

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR’S REPORT

The Honorable Mike DeWine, Governor
State of Ohio
Columbus, Ohio 43215

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio (the State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the following organizations which represent the percentages of total assets and expenditures/expenses/deductions indicated for the related opinion units:

Opinion Unit	Organization	Percent of Opinion Unit’s Total	
		Assets	Expenditures/ Expenses/ Deductions
Governmental Activities (GA)	Treasurer of State Lease Revenue Bonds and Buckeye Tobacco Settlement Financing Authority (BTSFA)	2%	2%
Business-Type Activities (BTA)	Ohio Bureau of Workers’ Compensation and Tuition Trust Authority	97%	18%
GA/BTSFA Revenue Bonds	Buckeye Tobacco Settlement Finance Authority	100%	100%
BTA / Workers’ Compensation	Ohio Bureau of Workers’ Compensation	100%	100%
Aggregate Discretely Presented Component Units	Bowling Green State University; Cleveland State University; Columbus State Community College; JobsOhio; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; and Youngstown State University.	90%	93%
Aggregate Remaining Fund Information	Police and Fire Pension Fund, Public Employees Retirement System, School Employees Retirement, State Highway Patrol Retirement System, State Teachers Retirement System, State Treasury Asset Reserve of Ohio, Treasurer of State Lease Revenue Bonds, and Tuition Trust Authority	97%	84%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for these independently audited organizations, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditors audited the financial statements of JobsOhio, which represents six percent of the total assets and nine percent of the total expenses of the aggregate discretely presented component units, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
Governmental - General Fund	Unmodified
Governmental - Job Family & Other Human Services Fund	Unmodified
Governmental - BTSFA Revenue Bonds Fund	Unmodified
Governmental - Coronavirus Relief Fund	Unmodified
Enterprise - Workers' Compensation Fund	Unmodified
Enterprise - Lottery Commission Fund	Unmodified
Enterprise - Unemployment Compensation Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Business-Type Activities and Unemployment Compensation Fund

The State has outsourced unemployment benefit claims processing to a service organization for the Pandemic Unemployment Assistance (PUA) and the corresponding Federal Pandemic Unemployment Compensation (FPUC) benefits. The financial statements report benefits and claims expenses in the Unemployment Compensation Fund (a major enterprise fund) and in the Business-Type Activities. The State or the service organization did not provide us with information we requested regarding the design or proper operation of internal controls related to eligibility for recipient benefits and claims processing. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of PUA and FPUC unemployment benefits and claims expenses. Those transactions represent 19% of expenses reported within Business-Type Activities and 30% of the expenses reported within the Unemployment Compensation Fund. Consequently, the amount by which the lack of internal controls at the State or service

organization would affect the unemployment benefits and claims expenses of the Unemployment Compensation Fund and the Business-Type Activities cannot be reasonably determined.

Qualified Opinions

In our opinion, based on our audit and the report of other auditors, except for the matters described in the *Basis for Qualified Opinion on Business-Type Activities and Unemployment Compensation Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the Unemployment Compensation Fund of the State, as of June 30, 2020, and the respective changes in its financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, aggregate discretely presented component units, the General Fund, the Job Family and Other Human Services Fund, the BTSFA Revenue Bonds fund, the Coronavirus Relief Fund, the Workers' Compensation fund, the Lottery Commission fund, and the aggregate remaining fund information of the State, as of June 30, 2020, and the respective changes in its financial position and, where applicable its cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis, Required Budgetary Comparison Schedules, Schedules for Infrastructure Assets Accounted for using the Modified Approach, Schedules of Net Pension and Other Post-employment Benefit Liabilities, and Pension and Other Post-Employment Benefit Contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries and to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the State's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of

America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 28, 2020