Unrestricted Net Position (Deficit)	(45,635,419)	(42,198,632)	(64,378,954)	(107,042,309)
Total (Deficit) Net Position	\$ (36,077,280)	\$ (34,769,595)	\$ (59,529,309)	\$ (102,680,250)

	Fiscal Year Ended June 30					
	2019	2018	2017	2016	2015	2014
OPERATING REVENUES						
Charges For Services - Local	\$ 36,253,609	\$ 36,154,946	\$ 36,956,336	\$ 39,013,830	\$ 33,663,217	\$ 37,376,015
Charges For Services - State	8,501,140	9,513,450	9,609,197	9,914,574	9,459,733	9,180,403
Other	381,323	394,264	387,917	440,606	322,587	297,133
Total Operating Revenues	45,136,072	46,062,660	46,953,450	49,369,010	43,445,537	46,853,551
OPERATING EXPENSES						
Personal Services	95,970,087	75,972,532	83,139,543	72,512,431	64,566,700	63,245,026
Maintenance	6,148,436	5,309,341	7,656,835	6,105,878	3,476,221	6,934,392
Depreciation/Amortization	228,952	292,830	306,387	320,185	418,172	406,798
Other	0	0	0	0	1,595,656	0
Total Operating Expenses	102,347,475	81,574,703	91,102,765	78,938,494	70,056,749	70,586,216
Operating Income (Loss)	(57,211,403)	(35,512,043)	(44,149,315)	(29,569,484)	(26,611,212)	(23,732,665)
NON-OPERATING REVENUES/(EXPENSES)						
Intergovernmental Revenue	0	0	0	0	0	0
Investment Income	23,890	15,559	11,566	8,150	5,144	3,196
Interest on Leases/Subscriptions	0	0	0	0	0	0
Gain/(Loss) on Sale of Capital Assets	38,077	(388)	2,579	21,243	25,321	10,500
State Appropriations	30,789,255	22,117,461	30,603,048	30,332,459	28,261,895	27,822,384
Total Non-Operating Revenues	30,851,222	22,132,632	30,617,193	30,361,852	28,292,360	27,836,080
Transfers-In/Capital Contribution	0	0	0	0	1,998	0
CHANGE IN NET POSITION	\$ (26,360,181)	\$ (13,379,411)	\$ (13,532,122)	\$ 792,368	\$ 1,683,146	\$ 4,103,415
NET POSITION BY TYPE						
Net Investment in Capital Assets	\$ 766,820	\$ 938,461	\$ 1,193,477	\$ 1,337,688	\$ 1,353,708	\$ 1,585,984
Restricted Net Position	1,865,964	842,520	843,637	787,861	1,837,623	3,014,482
Unrestricted Net Position (Deficit)	(96,244,019)	(69,032,035)	(55,908,757)	(6,838,369)	(8,696,519)	(11,788,800)
Total (Deficit) Net Position	\$ (93,611,235)	\$ (67,251,054)	\$ (53,871,643)	\$ (4,712,820)	\$ (5,505,188)	\$ (7,188,334)

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical or material.

Source: Auditor of State of Ohio

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

	Fiscal Year Ended June 30			
	2023	2022	2021	2020
OPERATING REVENUES:				
Charges For Services – Local				
Audits - Local Governments	\$ 26,450,410	\$ 26,990,930	\$ 27,290,296	\$ 29,027,465
Local Government Services	3,935,527	3,477,241	3,093,744	3,151,321
Uniform Accounting Network Fees	5,968,952	5,712,413	4,175,312	5,317,039
LEAP Audits	0	0	0	0
Total Charges For Services – Local	36,354,889	36,180,584	34,559,352	37,495,825
Charges For Services - State				
Audits - State Agencies	8,178,934	9,080,414	8,752,551	7,783,784
Medicaid Contract Audits	2,302,520	2,129,411	1,962,929	1,402,350
Total Charges For Services – State	10,481,454	11,209,825	10,715,480	9,186,134
Other Operating Revenues	176,760	17,141	16,407	113,903
TOTAL OPERATING REVENUES	47,013,103	47,407,550	45,291,239	46,795,862
NON-OPERATING REVENUES:				
Intergovernmental Revenue	0	0	552,216	0
Investment Income	20,429	5,073	6,643	21,429
Gain on Sale of Capital Assets	0	0	0	14,603
State Appropriations	45,624,886	42,831,542	39,247,300	39,320,395
TOTAL NON-OPERATING REVENUES	45,645,315	42,836,615	39,806,159	39,356,427
TOTAL OFFICE REVENUES	\$ 92,658,418	\$ 90,244,165	\$ 85,097,398	\$ 86,152,289

Source: Auditor of State of Ohio

	Fiscal Year Ended June 30					
	2019	2018	2017	2016	2015	2014
OPERATING REVENUES:						
Charges For Services – Local						
Audits - Local Governments	\$ 28,881,630	\$ 28,865,061	\$ 28,753,452	\$ 31,138,578	\$ 27,514,634	\$ 30,145,164
Local Government Services	2,899,586	2,942,475	3,240,235	3,064,604	2,682,898	3,101,446
Uniform Accounting Network Fees	4,472,393	4,347,410	4,862,650	4,717,821	3,468,376	4,062,934
LEAP Audits	0	0	99,999	92,827	(2,691)	66,471
Total Charges For Services – Local	36,253,609	36,154,946	36,956,336	39,013,830	33,663,217	37,376,015
Charges For Services - State						
Audits - State Agencies	6,525,108	6,872,709	6,358,461	7,102,382	6,556,141	6,280,745
Medicaid Contract Audits	1,976,032	2,640,741	3,250,736	2,812,192	2,903,592	2,899,658
Total Charges For Services – State	8,501,140	9,513,450	9,609,197	9,914,574	9,459,733	9,180,403
Other Operating Revenues	381,323	394,264	387,917	440,606	322,587	297,133
TOTAL OPERATING REVENUES	45,136,072	46,062,660	46,953,450	49,369,010	43,445,537	46,853,551
NON-OPERATING REVENUES:						
Intergovernmental Revenue	0	0	0	0	0	0
Investment Income	23,890	15,559	11,566	8,150	5,144	3,196
Gain on Sale of Capital Assets	38,077	0	2,579	21,243	25,321	10,500
State Appropriations	30,789,255	22,117,461	30,603,048	30,332,459	28,261,895	27,822,384
TOTAL NON-OPERATING REVENUES	30,851,222	22,133,020	30,617,193	30,361,852	28,292,360	27,836,080
TOTAL OFFICE REVENUES	\$ 75,987,294	\$ 68,195,680	\$ 77,570,643	\$ 79,730,862	\$ 71,737,897	\$ 74,689,631

Schedule 3: Rate Schedule, Last Ten Fiscal Years

Fiscal Year	State Rate	Local Government Audit Rate	Local Government Services Rate
2023	\$85.00	\$41.00	\$50.00
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

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

Uniform Accounting Network Monthly Fee Schedule

From	To	7/1/2013 to 6/30/2023
\$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 3: Rate Schedule, Last Ten Fiscal Years, cont.

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

	Counties	Municipalities & Other Local Govts	Schools	Local Government Services Tiered Rate - FY 2021	Local Government Services Tiered Rate - FY 2022	Local Government Services Tiered Rate - FY 2023 (7/1/2022-12/30/2022)
Tier I	\$100,000,001 or More	\$50,000,001 or More	\$50,000,001 or More	\$65.00	\$75.00	\$85.00
Tier II	\$50,000,001 - \$100,000,000	\$10,000,001 - \$50,000,000	\$10,000,001 - \$50,000,000	\$60.00	\$67.00	\$75.00
Tier III	\$50,000,000 or Less	\$10,000,000 or Less	\$10,000,000 or Less	\$55.00	\$55.00	\$60.00

	Counties	Municipalities & Other Local Govts	Schools	Local Government Services Tiered Rate - FY 2023 (12/31/2022-6/30/2023)
Tier I	\$110,000,001 or More	\$55,000,001 or More	\$55,000,001 or More	\$85.00
Tier II	\$55,000,001 - \$110,000,000	\$11,000,001 - \$55,000,000	\$11,000,001 - \$55,000,000	\$75.00
Tier III	\$55,000,000 or Less	\$11,000,000 or Less	\$11,000,000 or Less	\$60.00

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. For additional information, refer to Auditor of State [Bulletin 2022-012](#).

Source: Auditor of State of Ohio

Schedule 4: Ratio of Debt per Capita, Last Two Fiscal Years

Fiscal Year Ended June 30	Number of Audit Clients	Lease Payable	Subscription Payable	Total Debt	Ratio of Debt to Personal Income	Debt Per Capita
2022	5,900	\$1,538,434	\$541,472	\$2,079,906	N/A	\$353
2023	5,965	\$2,160,238	\$401,568	\$2,561,806	N/A	\$429

NOTES:

GASB 87 was implemented in fiscal year 2022.

GASB 96 was implemented in fiscal year 2023.

Ratio of Debt to Personal Income is N/A as the Auditor of State’s Office does not have a specific tax base and the State of Ohio personal income would generate a ratio that would not be meaningful. Additional information can be found in Note 8 Lease and Subscription Payable.

Source: Auditor of State of Ohio

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Schedule 5: Number of Audits Released, by Type, Last Ten Fiscal Years

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY2018	FY2017	FY2016	FY2015	FY 2014
Agreed Upon Procedures:										
Cities	2	1	1	1	0	0	0	0	1	0
Counties	2	2	6	2	1	0	0	1	2	3
School Districts	0	0	0	0	1	1	9	2	1	2
State Agencies	8	7	3	5	5	4	2	3	3	11
Medicaid Contract	42	41	26	1	18	22	91	74	58	54
Townships / Villages	449	364	299	384	326	325	376	283	243	325
Other	396	403	481	656	864	1008	624	362	372	407
	899	818	816	1,049	1,215	1,360	1,102	725	680	802
Basic Audit:										
Cities	0	0	0	0	0	0	0	0	0	0
Counties	0	0	1	1	2	0	1	0	1	1
School Districts	0	0	0	0	0	0	1	0	0	0
State Agencies	0	0	0	0	0	0	0	0	0	0
Medicaid Contract	0	0	0	0	0	0	0	0	0	0
Townships / Villages	113	88	104	105	46	40	54	48	42	42
Other	374	307	303	321	216	223	198	154	147	147
	487	395	408	427	264	263	254	202	190	0
Financial Audits										
Cities	244	237	244	249	229	249	258	234	239	253
Colleges & Universities	44	37	38	39	40	40	39	40	41	81
Community School Districts	302	306	299	323	351	342	381	321	367	380
Counties	89	89	75	89	86	90	91	89	88	87
Libraries	37	43	70	68	64	66	17	86	94	61
School Districts	679	567	610	641	642	630	633	657	686	626
State Agencies	15	16	16	18	17	18	20	26	21	91
Townships	236	238	353	376	352	401	413	441	448	300
Villages	180	190	235	246	282	265	262	228	269	268
Other	654	737	776	814	810	799	884	751	734	786
	2,480	2,460	2,716	2,863	2,873	2,900	2,998	2,873	2,987	2,933

-Continued

Schedule 5: Number of Audits Released, by Type, Last Ten Fiscal Years, cont.

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY2018	FY2017	FY2016	FY2015	FY 2014
Medicaid Provider Audits	37	44	23	17	16	24	20	26	20	22
Performance Audits										
Cities	1	3	5	1	0	1	2	1	3	3
Colleges & Universities	0	0	0	0	1	0	0	0	0	0
Counties	1	0	1	0	0	0	0	0	2	1
School Districts	4	10	4	6	10	10	14	10	17	13
State Agencies	6	2	4	1	3	0	4	0	4	1
Townships / Villages	0	0	1	0	0	1	0	2	0	0
Other	1	0	0	2	0	1	1	1	0	0
	13	15	15	10	14	13	21	14	26	18
Special Audits										
Cities	1	1	0	2	0	0	0	0	1	0
Counties	3	0	0	0	0	0	0	1	3	1
School Districts	5	0	0	0	0	0	1	2	0	1
State Agencies	0	0	0	0	1	0	0	0	0	0
Townships / Villages	5	1	2	0	0	1	0	2	1	1
Other	4	0	2	0	1	0	3	4	3	2
	18	2	4	2	2	1	4	9	8	5
SOC 1 Reports	21	21	21	21	20	20	22	24	25	24
TOTAL	3,955	3,755	4,003	4,389	4,404	4,581	4,421	3,873	3,936	3,804

Source: Auditor of State's website, Audit Search (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 6: Local Government Services (LGS) Completed Projects, by Type, Last Ten Fiscal Years

<u>Project Type</u>	<u>FY 2023</u>	<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>
GAAP Compilations:										
ACFR Under GASB No. 34	46	51	55	53	55	54	56	61	62	65
Basic Financial Statements Under GASB No. 34	163	174	173	176	164	166	168	166	168	172
Consultation/Supervision Only	11	12	13	20	24	21	23	20	21	26
Cash Basis	38	39	40	42	50	62	51	55	57	46
Fiscal Emergency/Watch/Caution	28	29	37	31	60	59	54	67	73	83
Reconciliations & Reconstructions	25	19	19	35	25	18	12	22	13	18
Special Projects*	191	156	82	35	27	28	28	19	21	19
General Assistance, Training	67	38	37	28	18	7	18	7	10	24
Manuals	4	2	3	4	5	5	4	4	4	3
Fund Requests	139	142	132	182	167	157	123	107	169	147
Contact Us Inquiry	19	40	70	61	90	196	110	N/A	N/A	N/A
Constituent/Client Contact	1,517	2,415	2,730	2,178	2,055	1,612	866	N/A	N/A	N/A
UAN Monitoring	20	18	26	33	25	26	25	26	25	25
Dissolution/Merger Assistance	3	1	3	3	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	2,271	3,136	3,420	2,881	2,765	2,411	1,538	554	623	628

*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 7: Number of Employees by Division, Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Administration	69	48	52	45	44	44	45	44	37	44
Audit	532	539	546	558	553	577	578	569	593	539
Information Technology	28	51	49	54	53	52	54	53	51	53
Legal	10	10	7	9	6	7	6	7	10	8
Local Government Services	46	47	45	48	50	49	50	52	51	52
Ohio Performance Team	34	37	31	32	30	30	31	34	37	30
Special Investigations Unit*	32	30	31	27	27	28	24	24	17	44
TOTAL	751	762	761	773	763	787	788	783	796	770

Table includes permanent full-time and part-time employees, excluding college interns.

*Formerly reported as Fraud and Investigative Audits

Source: Auditor of State of Ohio/HR

Schedule 8: Audit Regions Directory

Central	Stacie Scholl, CPA, Chief Auditor 88 East Broad Street, 5th Floor Columbus, OH 43215 Phone: 614-466-3402 or 800-443-9275 Fax: 866-486-0007 <i>Counties served:</i> Ashland, Crawford, Delaware, Fairfield, Franklin, Holmes, Knox, Licking, Madison, Marion, Morrow, Pickaway, Richland, Union, Wayne
East	Joey Jones, CPA, Chief Auditor Conference Center, Suite 154 6000 Frank Ave., NW North Canton, OH 44720 Phone: 330-438-0617 or 800-443-9272 Fax: 866-238-0092 <i>Counties served:</i> Carroll, Columbiana, Jefferson, Mahoning, Portage, Stark, Summit, Trumbull
Northeast	Allen Allred, CPA, CFE, Chief Auditor Lausche Bldg, 12th Floor 615 Superior Ave., NW Cleveland, OH 44113 Phone: 216-787-3665 or 800-626-2297 Fax: 866-486-0003 <i>Counties served:</i> Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina
Northwest	Jonathan Lawless, CFE, Chief Auditor One Government Center Room 1420 Toledo, OH 43604-2246 Phone: 419-245-2811 or 800-443-9276 Fax: 866-486-0002 <i>Counties served:</i> Defiance, Erie, Fulton, Hancock, Henry, Huron, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Williams, Wood, Wyandot
Southeast	Denise Blair, CPA, Chief Auditor 9711 E. Pike Rd. Cambridge, OH 43725 Phone: 740-594-3300 or 800-441-1389 Fax: 866-486-0006 <i>Counties served:</i> Athens, Belmont, Coshocton, Gallia, Guernsey, Harrison, Hocking, Jackson, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, Vinton, Washington
Southwest	Cristal Jones, CPA, Chief Auditor 10653 Techwood Circle Blue Ash, OH 45242 Phone: 513-361-8550 or 800-368-7419 Fax: 866-381-0094 <i>Counties served:</i> Adams, Brown, Butler, Clermont, Clinton, Fayette, Hamilton, Highland, Lawrence, Pike, Ross, Scioto, Warren
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 3640 Colonel Glenn Highway Rooms 111 & 113 Dayton, OH 45435 Phone: 937-285-6677 or 800-443-9274 Fax: 866-486-0010 <i>Counties served:</i> Allen, Auglaize, Champaign, Clark, Darke, Greene, Hardin, Logan, Mercer, Miami, Montgomery, Preble, Shelby, Van Wert

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

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023



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