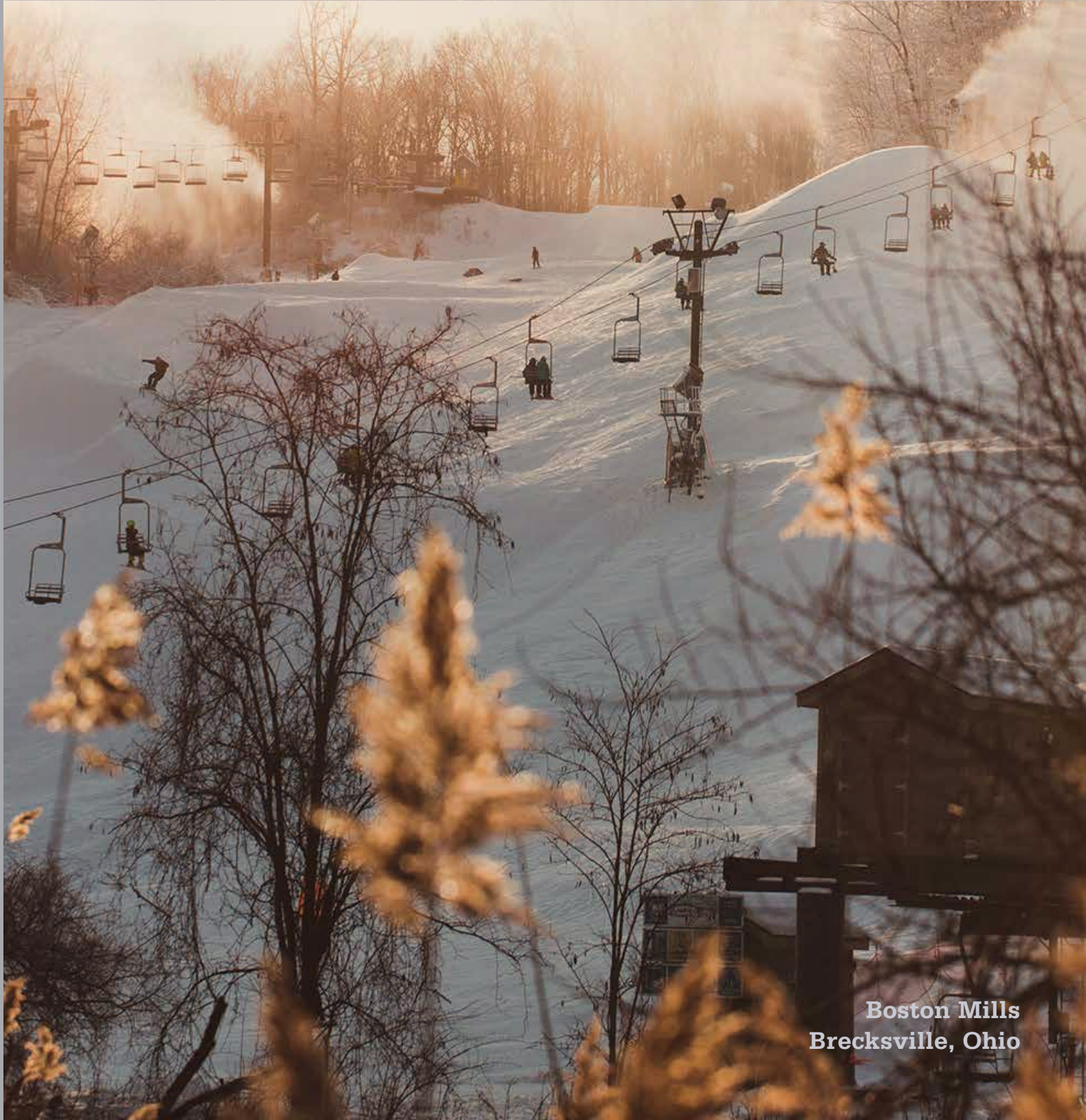


Financial Section

Basic Financial Statements



Boston Mills
Brecksville, Ohio

STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2021
(dollars in thousands)

| | PRIMARY GOVERNMENT | | | |
|---|----------------------------|-----------------------------|-------------------|--------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
| ASSETS: | | | | |
| Cash Equity with Treasurer..... | \$ 21,494,882 | \$ 168,124 | \$ 21,663,006 | \$ 360,550 |
| Cash and Cash Equivalents..... | 165,769 | 801,962 | 967,731 | 2,273,810 |
| Deposit with Federal Government..... | — | 487,435 | 487,435 | — |
| Investments..... | 1,944,921 | 21,939,232 | 23,884,153 | 17,121,304 |
| Collateral on Lent Securities..... | 4,778,901 | 37,447 | 4,816,348 | 79,991 |
| Taxes Receivable..... | 1,946,068 | — | 1,946,068 | — |
| Intergovernmental Receivable..... | 1,275,415 | 6,316 | 1,281,731 | 104,061 |
| Premiums and Assessments Receivable..... | — | 584,853 | 584,853 | — |
| Investment Trade Receivable..... | — | 354,319 | 354,319 | — |
| Loans Receivable, Net..... | 1,405,354 | — | 1,405,354 | 278,314 |
| Receivable from Primary Government..... | — | — | — | 22,347 |
| Receivable from Component Units..... | 9,849 | — | 9,849 | — |
| Other Receivables..... | 1,137,454 | 515,866 | 1,653,320 | 1,875,375 |
| Inventories..... | 344,280 | — | 344,280 | 217,276 |
| Other Assets..... | 411,700 | 34,177 | 445,877 | 2,308,027 |
| Restricted Assets: | | | | |
| Cash Equity with Treasurer..... | — | 43 | 43 | — |
| Cash and Cash Equivalents..... | 22 | 736 | 758 | 632,244 |
| Investments..... | 372,036 | 578,159 | 950,195 | 3,214,609 |
| Collateral on Lent Securities..... | — | 84,269 | 84,269 | — |
| Other Receivables..... | 706,220 | — | 706,220 | — |
| Capital Assets Being Depreciated, Net..... | 2,732,901 | 97,260 | 2,830,161 | 15,078,786 |
| Capital Assets Not Being Depreciated..... | 26,658,316 | 9,466 | 26,667,782 | 1,937,078 |
| TOTAL ASSETS..... | 65,384,088 | 25,699,664 | 91,083,752 | 45,503,772 |
| DEFERRED OUTFLOWS OF RESOURCES..... | 4,905,832 | 30,417 | 4,936,249 | 1,244,058 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES..... | 70,289,920 | 25,730,081 | 96,020,001 | 46,747,830 |
| LIABILITIES: | | | | |
| Accounts Payable..... | 925,414 | 52,414 | 977,828 | 938,616 |
| Accrued Liabilities..... | 465,656 | 6,206 | 471,862 | 876,110 |
| Medicaid Claims Payable..... | 619,973 | — | 619,973 | — |
| Obligations Under Securities Lending..... | 4,778,901 | 121,716 | 4,900,617 | 79,991 |
| Investment Trade Payable..... | — | 588,755 | 588,755 | — |
| Intergovernmental Payable..... | 1,711,378 | 1,472,566 | 3,183,944 | 1,198 |
| Internal Balances..... | 486,076 | (486,076) | — | — |
| Payable to Primary Government..... | — | — | — | 10,482 |
| Payable to Component Units..... | 22,347 | — | 22,347 | — |
| Unearned Revenue..... | 5,319,843 | 379,206 | 5,699,049 | 993,916 |
| Benefits Payable..... | — | 13,446 | 13,446 | — |
| Refund and Other Liabilities..... | 1,439,611 | 88,759 | 1,528,370 | 243,570 |
| Noncurrent Liabilities: | | | | |
| Bonds and Notes Payable: | | | | |
| Due in One Year..... | 1,305,084 | — | 1,305,084 | 639,209 |
| Due in More Than One Year..... | 17,392,121 | — | 17,392,121 | 10,677,061 |
| Certificates of Participation: | | | | |
| Due in One Year..... | 31,314 | — | 31,314 | — |
| Due in More Than One Year..... | 241,786 | — | 241,786 | — |
| Other Noncurrent Liabilities: | | | | |
| Due in One Year..... | 204,824 | 1,915,886 | 2,120,710 | 534,913 |
| Due in More Than One Year..... | 5,093,378 | 12,594,246 | 17,687,624 | 8,707,440 |
| TOTAL LIABILITIES..... | 40,037,706 | 16,747,124 | 56,784,830 | 23,702,506 |
| DEFERRED INFLOWS OF RESOURCES..... | 4,425,762 | 184,556 | 4,610,318 | 6,238,531 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES..... | 44,463,468 | 16,931,680 | 61,395,148 | 29,941,037 |

The notes to the financial statements are an integral part of this statement.

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| NET POSITION (DEFICITS): | | | | |
| Net Investment in Capital Assets..... | 25,297,331 | 91,810 | 25,389,141 | 9,577,066 |
| Restricted for: | | | | |
| Primary, Secondary and Other Education..... | 135,713 | — | 135,713 | — |
| Higher Education Support..... | 76,044 | — | 76,044 | — |
| Public Assistance and Medicaid..... | 442,377 | — | 442,377 | — |
| Health and Human Services..... | 487,403 | — | 487,403 | — |
| Justice and Public Protection..... | 166,156 | — | 166,156 | — |
| Environmental Protection and Natural Resources..... | 417,404 | — | 417,404 | — |
| Transportation..... | 2,849,466 | — | 2,849,466 | 204,899 |
| General Government..... | 280,968 | — | 280,968 | — |
| Community and Economic Development..... | 1,049,749 | — | 1,049,749 | 6,950 |
| Lottery Prizes..... | — | 91,013 | 91,013 | — |
| Workers Compensation..... | — | 9,275,737 | 9,275,737 | — |
| Tuition Trust Authority..... | — | 114,227 | 114,227 | — |
| Nonexpendable for | | | | |
| Colleges and Universities..... | — | — | — | 4,804,873 |
| Expendable for | | | | |
| Colleges and Universities..... | — | — | — | 4,413,647 |
| Unrestricted..... | (5,376,159) | (774,386) | (6,150,545) | (2,200,642) |
| TOTAL NET POSITION (DEFICITS)..... | \$ 25,826,452 | \$ 8,798,401 | \$ 34,624,853 | \$ 16,806,793 |

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(dollars in thousands)

| | | PROGRAM REVENUES | | | |
|--|---------------|---|--|--|-----------------------------|
| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES | OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS) | CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS) | NET (EXPENSE) REVENUE |
| PRIMARY GOVERNMENT: | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Primary, Secondary | | | | | |
| and Other Education..... | \$ 14,679,666 | \$ 18,346 | \$ 2,829,259 | \$ — | \$ (11,832,061) |
| Higher Education Support | 3,008,618 | 2,221 | 334,389 | — | (2,672,008) |
| Public Assistance and Medicaid | 37,646,142 | 3,516,188 | 28,784,915 | — | (5,345,039) |
| Health and Human Services | 1,898,068 | 145,002 | 1,548,538 | — | (204,528) |
| Justice and Public Protection | 3,303,035 | 1,197,262 | 602,835 | 9 | (1,502,929) |
| Environmental Protection | | | | | |
| and Natural Resources..... | 457,657 | 281,670 | 95,095 | 1,824 | (79,068) |
| Transportation | 2,565,694 | 221,025 | 393,770 | 1,465,173 | (485,726) |
| General Government | 2,085,214 | 662,303 | 1,656,773 | 13 | 233,875 |
| Community and Economic | | | | | |
| Development..... | 4,003,838 | 465,365 | 614,399 | 18,772 | (2,905,302) |
| Interest on Long-Term Debt | | | | | |
| (excludes interest charged as | | | | | |
| program expense)..... | 91,499 | — | — | — | (91,499) |
| TOTAL GOVERNMENTAL ACTIVITIES..... | 69,739,431 | 6,509,382 | 36,859,973 | 1,485,791 | (24,884,285) |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Workers' Compensation..... | 6,845,396 | 1,176,954 | 3,464,053 | — | (2,204,389) |
| Lottery Commission..... | 4,091,517 | 5,515,487 | (12,683) | — | 1,411,287 |
| Unemployment Compensation..... | 14,539,576 | 1,264,495 | 12,559,560 | — | (715,521) |
| Tuition Trust Authority..... | 31,902 | 6,261 | 31,298 | — | 5,657 |
| Office of Auditor of State..... | 41,946 | 45,291 | — | — | 3,345 |
| TOTAL BUSINESS-TYPE ACTIVITIES..... | 25,550,337 | 8,008,488 | 16,042,228 | — | (1,499,621) |
| TOTAL PRIMARY GOVERNMENT..... | \$ 95,289,768 | \$ 14,517,870 | \$ 52,902,201 | \$ 1,485,791 | \$ (26,383,906) |
| COMPONENT UNITS: | | | | | |
| Ohio Facilities Construction Commission..... | \$ 60,872 | \$ 6,019 | \$ 1,985 | \$ — | \$ (52,868) |
| Ohio State University..... | 6,446,704 | 5,861,865 | 840,451 | 78,942 | 334,554 |
| Other Component Units..... | 8,079,589 | 5,678,650 | 1,430,516 | 30,029 | (940,394) |
| TOTAL COMPONENT UNITS..... | \$ 14,587,165 | \$ 11,546,534 | \$ 2,272,952 | \$ 108,971 | \$ (658,708) |

The notes to the financial statements are an integral part of this statement.

| PRIMARY GOVERNMENT | | | | |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
| CHANGES IN NET POSITION: | | | | |
| Net (Expense) Revenue..... | \$ (24,884,285) | \$ (1,499,621) | \$ (26,383,906) | \$ (658,708) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Income..... | 9,852,014 | — | 9,852,014 | — |
| Sales..... | 12,338,794 | — | 12,338,794 | — |
| Corporate and Public Utility | 3,137,355 | — | 3,137,355 | — |
| Cigarette..... | 928,637 | — | 928,637 | — |
| Other..... | 1,165,968 | — | 1,165,968 | — |
| Restricted for Transportation Purposes: | | | | |
| Motor Vehicle Fuel Taxes..... | 2,547,613 | — | 2,547,613 | — |
| Total Taxes..... | 29,970,381 | — | 29,970,381 | — |
| Tobacco Settlement..... | 362,378 | — | 362,378 | — |
| Escheat Property..... | 230,265 | — | 230,265 | — |
| Unrestricted Investment Income..... | (22,994) | 7 | (22,987) | 3,024,376 |
| State Assistance | — | — | — | 2,535,898 |
| Other..... | 723 | 552 | 1,275 | 1,220,840 |
| Gain (Loss) on Extinguishment of Debt..... | — | 111 | 111 | — |
| Additions to Endowments | | | | |
| and Permanent Fund Principal..... | — | — | — | 132,840 |
| Transfers-Internal Activities..... | 1,342,535 | (1,342,535) | — | — |
| TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS..... | 31,883,288 | (1,341,865) | 30,541,423 | 6,913,954 |
| CHANGE IN NET POSITION..... | 6,999,003 | (2,841,486) | 4,157,517 | 6,255,246 |
| NET POSITION (DEFICITS), JULY 1 (as restated)... | 18,827,449 | 11,639,887 | 30,467,336 | 10,551,547 |
| NET POSITION (DEFICITS), JUNE 30..... | \$ 25,826,452 | \$ 8,798,401 | \$ 34,624,853 | \$ 16,806,793 |

STATE OF OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021
(dollars in thousands)

| | MAJOR FUNDS | | |
|--|----------------------|--|---|
| | GENERAL | JOB, FAMILY AND OTHER HUMAN SERVICES | BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS |
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 11,585,403 | \$ 844,787 | \$ — |
| Cash and Cash Equivalents..... | 114,076 | 2,842 | 22 |
| Investments..... | 1,886,150 | — | 372,036 |
| Collateral on Lent Securities..... | 2,571,741 | 188,162 | — |
| Taxes Receivable | 1,757,567 | — | — |
| Intergovernmental Receivable..... | 320,513 | 311,361 | — |
| Loans Receivable, Net | 1,219,505 | — | — |
| Receivable from Component Units..... | — | — | — |
| Other Receivables | 314,860 | 778,528 | 706,220 |
| Inventories | 19,714 | — | — |
| Other Assets | 47 | — | — |
| TOTAL ASSETS | 19,789,576 | 2,125,680 | 1,078,278 |
| DEFERRED OUTFLOWS OF RESOURCES..... | — | — | 3,811,934 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES..... | \$ 19,789,576 | \$ 2,125,680 | \$ 4,890,212 |
| LIABILITIES: | | | |
| Accounts Payable | \$ 286,453 | \$ 215,272 | \$ — |
| Accrued Liabilities..... | 212,134 | 31,319 | — |
| Medicaid Claims Payable..... | 419,838 | — | — |
| Obligations Under Securities Lending..... | 2,571,741 | 188,162 | — |
| Intergovernmental Payable..... | 1,184,931 | 130,717 | — |
| Interfund Payable..... | 374,647 | 8,771 | — |
| Payable to Component Units..... | 11,010 | 3,611 | — |
| Unearned Revenue..... | — | 720,070 | — |
| Refund and Other Liabilities..... | 1,436,629 | 2,982 | — |
| Liability for Escheat Property..... | 314,195 | — | — |
| TOTAL LIABILITIES..... | 6,811,578 | 1,300,904 | — |
| DEFERRED INFLOWS OF RESOURCES..... | 914,100 | 81,928 | 706,220 |
| FUND BALANCES (DEFICITS): | | | |
| Nonspendable..... | 47,018 | — | — |
| Restricted..... | 1,605,009 | 182,022 | 4,183,992 |
| Committed..... | 837,568 | 567,500 | — |
| Assigned..... | 3,856,376 | — | — |
| Unassigned..... | 5,717,927 | (6,674) | — |
| TOTAL FUND BALANCES (DEFICITS) | 12,063,898 | 742,848 | 4,183,992 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 19,789,576 | \$ 2,125,680 | \$ 4,890,212 |

The notes to the financial statements are an integral part of this statement.

| PANDEMIC RELIEF FUNDS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL |
|----------------------------------|--|-----------------------------|
| \$ 4,490,968 | \$ 4,573,724 | \$ 21,494,882 |
| — | 48,851 | 165,791 |
| — | 58,771 | 2,316,957 |
| 1,000,285 | 1,018,713 | 4,778,901 |
| — | 188,501 | 1,946,068 |
| — | 643,541 | 1,275,415 |
| — | 185,849 | 1,405,354 |
| — | 9,849 | 9,849 |
| — | 44,066 | 1,843,674 |
| 103,230 | 221,336 | 344,280 |
| — | — | 47 |
| <u>5,594,483</u> | <u>6,993,201</u> | <u>35,581,218</u> |
| <u>—</u> | <u>—</u> | <u>3,811,934</u> |
| <u>\$ 5,594,483</u> | <u>\$ 6,993,201</u> | <u>\$ 39,393,152</u> |
| \$ 24,854 | \$ 398,812 | \$ 925,391 |
| 426 | 79,247 | 323,126 |
| — | 200,135 | 619,973 |
| 1,000,285 | 1,018,713 | 4,778,901 |
| — | 395,730 | 1,711,378 |
| 6,011 | 96,647 | 486,076 |
| — | 7,726 | 22,347 |
| 4,459,677 | 140,096 | 5,319,843 |
| — | — | 1,439,611 |
| — | — | 314,195 |
| <u>5,491,253</u> | <u>2,337,106</u> | <u>15,940,841</u> |
| <u>—</u> | <u>40,149</u> | <u>1,742,397</u> |
| 103,230 | 221,336 | 371,584 |
| — | 3,622,732 | 9,593,755 |
| — | 771,878 | 2,176,946 |
| — | — | 3,856,376 |
| — | — | 5,711,253 |
| <u>103,230</u> | <u>4,615,946</u> | <u>21,709,914</u> |
| <u>\$ 5,594,483</u> | <u>\$ 6,993,201</u> | <u>\$ 39,393,152</u> |

STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2021 (dollars in thousands)

Total Fund Balances for Governmental Funds..... **\$ 21,709,914**

Total net position reported for governmental activities in the Statement of Net Position is different because:

Net Pension Assets Reported for Governmental Activities are not Financing Resources and therefore are not Reported in the Funds..... 411,653

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

| | |
|--|--------------------------|
| Land..... | 2,622,710 |
| Buildings and Improvements, net of \$2,711,457 accumulated depreciation..... | 1,695,070 |
| Land Improvements, net of \$400,004 accumulated depreciation..... | 168,402 |
| Machinery and Equipment, net of \$1,282,423 accumulated depreciation..... | 520,118 |
| Vehicles, net of \$347,699 accumulated depreciation..... | 197,831 |
| Infrastructure, net of \$66,212 accumulated depreciation..... | 21,520,858 |
| Construction-in-Progress..... | <u>2,666,228</u> |
| Total Capital Assets..... | <u>29,391,217</u> |

The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.

| | |
|--|-------------------------|
| Hedging Derivative Instruments | 8,396 |
| Loss on Debt Refundings..... | 203,314 |
| Net Pension and OPEB Liability/Asset..... | <u>882,188</u> |
| Total Deferred Outflows of Resources..... | <u>1,093,898</u> |

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

| | |
|--------------------------------------|----------------------------|
| Accrued Liabilities: | |
| Interest Payable..... | (142,530) |
| Accounts Payable | (23) |
| Bonds and Notes Payable: | |
| General Obligation Bonds..... | (9,442,030) |
| Revenue Bonds and Notes..... | (6,627,043) |
| Special Obligation Bonds..... | (2,628,132) |
| Certificates of Participation..... | (273,100) |
| Other Noncurrent Liabilities: | |
| Compensated Absences..... | (572,734) |
| Net Pension Liability..... | (3,416,948) |
| Net OPEB Liability..... | (633,413) |
| Capital Leases Payable..... | (27,394) |
| Derivative Instruments..... | (11,756) |
| Pollution Remediation..... | (1,829) |
| Infrastructure Liabilities..... | <u>(319,933)</u> |
| Total Liabilities..... | <u>(24,096,865)</u> |

The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.

| | |
|--|---------------------------|
| Resources from the Sale of Future Revenues..... | (936,692) |
| Net Pension and OPEB Liability/Asset..... | (2,721,944) |
| Debt Refundings..... | <u>(25,149)</u> |
| Less Unavailable Resources Reported in the Funds: | |
| Taxes Receivable..... | 121,554 |
| Intergovernmental Receivable..... | 142,267 |
| Other Receivables..... | <u>736,599</u> |
| Total Deferred Inflows of Resources..... | <u>(2,683,365)</u> |

Total Net Position of Governmental Activities..... **\$ 25,826,452**

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (dollars in thousands)

| | MAJOR FUNDS | | |
|---|----------------------|--|---|
| | GENERAL | JOB, FAMILY AND OTHER HUMAN SERVICES | BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS |
| REVENUES: | | | |
| Income Taxes..... | \$ 9,843,394 | \$ — | \$ — |
| Sales Taxes..... | 12,338,794 | — | — |
| Corporate and Public Utility Taxes..... | 3,092,343 | — | — |
| Motor Vehicle Fuel Taxes..... | 1,429,435 | — | — |
| Cigarette Taxes..... | 928,637 | — | — |
| Other Taxes..... | 794,540 | 946 | — |
| Licenses, Permits and Fees..... | 1,329,822 | 2,642,761 | — |
| Sales, Services and Charges..... | 98,976 | — | — |
| Federal Government..... | 12,272,448 | 14,386,865 | — |
| Tobacco Settlement..... | 252 | — | 306,162 |
| Escheat Property..... | 230,265 | — | — |
| Investment Income..... | 31,450 | 4,303 | 988 |
| Other..... | 560,049 | 456,724 | 37 |
| TOTAL REVENUES..... | 42,950,405 | 17,491,599 | 307,187 |
| EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | 10,194,210 | — | 99,163 |
| Higher Education Support..... | 2,563,549 | — | — |
| Public Assistance and Medicaid..... | 18,272,285 | 16,769,141 | — |
| Health and Human Services..... | 708,769 | 334,438 | — |
| Justice and Public Protection..... | 3,355,971 | 57,026 | — |
| Environmental Protection and Natural Resources..... | 120,487 | — | — |
| Transportation..... | 47,531 | — | — |
| General Government..... | 586,390 | 3,033 | 1,800 |
| Community and Economic Development..... | 2,933,018 | — | — |
| CAPITAL OUTLAY..... | — | 7,117 | — |
| DEBT SERVICE..... | — | — | 306,490 |
| TOTAL EXPENDITURES..... | 38,782,210 | 17,170,755 | 407,453 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 4,168,195 | 320,844 | (100,266) |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds, Notes, and COPs Issued..... | 737,411 | — | — |
| Refunding Bonds and COPs Issued..... | — | — | — |
| Payment to Refunded Bond and COPs Escrow Agents..... | — | — | — |
| Premiums/Discounts..... | 188,996 | — | — |
| Capital Leases..... | 1,634 | — | — |
| Transfers-in..... | 281,440 | 27,321 | 18 |
| Transfers-out..... | (1,908,638) | (5,465) | (22,614) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (699,157) | 21,856 | (22,596) |
| NET CHANGE IN FUND BALANCES..... | 3,469,038 | 342,700 | (122,862) |
| FUND BALANCES (DEFICITS), July 1 (as restated)..... | 8,600,905 | 400,148 | 4,306,854 |
| Increase (Decrease) for Changes in Inventories..... | (6,045) | — | — |
| FUND BALANCES (DEFICITS), JUNE 30..... | \$ 12,063,898 | \$ 742,848 | \$ 4,183,992 |

The notes to the financial statements are an integral part of this statement.

31

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (dollars in thousands)

| | |
|---|---------------------|
| Net Change in Fund Balances -- Total Governmental Funds..... | \$ 4,423,464 |
| Change in Inventories..... | 90,087 |
| | <u>4,513,551</u> |

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | |
|---|------------------|
| Capital Outlay Expenditures..... | 682,482 |
| Depreciation Expense..... | <u>(274,479)</u> |
| Excess of Capital Outlay Over Depreciation Expense..... | <u>408,003</u> |

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

| | |
|--|--------------------|
| General Obligation Bonds..... | (673,060) |
| Revenue Bonds and Notes..... | (91,980) |
| Special Obligation Bonds..... | (496,940) |
| Refunding Bonds, including Bond Premium/Discount, Net..... | (360,669) |
| Certificates of Participation..... | (20,500) |
| Premiums and Discounts, Net: | |
| General Obligation Bonds..... | (176,801) |
| Revenue Bonds and Notes..... | (23,633) |
| Special Obligation Bonds..... | (97,672) |
| Certificates of Participation..... | <u>(4,716)</u> |
| Total Debt Proceeds..... | <u>(1,945,971)</u> |

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

| | |
|---|------------------|
| Debt Principal Retirement and Defeasements: | |
| General Obligation Bonds..... | 860,395 |
| Revenue Bonds and Notes..... | 267,184 |
| Special Obligation Bonds..... | 275,328 |
| Certificates of Participation..... | <u>96,406</u> |
| Total Long-Term Debt Repayment..... | <u>1,499,313</u> |

The notes to the financial statements are an integral part of this statement.

Some revenues and expenses reported in the Statement of Activities are not reported as revenue and expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses, liabilities, and deferred resources are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

| | | |
|---|--------------------|--|
| <i>Increase in Other Assets.....</i> | <i>367,750</i> | |
| <i>Increase in Capital Leases Payable.....</i> | <i>(3,116)</i> | |
| <i>Increase in Accrued Interest and Other Accrued Liabilities.....</i> | <i>(4,449)</i> | |
| <i>Increase in Accounts Payable.....</i> | <i>(23)</i> | |
| <i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i> | <i>198,516</i> | |
| <i>Increase in Refunding Loss Included in Deferred Outflows of Resources.....</i> | <i>122,066</i> | |
| <i>Decrease in Pension/OPEB Related Balances Included in Deferred Outflows of Resources.....</i> | <i>(259,175)</i> | |
| <i>Decrease in Resources of a Future Period.....</i> | <i>(143,820)</i> | |
| <i>Increase in Compensated Absences.....</i> | <i>(56,839)</i> | |
| <i>Decrease in Derivative Instrument Liabilities (Excluding Hedging Derivative Instruments)</i> | <i>2,642</i> | |
| <i>Decrease in Pollution Remediation.....</i> | <i>51</i> | |
| <i>Decrease in Infrastructure Liability.....</i> | <i>22,062</i> | |
| <i>Decrease in Net Pension Liability.....</i> | <i>922,372</i> | |
| <i>Decrease in OPEB Liability.....</i> | <i>2,487,058</i> | |
| <i>Increase in Deferred Inflow of Resources.....</i> | <i>(1,130,988)</i> | |
| | | |
| <i>Total Additional Revenues and Expenditures.....</i> | | <u><i>2,524,107</i></u> |
| <i>Change in Net Position of Governmental Activities.....</i> | | <u><u><i>\$ 6,999,003</i></u></u> |

STATE OF OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS -- ENTERPRISE
 JUNE 30, 2021
 (dollars in thousands)

| | MAJOR PROPRIETARY FUNDS | | |
|---|--------------------------|-----------------------|------------------------------|
| | WORKERS' COMPENSATION | LOTTERY COMMISSION | UNEMPLOYMENT COMPENSATION |
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 23,538 | \$ 111,330 | \$ — |
| Cash and Cash Equivalents..... | 593,875 | 196,798 | — |
| Deposit with Federal Government..... | — | — | 487,435 |
| Collateral on Lent Securities..... | 5,243 | 24,797 | — |
| Restricted Assets: | | | |
| Cash Equity with Treasurer..... | — | 43 | — |
| Investments..... | — | 41,931 | — |
| Collateral on Lent Securities..... | — | 84,269 | — |
| Intergovernmental Receivable..... | — | — | 813 |
| Premiums and Assessments Receivable..... | 550 | — | 26,620 |
| Investment Trade Receivable..... | 354,319 | — | — |
| Interfund Receivable..... | 46,904 | — | — |
| Other Receivables..... | 394,141 | 54,070 | 66,758 |
| Other Assets..... | 600 | 2,952 | 20 |
| TOTAL CURRENT ASSETS..... | 1,419,170 | 516,190 | 581,646 |
| NONCURRENT ASSETS: | | | |
| Restricted Assets: | | | |
| Cash and Cash Equivalents..... | 736 | — | — |
| Investments..... | — | 322,573 | — |
| Investments..... | 21,939,232 | — | — |
| Premiums and Assessments Receivable..... | 557,683 | — | — |
| Interfund Receivable..... | 438,047 | — | — |
| Other Assets..... | 19,339 | 3,431 | — |
| Capital Assets Being Depreciated, Net..... | 73,715 | 22,889 | — |
| Capital Assets Not Being Depreciated..... | 9,466 | — | — |
| TOTAL NONCURRENT ASSETS..... | 23,038,218 | 348,893 | — |
| TOTAL ASSETS..... | 24,457,388 | 865,083 | 581,646 |
| DEFERRED OUTFLOWS OF RESOURCES..... | 20,083 | 3,125 | — |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES..... | 24,477,471 | 868,208 | 581,646 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable..... | 24,422 | 27,144 | — |
| Accrued Liabilities..... | — | — | — |
| Obligations Under Securities Lending..... | 5,243 | 109,066 | — |
| Investment Trade Payable..... | 588,755 | — | — |
| Intergovernmental Payable..... | — | — | 1,472,566 |
| Prize Awards Payable..... | — | 41,975 | — |
| Interfund Payable..... | — | 106 | — |
| Unearned Revenue..... | 376,746 | 1,357 | — |
| Benefits Payable..... | 1,294,961 | — | 13,446 |
| Refund and Other Liabilities..... | 591,207 | 42,476 | 8,065 |
| TOTAL CURRENT LIABILITIES..... | 2,881,334 | 222,124 | 1,494,077 |
| NONCURRENT LIABILITIES: | | | |
| Prize Awards Payable..... | — | 288,308 | — |
| Interfund Payable..... | — | 758 | — |
| Benefits Payable..... | 10,593,651 | — | — |
| Refund and Other Liabilities..... | 1,522,900 | 40,285 | — |
| TOTAL NONCURRENT LIABILITIES..... | 12,116,551 | 329,351 | — |
| TOTAL LIABILITIES..... | 14,997,885 | 551,475 | 1,494,077 |
| DEFERRED INFLOWS OF RESOURCES..... | 120,668 | 19,536 | — |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES..... | 15,118,553 | 571,011 | 1,494,077 |
| NET POSITION (DEFICITS): | | | |
| Net Investment in Capital Assets..... | 83,181 | 7,973 | — |
| Restricted for Lottery Prizes..... | — | 91,013 | — |
| Unrestricted..... | 9,275,737 | 198,211 | (912,431) |
| TOTAL NET POSITION (DEFICITS)..... | \$ 9,358,918 | \$ 297,197 | \$ (912,431) |

The notes to the financial statements are an integral part of this statement.

| NONMAJOR PROPRIETARY FUNDS | | TOTAL | |
|----------------------------------|---------|-------|------------|
| \$ | 33,256 | \$ | 168,124 |
| | 11,289 | | 801,962 |
| | — | | 487,435 |
| | 7,407 | | 37,447 |
| | — | | 43 |
| | 24,000 | | 65,931 |
| | — | | 84,269 |
| | 5,503 | | 6,316 |
| | — | | 27,170 |
| | — | | 354,319 |
| | 1,989 | | 48,893 |
| | 897 | | 515,866 |
| | — | | 3,572 |
| | 84,341 | | 2,601,347 |
| | — | | 736 |
| | 189,655 | | 512,228 |
| | — | | 21,939,232 |
| | — | | 557,683 |
| | — | | 438,047 |
| | 7,835 | | 30,605 |
| | 656 | | 97,260 |
| | — | | 9,466 |
| | 198,146 | | 23,585,257 |
| | 282,487 | | 26,186,604 |
| | 7,209 | | 30,417 |
| | 289,696 | | 26,217,021 |
| | 848 | | 52,414 |
| | 6,206 | | 6,206 |
| | 7,407 | | 121,716 |
| | — | | 588,755 |
| | — | | 1,472,566 |
| | — | | 41,975 |
| | — | | 106 |
| | 1,103 | | 379,206 |
| | 24,000 | | 1,332,407 |
| | 1,961 | | 643,709 |
| | 41,525 | | 4,639,060 |
| | — | | 288,308 |
| | — | | 758 |
| | 84,900 | | 10,678,551 |
| | 64,202 | | 1,627,387 |
| | 149,102 | | 12,595,004 |
| | 190,627 | | 17,234,064 |
| | 44,352 | | 184,556 |
| | 234,979 | | 17,418,620 |
| | 656 | | 91,810 |
| | — | | 91,013 |
| | 54,061 | | 8,615,578 |
| \$ | 54,717 | \$ | 8,798,401 |

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(dollars in thousands)

| | MAJOR PROPRIETARY FUNDS | | |
|--|--------------------------|-----------------------|------------------------------|
| | WORKERS' COMPENSATION | LOTTERY COMMISSION | UNEMPLOYMENT COMPENSATION |
| OPERATING REVENUES: | | | |
| Charges for Sales and Services..... | \$ — | \$ 5,515,487 | \$ 48,636 |
| Premium and Assessment Income..... | 1,169,595 | — | 1,077,602 |
| Federal Government..... | — | — | 12,567,930 |
| Investment Income..... | — | — | — |
| Other..... | 7,359 | — | 127,815 |
| TOTAL OPERATING REVENUES..... | 1,176,954 | 5,515,487 | 13,821,983 |
| OPERATING EXPENSES: | | | |
| Costs of Sales and Services..... | — | — | — |
| Administration..... | 27,348 | 143,505 | — |
| Bonuses and Commissions..... | — | 1,085,109 | — |
| Prizes..... | — | 2,841,590 | — |
| Benefits and Claims..... | 526,258 | — | 14,539,576 |
| Depreciation..... | 14,224 | 8,398 | — |
| Other..... | 6,277,566 | — | — |
| TOTAL OPERATING EXPENSES..... | 6,845,396 | 4,078,602 | 14,539,576 |
| OPERATING INCOME (LOSS)..... | (5,668,442) | 1,436,885 | (717,593) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment Income..... | 3,464,053 | (12,683) | 2,072 |
| Interest Expense..... | — | (46) | — |
| Other..... | — | (12,869) | — |
| TOTAL NONOPERATING REVENUES (EXPENSES)..... | 3,464,053 | (25,598) | 2,072 |
| INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS..... | (2,204,389) | 1,411,287 | (715,521) |
| Gain on Extinguishment of Debt..... | — | — | 111 |
| Transfers-in..... | 8,253 | — | — |
| Transfers-out..... | (8,923) | (1,360,689) | (20,423) |
| TOTAL GAIN (LOSS) AND TRANSFERS..... | (670) | (1,360,689) | (20,312) |
| NET INCOME (LOSS)..... | (2,205,059) | 50,598 | (735,833) |
| NET POSITION (DEFICITS), JULY 1..... | 11,563,977 | 246,599 | (176,598) |
| NET POSITION (DEFICITS), JUNE 30..... | \$ 9,358,918 | \$ 297,197 | \$ (912,431) |

The notes to the financial statements are an integral part of this statement.

| NONMAJOR PROPRIETARY FUNDS | | TOTAL | |
|----------------------------------|---------------|-----------|--------------------|
| \$ | 51,536 | \$ | 5,615,659 |
| | — | | 2,247,197 |
| | — | | 12,567,930 |
| | 7,598 | | 7,598 |
| | 23,716 | | 158,890 |
| | 82,850 | | 20,597,274 |
| | 35,277 | | 35,277 |
| | 14,425 | | 185,278 |
| | — | | 1,085,109 |
| | — | | 2,841,590 |
| | 23,955 | | 15,089,789 |
| | 191 | | 22,813 |
| | — | | 6,277,566 |
| | 73,848 | | 25,537,422 |
| | 9,002 | | (4,940,148) |
| | 7 | | 3,453,449 |
| | — | | (46) |
| | 552 | | (12,317) |
| | 559 | | 3,441,086 |
| | 9,561 | | (1,499,062) |
| | — | | 111 |
| | 39,247 | | 47,500 |
| | — | | (1,390,035) |
| | 39,247 | | (1,342,424) |
| | 48,808 | | (2,841,486) |
| | 5,909 | | 11,639,887 |
| \$ | 54,717 | \$ | 8,798,401 |

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(dollars in thousands)

| | MAJOR PROPRIETARY FUNDS | | |
|--|----------------------------------|-------------------------------|--------------------------------------|
| | WORKERS' COMPENSATION | LOTTERY COMMISSION | UNEMPLOYMENT COMPENSATION |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Customers..... | \$ — | \$ 5,533,901 | \$ — |
| Cash Received from Multi-State Lottery for Grand Prize Winner..... | — | 390 | — |
| Cash Received from Premiums and Assessments..... | 1,166,717 | — | 1,149,061 |
| Cash Received from Interfund Services Provided..... | 37,483 | — | — |
| Other Operating Cash Receipts..... | 28,287 | (951) | 12,697,865 |
| Cash Payments to Suppliers for Goods and Services..... | (80,982) | (91,800) | — |
| Cash Payments to Employees for Services..... | (218,030) | (37,335) | — |
| Cash Payments for Benefits and Claims..... | (1,448,122) | — | (13,687,078) |
| Cash Payments for Lottery Prizes..... | — | (2,884,319) | — |
| Cash Payments for Bonuses and Commissions..... | — | (1,085,109) | — |
| Cash Payments for Premium Reductions and Refunds..... | (6,433,444) | — | — |
| Cash Payments for Interfund Services Used..... | (39,401) | (10,416) | — |
| Other Operating Cash Payments..... | — | (6,536) | (944,536) |
| NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES..... | (6,987,492) | 1,417,825 | (784,688) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Federal Advance (Loan) | — | — | 1,254,076 |
| Other..... | — | — | — |
| Transfers-in | 8,253 | — | — |
| Transfers-out | (8,923) | (1,360,689) | (20,423) |
| NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES..... | (670) | (1,360,689) | 1,233,653 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Principal Payments on Bonds, Notes and Capital Leases..... | — | (1,945) | — |
| Acquisition and Construction of Capital Assets | (419) | (1,043) | — |
| Proceeds from Sales of Capital Assets | 221 | — | — |
| NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES..... | (198) | (2,988) | — |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of Investments..... | (12,522,010) | (39,953) | — |
| Proceeds from the Sales and Maturities of Investments | 19,130,501 | 75,443 | — |
| Investment Income Received | 565,385 | (1,787) | 2,072 |
| Borrower Rebates and Agent Fees..... | (54,995) | (96) | — |
| NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES..... | 7,118,881 | 33,607 | 2,072 |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS..... | 130,521 | 87,755 | 451,037 |
| CASH AND CASH EQUIVALENTS, JULY 1 | 487,628 | 220,416 | 36,398 |
| CASH AND CASH EQUIVALENTS, JUNE 30 | \$ 618,149 | \$ 308,171 | \$ 487,435 |

The notes to the financial statements are an integral part of this statement.

| NONMAJOR PROPRIETARY FUNDS | | TOTAL |
|---|-----------------|---------------------|
| \$ | 36,512 | \$ 5,570,413 |
| | — | 390 |
| | — | 2,315,778 |
| | 10,589 | 48,072 |
| | 6,400 | 12,731,601 |
| | (8,451) | (181,233) |
| | (82,079) | (337,444) |
| | — | (15,135,200) |
| | — | (2,884,319) |
| | — | (1,085,109) |
| | — | (6,433,444) |
| | (4,636) | (54,453) |
| | (23,955) | (975,027) |
| | (65,620) | (6,419,975) |
| | — | 1,254,076 |
| | 552 | 552 |
| | 39,079 | 47,332 |
| | — | (1,390,035) |
| | 39,631 | (88,075) |
| | — | (1,945) |
| | (95) | (1,557) |
| | — | 221 |
| | (95) | (3,281) |
| | (39,763) | (12,601,726) |
| | 64,617 | 19,270,561 |
| | 252 | 565,922 |
| | — | (55,091) |
| | 25,106 | 7,179,666 |
| | (978) | 668,335 |
| | 45,523 | 789,965 |
| \$ | 44,545 | \$ 1,458,300 |

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(dollars in thousands)
(continued)

| | MAJOR PROPRIETARY FUNDS | | |
|--|----------------------------------|-------------------------------|--------------------------------------|
| | WORKERS' COMPENSATION | LOTTERY COMMISSION | UNEMPLOYMENT COMPENSATION |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating Income (Loss)..... | \$ (5,668,442) | \$ 1,436,885 | \$ (717,593) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Investment Income..... | — | — | — |
| Depreciation | 14,224 | 8,398 | — |
| Provision for Uncollectible Accounts..... | 28,471 | — | — |
| Decrease (Increase) in Assets: | | | |
| Intergovernmental Receivable..... | — | — | (435) |
| Premiums and Assessments Receivable..... | 32,633 | — | 38,207 |
| Interfund Receivable..... | 20,035 | — | — |
| Other Receivables | (179,725) | 17,663 | (45,947) |
| Other Assets | — | 2,337 | — |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | 5,846 | 13,224 | — |
| Accrued Liabilities..... | — | — | — |
| Intergovernmental Payable..... | — | — | (2,815) |
| Prize Awards Payable..... | — | (35,263) | — |
| Interfund Payable..... | — | (92) | — |
| Unearned Revenue | 40,778 | (201) | — |
| Benefits Payable..... | (880,042) | — | (61,898) |
| Refund and Other Liabilities..... | (401,270) | (25,126) | 5,793 |
| NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES..... | \$ (6,987,492) | \$ 1,417,825 | \$ (784,688) |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | | |
| Change in Fair Value of Investments..... | \$ 2,995,025 | \$ (50,741) | \$ — |
| Gain on Extinguishment of Debt..... | — | — | 111 |
| Acquiring a Capital Asset through a Capital Lease..... | — | 13,900 | — |

The notes to the financial statements are an integral part of this statement.

| NONMAJOR PROPRIETARY FUNDS | | TOTAL | |
|---|-----------------|--------------|--------------------|
| \$ | 9,002 | \$ | (4,940,148) |
| | (7,598) | | (7,598) |
| | 191 | | 22,813 |
| | — | | 28,471 |
| | (16,499) | | (16,934) |
| | — | | 70,840 |
| | (168) | | 19,867 |
| | (454) | | (208,463) |
| | — | | 2,337 |
| | (28,107) | | (9,037) |
| | 538 | | 538 |
| | — | | (2,815) |
| | — | | (35,263) |
| | — | | (92) |
| | 1,103 | | 41,680 |
| | (23,700) | | (965,640) |
| | 72 | | (420,531) |
| \$ | (65,620) | \$ | (6,419,975) |

| | | | |
|----|---|----|-----------|
| \$ | — | \$ | 2,944,284 |
| | — | | 111 |
| | — | | 13,900 |

STATE OF OHIO

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2021 (dollars in thousands)

| | PENSION TRUST - STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/20) | PRIVATE- PURPOSE TRUST FUNDS | INVESTMENT TRUST - STAR OHIO |
|---|--|------------------------------------|---------------------------------|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ — | \$ — | \$ — |
| Cash and Cash Equivalents..... | 36,992 | 297,398 | 824,382 |
| Investments (at fair value): | | | |
| U.S. Government and Agency Obligations..... | 15,497 | — | 1,668,913 |
| Common and Preferred Stock..... | 75,112 | — | — |
| Corporate Bonds and Notes..... | 16,991 | — | 652,706 |
| Foreign Stocks and Bonds..... | 5,086 | — | — |
| Commercial Paper..... | — | — | 6,111,385 |
| Repurchase Agreements..... | — | — | 338,756 |
| Mutual Funds..... | 529,464 | 16,010,827 | 5,348,417 |
| Real Estate..... | 68,139 | — | — |
| Partnership and Hedge Funds..... | 284,738 | — | — |
| State Treasury Asset Reserve of Ohio (STAR Ohio)..... | — | — | — |
| Collateral on Lent Securities..... | — | — | — |
| Employer Contributions Receivable..... | 559 | — | — |
| Employee Contributions Receivable..... | 1,670 | — | — |
| Other Receivables..... | 1,192 | 69,907 | 11,698 |
| Other Assets..... | 73 | — | — |
| TOTAL ASSETS..... | 1,035,513 | 16,378,132 | 14,956,257 |
| DEFERRED OUTFLOWS OF RESOURCES..... | 293 | — | — |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES..... | 1,035,806 | 16,378,132 | 14,956,257 |
| LIABILITIES: | | | |
| Accounts Payable..... | 522 | — | — |
| Accrued Liabilities..... | 7,377 | 4,401 | 575 |
| Obligations Under Securities Lending..... | — | — | — |
| Intergovernmental Payable..... | — | — | — |
| Refund and Other Liabilities..... | 1,476 | 55,905 | 60 |
| TOTAL LIABILITIES..... | 9,375 | 60,306 | 635 |
| DEFERRED INFLOWS OF RESOURCES..... | 417 | — | — |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES..... | 9,792 | 60,306 | 635 |
| NET POSITION (DEFICITS): | | | |
| Restricted for: | | | |
| Employees' Pension Benefits..... | 907,391 | — | — |
| Employees' Postemployment Healthcare Benefits..... | 118,623 | — | — |
| Individuals, Organizations and Other Governments..... | — | 16,317,826 | — |
| Pool Participants..... | — | — | 14,955,622 |
| TOTAL NET POSITION (DEFICITS)..... | \$ 1,026,014 | \$ 16,317,826 | \$ 14,955,622 |

The notes to the financial statements are an integral part of this statement.

CUSTODIAL FUNDS

\$ 263,632
101,960

15,928

—

—

—

—

—

—

—

18,802

58,720

—

—

—

—

459,042

—

459,042

—

—

58,720

239,837

96,105

394,662

—

394,662

—

—

64,380

—

\$ 64,380

STATE OF OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (dollars in thousands)

| | PENSION TRUST - STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/20) | PRIVATE- PURPOSE TRUST FUNDS | INVESTMENT TRUST - STAR OHIO |
|--|--|------------------------------------|---------------------------------|
| ADDITIONS: | | | |
| Contributions from: | | | |
| Employer..... | \$ 32,855 | \$ — | \$ — |
| Employees..... | 17,334 | — | — |
| Plan Participants..... | — | 6,111,085 | — |
| Other..... | 8,250 | — | — |
| Total Contributions..... | 58,439 | 6,111,085 | — |
| Investment Income: | | | |
| Net Appreciation (Depreciation) | | | |
| in Fair Value of Investments..... | 129,019 | 2,406,368 | — |
| Interest, Dividends and Other..... | 16,964 | 533,985 | 27,958 |
| Total Investment Income..... | 145,983 | 2,940,353 | 27,958 |
| Less: Investment Expense..... | 8,617 | 40,829 | 6,020 |
| Net Investment Income..... | 137,366 | 2,899,524 | 21,938 |
| Capital Share and Individual Account Transactions: | | | |
| Shares Sold..... | — | — | 29,019,598 |
| Reinvested Distributions..... | — | — | 24,561 |
| Shares Redeemed..... | — | — | (26,501,263) |
| Net Capital Share and Individual Account Transactions..... | — | — | 2,542,896 |
| Tax Collections for Local Governments..... | — | — | — |
| Child Support Collections..... | — | — | — |
| Detainee / Resident Home Personal Accounts..... | — | — | — |
| Other Organizations' Accounts..... | — | — | — |
| Miscellaneous..... | — | — | — |
| TOTAL ADDITIONS..... | 195,805 | 9,010,609 | 2,564,834 |
| DEDUCTIONS: | | | |
| Pension Benefits Paid to Participants or Beneficiaries..... | 78,594 | — | — |
| Healthcare Benefits Paid to Participants or Beneficiaries..... | 15,726 | — | — |
| Refunds of Employee Contributions..... | 2,553 | — | — |
| Administrative Expense..... | 1,710 | — | — |
| Transfers to Other Retirement Systems..... | 54 | — | — |
| Distributions to Shareholders, Plans, Participants..... | — | 5,747,939 | 21,938 |
| Tax Distributions to Local Governments..... | — | — | — |
| Child Support Payments..... | — | — | — |
| Detainee / Resident Home Personal Accounts..... | — | — | — |
| Other Organizations' Accounts..... | — | — | — |
| Miscellaneous..... | — | — | — |
| TOTAL DEDUCTIONS..... | 98,637 | 5,747,939 | 21,938 |
| CHANGE IN NET POSITION RESTRICTED FOR: | | | |
| Employees' Pension Benefits..... | 89,532 | — | — |
| Employees' Postemployment Healthcare Benefits..... | 7,636 | — | — |
| Individuals, Organizations and Other Governments..... | — | 3,262,670 | — |
| Pool Participants..... | — | — | 2,542,896 |
| TOTAL CHANGE IN NET POSITION..... | 97,168 | 3,262,670 | 2,542,896 |
| NET POSITION (DEFICITS), JULY 1 (as restated)..... | 928,846 | 13,055,156 | 12,412,726 |
| NET POSITION (DEFICITS), JUNE 30..... | \$ 1,026,014 | \$ 16,317,826 | \$ 14,955,622 |

The notes to the financial statements are an integral part of this statement.

CUSTODIAL FUNDS

\$ —
2,065,002
—
—
2,065,002

—
41
41
—
41

39,210
—
(47,143)
(7,933)
3,931,442
2,004,866
109,262
168,211
2,150
8,273,041

—
—
—
—
—
2,065,617
3,931,442
2,004,866
97,547
169,794
2,234
8,271,500

—
—
1,541
—
1,541
62,839
\$ 64,380

STATE OF OHIO
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2021
(dollars in thousands)

| | MAJOR COMPONENT UNITS | | |
|---|---|-----------------------------|--------------------------------|
| | OHIO FACILITIES CONSTRUCTION COMMISSION | OHIO STATE UNIVERSITY | NONMAJOR COMPONENT UNITS |
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 359,134 | \$ — | \$ 1,416 |
| Cash and Cash Equivalents..... | — | 938,144 | 1,335,666 |
| Investments..... | 2,514 | 2,813,669 | 3,963,585 |
| Collateral on Lent Securities..... | 79,991 | — | — |
| Restricted Assets: | | | |
| Cash and Cash Equivalents..... | — | — | 244,696 |
| Investments..... | — | — | 64,444 |
| Intergovernmental Receivable..... | — | 11,187 | 92,874 |
| Loans Receivable, Net..... | — | 25,231 | 24,122 |
| Receivable from Primary Government..... | — | 442 | 21,905 |
| Other Receivables..... | — | 877,786 | 630,113 |
| Inventories..... | — | 95,891 | 121,385 |
| Other Assets..... | — | 59,308 | 100,321 |
| TOTAL CURRENT ASSETS..... | 441,639 | 4,821,658 | 6,600,527 |
| NONCURRENT ASSETS: | | | |
| Restricted Assets: | | | |
| Cash and Cash Equivalents..... | — | 276,243 | 111,305 |
| Investments..... | — | — | 3,150,165 |
| Investments..... | — | 7,390,200 | 2,951,336 |
| Loans Receivable, Net..... | — | 37,566 | 191,395 |
| Other Receivables..... | — | 97,441 | 270,035 |
| Other Assets..... | — | 479,315 | 1,669,083 |
| Capital Assets Being Depreciated, Net..... | 13 | 5,278,831 | 9,799,942 |
| Capital Assets Not Being Depreciated..... | — | 1,232,103 | 704,975 |
| TOTAL NONCURRENT ASSETS..... | 13 | 14,791,699 | 18,848,236 |
| TOTAL ASSETS..... | 441,652 | 19,613,357 | 25,448,763 |
| DEFERRED OUTFLOWS OF RESOURCES..... | — | 467,600 | 776,458 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES..... | 441,652 | 20,080,957 | 26,225,221 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable..... | 3,281 | 615,171 | 320,164 |
| Accrued Liabilities..... | 271 | 193,256 | 682,583 |
| Obligations Under Securities Lending..... | 79,991 | — | — |
| Intergovernmental Payable..... | 221,037 | — | 927 |
| Unearned Revenue..... | — | 640,827 | 386,086 |
| Refund and Other Liabilities..... | 2,644 | 250,306 | 271,770 |
| Payable to Primary Government..... | — | — | 10,482 |
| Bonds and Notes Payable..... | — | 344,779 | 294,430 |
| TOTAL CURRENT LIABILITIES..... | 307,224 | 2,044,339 | 1,966,442 |
| NONCURRENT LIABILITIES: | | | |
| Intergovernmental Payable..... | 154,178 | — | 19,710 |
| Unearned Revenue..... | — | — | 24,117 |
| Refund and Other Liabilities..... | 1,293 | 4,442,628 | 4,065,514 |
| Bonds and Notes Payable..... | — | 2,912,463 | 7,764,598 |
| TOTAL NONCURRENT LIABILITIES..... | 155,471 | 7,355,091 | 11,873,939 |
| TOTAL LIABILITIES..... | 462,695 | 9,399,430 | 13,840,381 |
| DEFERRED INFLOWS OF RESOURCES..... | 3,104,058 | 1,796,237 | 1,338,236 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES..... | 3,566,753 | 11,195,667 | 15,178,617 |
| NET POSITION (DEFICITS): | | | |
| Net Investment in Capital Assets..... | — | 3,742,876 | 5,834,190 |
| Restricted for: | | | |
| Transportation..... | — | — | 204,899 |
| Community and Economic Development..... | 6,950 | — | — |
| Nonexpendable: | | | |
| Scholarships and Fellowships..... | — | — | 494,711 |
| Research..... | — | — | 97,517 |
| Endowments and Quasi-Endowments..... | — | 1,789,304 | 1,843,523 |
| Loans, Grants and Other College and University Purposes..... | — | — | 579,818 |
| Expendable: | | | |
| Scholarships and Fellowships..... | — | — | 503,425 |
| Research..... | — | — | 167,778 |
| Instructional Department Uses..... | — | — | 199,328 |
| Student and Public Services..... | — | — | 116,833 |
| Academic Support..... | — | — | 231,313 |
| Debt Service..... | — | — | 21,552 |
| Capital Purposes..... | — | 2,006 | 137,197 |
| Endowments and Quasi-Endowments..... | — | 877,452 | 406,338 |
| Current Operations..... | — | 1,151,470 | 44,912 |
| Loans, Grants and Other College and University Purposes..... | — | — | 554,043 |
| Unrestricted..... | (3,132,051) | 1,322,182 | (390,773) |
| TOTAL NET POSITION (DEFICITS)..... | \$ (3,125,101) | \$ 8,885,290 | \$ 11,046,604 |

The notes to the financial statements are an integral part of this statement.

| TOTAL | |
|--------------|--------------------------|
| \$ | 360,550 |
| | 2,273,810 |
| | 6,779,768 |
| | 79,991 |
| | 244,696 |
| | 64,444 |
| | 104,061 |
| | 49,353 |
| | 22,347 |
| | 1,507,899 |
| | 217,276 |
| | 159,629 |
| | <u>11,863,824</u> |
| | 387,548 |
| | 3,150,165 |
| | 10,341,536 |
| | 228,961 |
| | 367,476 |
| | 2,148,398 |
| | 15,078,786 |
| | 1,937,078 |
| | <u>33,639,948</u> |
| | <u>45,503,772</u> |
| | <u>1,244,058</u> |
| | <u>46,747,830</u> |
| | 938,616 |
| | 876,110 |
| | 79,991 |
| | 221,964 |
| | 1,026,913 |
| | 524,720 |
| | 10,482 |
| | <u>639,209</u> |
| | <u>4,318,005</u> |
| | 173,888 |
| | 24,117 |
| | 8,509,435 |
| | <u>10,677,061</u> |
| | <u>19,384,501</u> |
| | <u>23,702,506</u> |
| | <u>6,238,531</u> |
| | <u>29,941,037</u> |
| | 9,577,066 |
| | 204,899 |
| | 6,950 |
| | 494,711 |
| | 97,517 |
| | 3,632,827 |
| | 579,818 |
| | 503,425 |
| | 167,778 |
| | 199,328 |
| | 116,833 |
| | 231,313 |
| | 21,552 |
| | 139,203 |
| | 1,283,790 |
| | 1,196,382 |
| | 554,043 |
| | <u>(2,200,642)</u> |
| \$ | <u>16,806,793</u> |

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(dollars in thousands)

| | MAJOR COMPONENT UNITS | | |
|---|---|-----------------------------|--------------------------------|
| | OHIO FACILITIES CONSTRUCTION COMMISSION | OHIO STATE UNIVERSITY | NONMAJOR COMPONENT UNITS |
| EXPENSES: | | | |
| Primary, Secondary and Other Education..... | \$ 5,675 | \$ — | \$ — |
| Transportation..... | — | — | 276,142 |
| Community and Economic Development..... | 55,195 | — | 1,660,828 |
| Education and General: | | | |
| Instruction and Departmental Research..... | — | 965,286 | 1,908,470 |
| Separately Budgeted Research..... | — | 457,996 | 329,749 |
| Public Service..... | — | 145,797 | 240,720 |
| Academic Support..... | — | 190,097 | 445,742 |
| Student Services..... | — | 52,086 | 273,069 |
| Institutional Support..... | — | 252,338 | 633,213 |
| Operation and Maintenance of Plant..... | — | 96,389 | 301,002 |
| Scholarships and Fellowships..... | — | 146,187 | 386,484 |
| Auxiliary Enterprises..... | — | 206,123 | 492,418 |
| Hospitals..... | — | 3,336,465 | 386,587 |
| Interest on Long-Term Debt..... | — | 127,236 | 319,578 |
| Depreciation..... | 2 | 470,704 | 664,716 |
| Other..... | — | — | (239,129) |
| TOTAL EXPENSES..... | 60,872 | 6,446,704 | 8,079,589 |
| PROGRAM REVENUES: | | | |
| Charges for Services, Fees, Fines and Forfeitures..... | 6,019 | 5,861,865 | 5,678,650 |
| Operating Grants, Contributions and Restricted Investment Income..... | 1,985 | 840,451 | 1,430,516 |
| Capital Grants, Contributions and Restricted Investment Income..... | — | 78,942 | 30,029 |
| TOTAL PROGRAM REVENUES..... | 8,004 | 6,781,258 | 7,139,195 |
| NET PROGRAM (EXPENSE) REVENUE | (52,868) | 334,554 | (940,394) |
| GENERAL REVENUES: | | | |
| Unrestricted Investment Income..... | — | 1,860,926 | 1,163,450 |
| State Assistance..... | 454,795 | 550,103 | 1,531,000 |
| Other..... | — | 394,229 | 826,611 |
| TOTAL GENERAL REVENUES..... | 454,795 | 2,805,258 | 3,521,061 |
| ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL..... | — | 63,157 | 69,683 |
| CHANGE IN NET POSITION..... | 401,927 | 3,202,969 | 2,650,350 |
| NET POSITION (DEFICITS), JULY 1 (as restated)..... | (3,527,028) | 5,682,321 | 8,396,254 |
| NET POSITION (DEFICITS), JUNE 30..... | \$ (3,125,101) | \$ 8,885,290 | \$ 11,046,604 |

The notes to the financial statements are an integral part of this statement.

| TOTAL | |
|--------------|-------------------|
| \$ | 5,675 |
| | 276,142 |
| | 1,716,023 |
| | 2,873,756 |
| | 787,745 |
| | 386,517 |
| | 635,839 |
| | 325,155 |
| | 885,551 |
| | 397,391 |
| | 532,671 |
| | 698,541 |
| | 3,723,052 |
| | 446,814 |
| | 1,135,422 |
| | (239,129) |
| | 14,587,165 |
| | 11,546,534 |
| | 2,272,952 |
| | 108,971 |
| | 13,928,457 |
| | (658,708) |
| | 3,024,376 |
| | 2,535,898 |
| | 1,220,840 |
| | 6,781,114 |
| | 132,840 |
| | 6,255,246 |
| | 10,551,547 |
| \$ | 16,806,793 |



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2021, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus*, and GASB 80, *Blending Requirements for Certain Component Units*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

1. Blended Component Units

The Buckeye Tobacco Settlement Financing Authority (BTSFA) is a legally separate organization for which the State has financial accountability through voting majority and the State has the potential to receive a financial benefit. The BTSFA provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions as though they were part of the primary government using the blending method.

2. Fiduciary Component Units

The State Highway Patrol Retirement System is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions separately in the fiduciary fund financial statements.

3. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government can impose its will on the following organizations by modifying or approving their respective budgets, through policy modification authority, or by modifying or approving rate or fee changes.

Ohio Facilities Construction Commission
Ohio Air Quality Development Authority
Ohio Capital Fund
JobsOhio

The Ohio Turnpike and Infrastructure Commission has the potential to provide a financial benefit to the primary government.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations impose or potentially impose financial burdens on the primary government:

Ohio State University
University of Cincinnati
Ohio University
Miami University
University of Akron
Bowling Green State University
Kent State University
University of Toledo
Cleveland State University
Youngstown State University
Wright State University
Shawnee State University
Northeast Ohio Medical University
Central State University
Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College
Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

The Ohio Facilities Construction Commission, a governmental component unit, does not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.

4. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 19, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14, as amended by GASB 39, GASB 61 and GASB 80.

B. Basis of Presentation

Government-wide Statements — The Statement of Net Position and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net position and changes in fiduciary net position.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets and deferred outflows of resources less liabilities and deferred inflows of resources equal net position*. The *net position* section is displayed in three components:



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Net Investment in Capital Assets* component consists of 1) capital assets, net of accumulated depreciation, and deferred outflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt less 2) outstanding balances of any bonds or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. The portion of debt and deferred inflows of resources attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net position component.
- The *Restricted Net Position* component represents the net position with constraints placed on its use that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net position is displayed in two additional components — nonexpendable and expendable. Nonexpendable net position is for those endowments that are required to be retained in perpetuity.
- The *Unrestricted Net Position* component consists of the net position that does not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and custodial funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenue from the federal government for the underfunded regular and extended unemployment benefits is also reported as operating revenues for the Unemployment Compensation Fund since this source provides significant funding for the payment of unemployment benefits — the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on lottery prize liabilities, which is reported under "Other" nonoperating expenses.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following major governmental funds:

General — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Ohio Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund — This fund accounts for the payment of principal and interest on the revenue bonds issued to fund long-lived capital projects at State-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

Pandemic Relief Funds — This fund accounts for federal pandemic funds to provide relief to the State for necessary expenditures incurred due to the novel coronavirus (COVID-19) pandemic.

The State reports the following major proprietary funds:

Workers' Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio, which provide workers' compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State's lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2020.

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority and the STABLE Program, which is administered by the Treasurer of State's Office.

Investment Trust Fund — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Custodial Funds — These funds account for the receipt, deposit, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major discretely presented component unit funds:

The *Ohio Facilities Construction Commission Fund* primarily accounts for grants that provide assistance to local entities for the construction of school buildings. The fund also provides construction services for arts and sports facilities.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Ohio State University Fund* is a business-type activity that uses proprietary fund reporting. It reports the university's operations, including the University's health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board.

C. Measurement Focus and Basis of Accounting

Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB 65, *Items Previously Reported as Assets and Liabilities*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred, and the revenues are collected during the availability period.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For revenue arising from exchange transactions (e.g., charges for goods and services), the State recognizes deferred inflows of resources when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of exchange.

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State recognizes deferred inflows of resources for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation General Obligations
- Infrastructure Bank Revenue Bonds
- Buckeye Tobacco Settlement Financing Authority Revenue Bonds
- Lease Rental Special Obligations
- Certificates of Participation as follows:
 - MARCS Certificates of Participation
 - OAKS Certificates of Participation
 - STARS Certificates of Participation
 - TMS Certificates of Participation
 - EDCS Certificates of Participation



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BCIRS Certificates of Participation
VSA Certificates of Participation
UIS Certificates of Participation
MARCS Project
OAKS Project
STARS Project
TMS Project
EDCS Project
BCIRS Project
UIS Project

For budgeted funds, the State's Ohio Administrative Knowledge System (OAKS) controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at <https://obm.ohio.gov/wps/portal/gov/obm/areas-of-interest/state-accounting/financial-reporting/dasf>. This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis schedules, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan and STABLE Program Private-Purpose Trust Funds, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. The State is not legally required to report budgetary data and comparisons for the budgeted proprietary funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, the budgetary required supplementary information notes present a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

The Unemployment Compensation Enterprise Fund Trust Account has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, without prior notice or penalty. The balance in the account at fiscal year-end is reported by the State as "Deposit with Federal Government" and is considered a cash equivalent for cash flow purposes.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets" and the Deposit with Federal Government are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State primarily reports investments at fair value. STAR Ohio reports investments at amortized cost, which approximates fair value.

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Fiduciary Custodial Funds that are owned by other entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

G. Taxes Receivable

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements, only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred inflows of resources. Additional disclosures on taxes receivable can be found in NOTE 5.

H. Intergovernmental Receivable

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

I. Inventories

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements. Therefore, the State reports an equivalent portion of fund balance as nonspendable.

J. Restricted Assets

The primary government reports assets restricted primarily for the payment of lottery prize awards payable, revenue bonds, and tuition benefits.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

K. Capital Assets

Primary Government

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are reported at acquisition value as of the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are reported at acquisition value as of the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

| | |
|--------------------------------------|-------------------------|
| Buildings | \$ 15,000 |
| Building Improvements | 100,000 |
| Land, including easements | All, regardless of cost |
| Land Improvements | 15,000 |
| Machinery and Equipment..... | 15,000 |
| Vehicles..... | 15,000 |
| Infrastructure: | |
| Highway Network..... | 500,000 |
| Bridge Network | 500,000 |
| Park and Natural Resources Network.. | All, regardless of cost |

For depreciable assets, the State applies the straight-line method over the following estimated useful lives:

| | |
|-------------------------------|-------------|
| Buildings..... | 20-45 Years |
| Land Improvements | 10-30 Years |
| Machinery and Equipment | 3-15 Years |
| Vehicles | 7-15 Years |
| Park and Natural Resources | |
| Infrastructure Network | 10-50 Years |

NOTE 8 contains additional disclosures about the primary government's capital assets.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit Funds

The discretely presented component unit funds value capital assets at cost and donated capital assets at acquisition value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Medicaid Claims Payable

The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

M. Noncurrent Liabilities

Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and discretely presented component unit funds report noncurrent liabilities expected to be financed from their operations.

N. Compensated Absences

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, 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 rate of 9.2 hours every two weeks after 24 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the matured compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick 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 that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

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. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OPEB liabilities/(assets), Deferred Outflows of Resources, Deferred Inflows of Resources, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from each fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, pension benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Health care benefits are also recognized when due and payable, net of certain health care receipts, in accordance with benefit terms. The pension systems report investments at fair value. Additional disclosures on the pension systems can be found in NOTE 9.

P. Fund Balance Classification; Budget Stabilization Fund; Net Position/Fund Balance Spending Order

Fund balance reported in the governmental fund financial statements is classified as follows:

Nonspendable

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, such as prepaids and inventories or 2) legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted

Fund balance amounts should be *restricted* when constraints placed on the use of resources are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted

Committed

Amounts constrained for specific purposes by formal action (i.e., legislation) of the government's highest level of decision-making authority (i.e., General Assembly) should be reported as *committed* fund balance. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the constraints.

Assigned

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as *assigned* fund balance, except for stabilization arrangements. The intent should be conveyed by the governing body itself or through delegation to a body or official authorized on behalf of the government to assign amounts to be used for specific purposes. The Controlling Board created under Chapter 127, Ohio Revised Code, is an example of a body delegated by the government to make assignments. The Director of the Office of Budget and Management is an example of an authorized official granted assignment authority through legislative language, including enacted budget bills. While both the committed and assigned fund balance classifications include amounts constrained for specific use by actions taken by the government itself, the authority for making an assignment is not required to be the government's highest level of decision-making authority. Amounts should not be reported as assigned if the assignment would result in a deficit in unassigned fund balance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents spendable fund balance that has not been otherwise restricted, committed or assigned to specific purposes within the General Fund. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance due to overspending amounts that are restricted or committed.

Fund balance in the State's Budget Stabilization Fund, as discussed in Sections 131.43 and 131.44, Ohio Revised Code, does not meet the criteria to be classified as restricted or committed and is, therefore, reported as unassigned in the General Fund.

For reporting purposes, restricted amounts are generally considered to have been spent first, followed by unrestricted amounts. Within the unrestricted fund balance amounts, the spending order is generally committed, followed by assigned, and then unassigned when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Risk Management

The State's primary government is self-insured for claims under its traditional healthcare plan and for vehicle liability while it has placed employee and public official fidelity bonding with a private insurer. The State self-funds tort liability although several agencies also choose to participate in private insurance programs. All State-owned buildings are covered under a catastrophic property policy that covers both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis.

While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental and proprietary funds under the "Interfund Payable" account. (See NOTE 7).

R. Interfund Balances and Activities

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. This activity includes:

Interfund Transfers — Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Interfund Reimbursements — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

S. Intra-Entity Balances and Activities

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For the discretely presented component units, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Derivative Instruments

The State's derivative instruments include investment derivative instruments and interest rate swaps. Interest rate swaps that are ineffective hedging derivative instruments are reported within the investment derivative instruments classification.

The State reports its derivative instruments at fair value in the Statement of Net Position. Changes in fair value for investment derivative instruments are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivative instruments are reported as deferred outflows/inflows of resources in the Statement of Net Position and disclosed in NOTE 18.

Additional disclosures on the State's investment derivative instruments and its hedging derivative instruments can be found in NOTE 4 and NOTE 10, respectively.

U. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES,
EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS**

A. Restatements

Restatements of fund balance/net position, as of June 30, 2020, for governmental, discretely presented component units and fiduciary funds are presented in the following table (dollars in thousands):



Government-Wide Financial Statements:

| | Governmental Activities | Total Discretely Presented Component Units |
|---|----------------------------|---|
| Net Position, as of June 30, 2020, As Previously Reported | \$ 18,553,519 | \$ 10,552,791 |
| <i>Implementation of a New Accounting Standard:</i> | | |
| GASB Statement No. 84..... | 241,302 | 2,042 |
| <i>Change in Reporting Entity:</i> | | |
| Wright State University..... | - | (3,286) |
| <i>Correction of an Error:</i> | | |
| Community & Economic Development and Health-PPP Inventory..... | 32,628 | - |
| Total Changes in Net Position..... | 273,930 | (1,244) |
| Net Position, July 1, 2020, As Restated | \$ 18,827,449 | \$ 10,551,547 |

Governmental Fund Financial Statements:

| | General Fund | Job, Family and Other Human Services | Nonmajor Governmental Funds |
|---|--------------|--|-----------------------------------|
| Fund Balance, as of June 30, 2020, As Previously Reported | \$ 8,367,212 | \$ 312,491 | \$ 3,911,273 |
| <i>Implementation of a New Accounting Standard:</i> | | | |
| GASB Statement No. 84..... | 233,693 | 87,657 | (80,048) |
| <i>Correction of an Error:</i> | | | |
| Community & Economic Development and Health-PPP Inventory..... | - | - | 32,628 |
| Total Changes in Fund Balance..... | 233,693 | 87,657 | (47,420) |
| Fund Balance, July 1, 2020, As Restated | \$ 8,600,905 | \$ 400,148 | \$ 3,863,853 |

Fiduciary Fund Financial Statements:

| | Private- Purpose Trust Funds | Custodial Funds |
|---|------------------------------------|--------------------|
| Net Position, as of June 30, 2020, As Previously Reported | \$ 12,938,339 | \$ - |
| <i>Implementation of a New Accounting Standard:</i> | | |
| GASB Statement No. 84..... | - | 62,839 |
| <i>Change in Reporting Entity:</i> | | |
| STABLE Program..... | 116,817 | - |
| Total Changes in Net Position..... | 116,817 | 62,839 |
| Net Position, July 1, 2020, As Restated | \$ 13,055,156 | \$ 62,839 |

B. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

For the fiscal year ended June 30, 2021, the State implemented the provisions of:

GASB 84, *Fiduciary Activities*, enhances consistency and comparability by 1) establishing criteria to identify and report fiduciary activities and 2) clarifying whether and how business-type activities should report their fiduciary activities.

GASB 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. There was no material impact to the primary government.

GASB 93, *Replacement of Interbank Offered Rates*, address implications to accounting and financial reporting resulting from the replacement of the London Interbank Offered Rate also known as (LIBOR). GASB 93 is implemented, in part, in fiscal year 2021. There was no material impact to the primary government.



**NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES,
EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)**

GASB 98, *The Annual Comprehensive Financial Report*, establishes the term annual comprehensive financial report along with the acronym ACFR. This replaces the previous term comprehensive annual financial report along with its associated acronym. The State early implemented GASB 98. There was no material impact to the primary government.

C. New GASB Pronouncements for Fiscal Year 2022 Implementation

During the June 2017 issuance of GASB Statement No. 87, *Leases*, the provisions of GASB 87 were effective for reporting periods beginning after December 15, 2019. However, GASB 95 provided for the postponement of this implementation date by 18 months. This statement improves usefulness for financial statement users by recognition of certain lease assets along with lease liabilities. Furthermore, the statement also provides a single model to follow for lease accounting.

During the June 2018 issuance of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before The end of a Construction Period*, the provisions of GASB 89 were effective for reporting periods beginning after December 15, 2019. However, GASB 95 provided for the postponement of this implementation date by one year. This statement establishes accounting requirements regarding interest costs acquired prior to the end of a construction period.

In January 2020, GASB Statement No. 92, *Omnibus 2020*, was issued with effective dates primarily beginning for reporting periods after June 15, 2020. However, GASB 95 provided for the postponement of this implementation date by one year. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

During March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, with effective dates for paragraph 13 and 14 only for fiscal year periods beginning after June 15, 2021. The objective of this statement is to address implications to accounting and financial reporting resulting from the replacement of the London Interbank Offered Rate (LIBOR).

During June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The effective dates are for fiscal year and reporting periods beginning after June 15, 2021, as applied to specific paragraphs. This statement primarily requires that an IRC Section 457 plan should be classified as either a pension plan or other employee benefit plan and clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The statement also addresses whether a primary government is financially accountable for a potential component unit in the absence of a governing board.

Management is assessing the impact that the new GASB pronouncements will have on the State's financial statements.

D. Extinguishments of Debt – Major Funds

As of June 30, 2021, the State had no material extinguishments of debt to report.

NOTE 3 TAX ABATEMENTS

As of June 30, 2021, the State offers the following tax abatement programs – Job Creation Credit, Sales of Qualified Property Used in an Eligible Computer Data Center (Computer Data Center), Job Retention Credit, Historic Preservation Tax Credit, Motion Picture Tax Credit and New Markets Tax Credit. The programs are described below:



NOTE 3 TAX ABATEMENTS (Continued)

Job Creation Credit

As established in Ohio Revised Code 122.17, a taxpayer proposing a project to create new jobs in the state may be granted a refundable tax credit through an agreement with the Ohio Tax Credit Authority. This tax credit applies to non-retail projects or the non-retail portion of a project only. The credit equals an agreed upon percentage of the taxpayer's "excess payroll", which is the taxpayer's "Ohio employee payroll" less "baseline payroll." "Ohio employee payroll" is compensation paid by an employer that is subject to Ohio income tax withholding requirements. "Baseline payroll" is "Ohio employee payroll," for the 12 months immediately preceding the agreement. The Ohio Tax Credit Authority must determine that the project will increase payroll; is economically sound, will provide increasing opportunities for employment, and will strengthen the economy; and the tax credit was a major factor in the decision to go forward with the project. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

The computer data center tax abatement, established in Ohio Revised Code 122.175, also requires job creation and is included in the job creation credit category on the following tax abatement table. Sales, storage, use or other consumption of computer data center equipment used or to be used at an eligible computer data center are exempt from the sales and use tax. To be eligible for this tax exemption, the Ohio Tax Credit Authority must determine: that the computer data center will increase payroll and the corresponding taxes withheld; the applicant is economically sound, can affect the completion of the capital investment project, and intends to maintain operations at the project site for the term of agreement; and the exemption was a major factor in the applicant's decision to be part of the capital investment project. The taxpayer operating a computer data center at the project site will in the aggregate pay annual compensation that is subject to the withholding obligation of at least \$1.5 million to employees at the eligible computer data center. If it is determined that a taxpayer who received the exemption no longer meets eligibility criteria, and/or is no longer in compliance with the agreement, the agreement may be terminated or the taxpayer may have to pay to the state all or a portion of the taxes the taxpayer would have owed.

Job Retention Credit

The job retention credit, established in Ohio Revised Code 122.171, allows an eligible business to be granted a nonrefundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a designated percentage of the taxpayer's Ohio employee payroll. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The taxpayer must also retain at least 500 full-time equivalent employees at the project site and within this state for the entire term of the credit, maintain an annual Ohio employee payroll of at least \$35 million dollars for the entire term of the credit, or remain located in a foreign trade zone for the entire term of the credit. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

Historic Preservation Tax Credit

Ohio Revised Code section 149.311 establishes the historic preservation tax credit. The program provides a tax credit to leverage the private redevelopment of historically designated buildings. The State uses a cost-benefit analysis to determine whether rehabilitation of the historic building will result in a net revenue gain in state taxes once the building is placed into use. The analysis must be completed prior to eligibility approval. The credit shall equal 25 percent of the taxpayer's qualified rehabilitation expenditures. The credit claimed shall not exceed \$5 million for any calendar or tax year. Tax credits received by the applicant shall be deemed to be an unpaid tax assessment subject to collection if all required criteria are not met. The tax credit can be applied to the financial institution tax, foreign and domestic insurance taxes and individual income tax.



NOTE 3 TAX ABATEMENTS (Continued)

Motion Picture Tax Credit

The motion picture tax credit is established by Ohio Revised Code 122.85. A refundable tax credit may be claimed for Ohio production expenditures by eligible motion picture or Broadway theatrical productions. The credit equals 30 percent of eligible expenditures. The credit is based on the lesser of initially budgeted production expenditures or actual production expenditures. No credits will be issued until a minimum of \$300 thousand in eligible expenditures have been made. The total amount of issued credits may not exceed \$40 million per fiscal year. The abated tax types are insurance, financial institutions, foreign insurance, and income tax.

No tax credits may be taken until the production is complete and a report has been filed showing the expenses that were incurred, which provides the basis for determining the amount of the tax credit. The Department of Taxation has the authority, under Ohio Revised Code 122.85(C)(3), to examine the claimed expenses for validity.

New Markets Tax Credit

Ohio Revised Code sections 5725.33, 5726.54, and 5729.16 establish the new markets tax credit. Taxpayers with an equity investment in a qualified community development entity may claim a nonrefundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, seven percent in the third year of the investment, and eight percent in the following four years. The taxes abated are insurance, financial institutions, and foreign insurance.

The foregone revenue through tax abatements for fiscal year 2021 is presented in the following table (dollars in thousands):

| Abatement Program | Amount of Taxes Abated |
|--|-----------------------------------|
| Job Creation Credit | \$ 280,027 |
| Job Retention Credit..... | 47,983 |
| Historic Preservation Tax Credit | 48,111 |
| Motion Picture Tax Credit | 29,122 |
| New Markets Tax Credit | 9,820 |
| Total of Tax Abatements | <u>\$ 415,063</u> |

NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

Active Deposits – Moneys required to be kept in cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in any of the following: a commercial account that is payable or about to be withdrawn, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account or a designated warrant clearance account.

Inactive Deposits – Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits – Those moneys not required for immediate use but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- US Treasury bills, notes, bonds or other obligations or securities issued by or guaranteed as to principal and interest by the United States;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Ohio Turnpike and Infrastructure Commission;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any registered U.S. government securities dealer;
- No-load money market mutual funds;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances of any domestic bank or federally chartered domestic branch office of a foreign bank;
- Certificates of deposit in the eligible institutions applying for interim moneys as provided in section 135.08 of the Ohio Revised Code, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, business linked deposits as authorized under Sections 135.77 to 135.774, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under section 135.45, Ohio Revised Code;
- The Treasurer of State's STAR Plus program;
- Debt interests, other than commercial paper as described above, of corporations incorporated under the laws of the United States or a state, or foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are denominated and payable in U.S. funds;
- Bonds, notes, and other obligations of any state or political subdivision thereof;
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code; and
- Obligations of a political subdivision issued under Chapter 133, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit or appropriate governing authority and generally must be fully collateralized. However, financial institutions that are part of the Ohio Pooled Collateral System may apply to the Treasurer of State to be approved for a reduced collateral floor, at a level as low as 50 percent. The Treasurer of State then conducts an analysis to determine if the financial institution is eligible for a reduced collateral floor. The financial institution will then notify the Treasurer of State of each account holder's contractual collateral floor.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate, and other investments.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215, by calling 1-800-648-7827, or by accessing the Treasurer of State's website at www.tos.ohio.gov.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

C. Deposit and Investment Risks

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government sponsored enterprises.

1. Custodial Credit Risk

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when uninsured deposits are collateralized in one of two methods. The Treasurer's office administers the Ohio Pooled Collateral System (OPCS) that allows eligible financial institutions to pool collateral to secure Ohio's public deposits. The total market value of pledged securities is 102 percent of all uninsured public deposits or at a percentage determined by the Treasurer's rules. Another option is for the financial institutions outside of OPCS to pledge 105 percent of the uninsured public deposits. In both methods, a qualified trustee must hold the eligible securities in an account indicating the public depositor's security interest in the eligible securities. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.

The table below reports the carrying amount of deposits, as of June 30, 2021, held by the primary government, including fiduciary activities, and its major discretely presented component unit and the extent of exposure to custodial credit risk.

| Primary Government (including Fiduciary Activities) and Major Discretely Presented Component Unit | | | | | |
|---|-----------------|--------------|------------------|--|---|
| Deposits—Custodial Credit Risk | | | | | |
| As of June 30, 2021 | | | | | |
| (dollars in thousands) | | | | | |
| | | | | Uninsured Portion of Reported Bank Balance | |
| | Carrying Amount | Bank Balance | Uncollateralized | Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name | Collateralized with Securities Held by the Pledging Institution |
| Primary Government | \$ 1,978,040 | \$2,018,915 | \$ 63,059 | \$ 52,487 | \$ - |
| Major Discretely Presented Component Unit: | | | | | |
| Ohio State University..... | 1,115,582 | 1,116,644 | - | - | 1,111,754 |



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk for investments exists when a government is unable to recover the value of investments or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

The State's reporting entity has not established specific policies for managing custodial credit risk exposure for investments.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports the fair value, as of June 30, 2021, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk:

| Primary Government (including Fiduciary Activities) Investments - Fair Value and Custodial Credit Risk As of June 30, 2021 <i>(dollars in thousands)</i> | | |
|--|----------------------|--|
| | Fair Value | Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name |
| <i>Investments Subject to Custodial Credit Risk Exposure:</i> | | |
| U.S. Government Obligations..... | \$ 7,717,350 | \$ 549,264 |
| U.S. Government Obligations - strips..... | 581,326 | 499,120 |
| U.S. Agency Obligations..... | 4,656,791 | - |
| U.S. Agency Obligations-strips..... | 69,768 | - |
| Common and Preferred Stock..... | 4,276,492 | - |
| Corporate Bonds and Notes..... | 5,651,396 | - |
| Municipal Obligations..... | 275,089 | - |
| Negotiable Certificates of Deposit..... | 23,110 | - |
| Commercial Paper..... | 14,022,300 | - |
| Repurchase Agreements..... | 408,542 | - |
| Mortgage and Asset-Backed Securities..... | 617,253 | - |
| International Investments: | | |
| Foreign Stocks..... | 5,086 | - |
| Foreign Bonds..... | 1,168,529 | - |
| Securities Lending Collateral: | | |
| Corporate Bonds and Notes..... | 34,994 | - |
| Commercial Paper..... | 254,120 | - |
| Repurchase Agreements..... | 4,368,881 | - |
| Variable Rate Notes..... | 223,557 | - |
| | | <u>\$ 1,048,384</u> |
| <i>Investments Not Subject to Custodial Credit Risk Exposure:</i> | | |
| <i>Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:</i> | | |
| U.S. Government Obligations..... | 4,746,501 | |
| U.S. Government Obligations-strips..... | 82,431 | |
| U.S. Agency Obligations..... | 67,316 | |
| Corporate Bonds and Notes..... | 58,056 | |
| International Investments: | | |
| Commingled Equity Funds..... | 2,494,562 | |
| Equity Mutual Funds..... | 16,692,016 | |
| Bond Mutual Funds..... | 12,226,394 | |
| Real Estate..... | 3,601,599 | |
| Partnerships and Hedge Funds..... | 284,739 | |
| Deposit with Federal Government..... | 487,435 | |
| Component Units' Equity in State Treasurer's Cash and Investment Pool..... | (440,541) | |
| Component Units' Equity in the State Treasury Asset Reserve of Ohio..... | (816,377) | |
| Total Investments — Primary Government..... | <u>\$ 83,838,715</u> | |



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component unit. The Ohio Facilities Construction Commission Component Unit also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government. The Ohio State University's policy is to hold investments in custodial accounts with the securities registered solely in the name of the university.

| Major Discretely Presented Component Unit Investments - Fair Value and Custodial Credit Risk As of June 30, 2021 (dollars in thousands) | | |
|--|------------|---|
| | Fair Value | Uninsured, Unregistered, and Held by the Counterparty |
| <i>Ohio State University</i> | | |
| U.S. Government Obligations..... | \$ 201,357 | \$ 201,357 |
| U.S. Agency Obligations..... | 112,954 | 112,954 |
| Common and Preferred Stock..... | 1,182,412 | 1,182,412 |
| Corporate Bonds and Notes..... | 1,622,424 | 1,622,424 |
| Municipal Obligations..... | 44,584 | 44,584 |
| Negotiable Certificates of Deposit..... | 428,243 | 428,243 |
| Commercial Paper..... | 32,534 | 32,534 |
| International Investments: | | |
| Foreign Stocks..... | 513,586 | 513,586 |
| Foreign Bonds..... | 66,547 | 66,547 |
| Securities Lending Collateral: | | |
| Repurchase Agreements..... | 72,042 | 72,042 |
| Total Ohio State University..... | | <u>\$ 4,276,683</u> |

2. Credit Risk

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating;
- No-load money market mutual funds must carry a rating of the highest category by one nationally recognized rating agency; and
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by one nationally recognized rating agency.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short-term debt rating in the two highest categories by two or more of the nationally recognized statistical rating organizations (NRSROs);
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by at least one NRSRO;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Corporate bonds and notes must be rated in the three highest categories by two nationally recognized rating agencies;
- Banker acceptances must carry a minimum of “A+” for long-term debt (“AAA” for foreign issuers) by a majority of the nationally recognized rating agencies rating the issuer. For short-term debt, the rating must be at least “A-1” or equivalent by at least two nationally recognized rating agencies;
- Foreign debt, or the implicit rating of the issuer of the debt, must be rated in one of the three highest categories by at least two nationally recognized rating agencies;
- Repurchase agreements must, in the case when issued by a counterparty that is not either: an Ohio financial institution that is a member of the Federal Reserve System, or a Federal Home Loan Bank, or a recognized government securities dealer, then such counterparty must have a short-term debt rating in the two highest categories by one or more of the NRSROs, if the counterparty is not explicitly rated in such a category, the counterparty must possess a guarantee from an NRSRO-rated parent company; and
- Registered investment companies open-end, no-load money market mutual funds must be rated in the highest category from one or more of the NRSROs.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State’s reporting entity are as follows:

Workers’ Compensation Enterprise Fund

The Fund requires investment-grade ratings by at least two of the following nationally recognized bond rating services: Moody’s, Fitch or Standard & Poor’s, for fixed income securities. If only one of the rating services rates a security, the rating must be investment grade.

Variable College Savings Plan Private-Purpose Trust Fund

The fixed income portfolio should consist primarily of domestic investment grade bonds and may be partially invested in below investment grade bonds. Any portion of the portfolio in below-investment grade securities should be mostly invested in “BB” and “B” rated securities.

STAR Ohio Investment Trust Fund

Investment policies governing the STAR Ohio external investment pool generally require that all securities must be rated the equivalent of “A-1+” or “A-1” by Standard & Poor’s rating agency. Exceptions to the general policy are: mutual funds must be rated “AAA” or “AAAm” by Standard and Poor’s, while commercial paper, corporate bonds and notes, and bankers’ acceptances must have a second equivalent rating from another nationally recognized rating agency, and municipal obligations must be rated in the three highest categories by Standard & Poor’s.

The Ohio Facilities Construction Commission Component Unit also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

All investments, as categorized by credit ratings in the tables below and on the following page, meet the requirements of the State's laws and policies, when applicable.

| Primary Government (including Fiduciary Activities) | | | | | | |
|---|---------------------|--------------------|---------------------|--------------------|-------------------|------------------|
| Investment Credit Ratings | | | | | | |
| As of June 30, 2021 | | | | | | |
| (dollars in thousands) | | | | | | |
| Investment Type | Credit Rating | | | | | |
| | AAA/Aaa | AA/Aa | A/A-1 | BBB/Baa | BB/Ba | B |
| U.S. Agency Obligations..... | \$ 133,463 | \$4,564,345 | \$ - | \$ 3,018 | \$ 7,460 | \$ 3,597 |
| U.S. Agency Obligations-strips..... | 1,622 | 68,146 | - | - | - | - |
| Corporate Bonds and Notes..... | 181,666 | 795,614 | 2,433,728 | 2,006,741 | 214,869 | 69,368 |
| Municipal Obligations..... | 27,539 | 168,454 | 62,131 | 12,241 | 3,987 | - |
| Negotiable Certificates of Deposit..... | - | - | - | - | - | - |
| Commercial Paper..... | 6,428,775 | 935,564 | 4,638,928 | - | - | - |
| Repurchase Agreements..... | 3,463 | - | - | - | - | - |
| Mortgage and Asset-Backed Securities.. | 317,703 | 40,330 | 85,360 | 123,431 | 19,197 | 7,787 |
| Bond Mutual Funds..... | 9,358,227 | 1,600,506 | 472,193 | 450,270 | 73,843 | 20,167 |
| International Investments: | | | | | | |
| Foreign Bonds..... | 1,124 | 47,253 | 361,412 | 617,983 | 107,877 | 26,543 |
| Securities Lending Collateral: | | | | | | |
| Corporate Bonds and Notes..... | - | - | 34,994 | - | - | - |
| Commercial Paper..... | - | - | 254,120 | - | - | - |
| Repurchase Agreements..... | - | - | 2,835,000 | 1,533,881 | - | - |
| Variable Rate Notes..... | - | - | 223,557 | - | - | - |
| Bond Mutual Funds..... | 159,032 | - | - | - | - | - |
| Total Primary Government..... | <u>\$16,612,614</u> | <u>\$8,220,212</u> | <u>\$11,401,423</u> | <u>\$4,747,565</u> | <u>\$ 427,233</u> | <u>\$127,462</u> |

| Investment Type | Credit Rating | | | | Total |
|---|------------------|-----------------|-----------------|--------------------|---------------------|
| | CCC/Caa | CC/Ca | D | Unrated | |
| U.S. Agency Obligations..... | \$ - | \$ - | \$ - | \$ 12,224 | \$ 4,724,107 |
| U.S. Agency Obligations-strips..... | - | - | - | - | 69,768 |
| Corporate Bonds and Notes..... | 7,466 | - | - | - | 5,709,452 |
| Municipal Obligations..... | - | - | - | 737 | 275,089 |
| Negotiable Certificates of Deposit..... | - | - | - | 23,110 | 23,110 |
| Commercial Paper..... | - | - | - | 2,019,033 | 14,022,300 |
| Repurchase Agreements..... | - | - | - | 405,079 | 408,542 |
| Mortgage and Asset-Backed Securities.. | 20,905 | 2,540 | - | - | 617,253 |
| Bond Mutual Funds..... | 6,482 | - | 17 | 85,657 | 12,067,362 |
| International Investments: | | | | | |
| Foreign Bonds..... | 5,298 | - | 1,039 | - | 1,168,529 |
| Securities Lending Collateral: | | | | | |
| Corporate Bonds and Notes..... | - | - | - | - | 34,994 |
| Commercial Paper..... | - | - | - | - | 254,120 |
| Repurchase Agreements..... | - | - | - | - | 4,368,881 |
| Variable Rate Notes..... | - | - | - | - | 223,557 |
| Bond Mutual Funds..... | - | - | - | - | 159,032 |
| Total Primary Government..... | <u>\$ 40,151</u> | <u>\$ 2,540</u> | <u>\$ 1,056</u> | <u>\$2,545,840</u> | <u>\$44,126,096</u> |



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

| Major Discretely Presented Component Unit | | | | | | |
|---|-------------------|-------------------|--------------------|------------------|-----------------|------------------|
| Investment Credit Ratings | | | | | | |
| As of June 30, 2021 | | | | | | |
| (dollars in thousands) | | | | | | |
| <i>Ohio State University:</i> | | | | | | |
| Investment Type | Credit Rating | | | | | |
| | AAA/Aaa | AA/Aa | A/A-1 | BBB/Baa | BB/Ba | B |
| U.S. Agency Obligations..... | \$ 2,536 | \$ 34,488 | \$ 75,786 | \$ - | \$ - | \$ - |
| Corporate Bonds and Notes..... | 99,056 | 159,131 | 555,200 | 574,991 | 35,585 | 9,584 |
| Municipal Obligations..... | 655 | 24,122 | 13,591 | 1,483 | - | - |
| Negotiable Certificates of Deposit..... | 36,984 | - | - | - | - | - |
| Commercial Paper..... | 4,996 | 3,165 | 22,623 | 1,750 | - | - |
| Bond Mutual Funds..... | 147,795 | 110,424 | 258,630 | 275,279 | 31,049 | 17,565 |
| International Investments: | | | | | | |
| Foreign Bonds..... | 30,738 | 5,860 | 7,841 | 9,982 | - | - |
| Securities Lending Collateral: | | | | | | |
| Repurchase Agreements..... | - | - | - | - | - | - |
| Total Ohio State University..... | <u>\$ 322,760</u> | <u>\$ 337,190</u> | <u>\$ 933,671</u> | <u>\$863,485</u> | <u>\$66,634</u> | <u>\$ 27,149</u> |
| <i>Ohio State University (continued):</i> | | | | | | |
| Investment Type | Credit Rating | | | | | |
| | CCC/Caa | Unrated | Total | | | |
| U.S. Agency Obligations..... | \$ - | \$ 144 | \$ 112,954 | | | |
| Corporate Bonds and Notes..... | - | 188,877 | 1,622,424 | | | |
| Municipal Obligations..... | - | 4,733 | 44,584 | | | |
| Negotiable Certificates of Deposit..... | - | 391,259 | 428,243 | | | |
| Commercial Paper..... | - | - | 32,534 | | | |
| Bond Mutual Funds..... | 7,173 | 223,236 | 1,071,151 | | | |
| International Investments: | | | | | | |
| Foreign Bonds..... | - | 12,126 | 66,547 | | | |
| Securities Lending Collateral: | | | | | | |
| Repurchase Agreements..... | - | 72,042 | 72,042 | | | |
| Total Ohio State University..... | <u>\$ 7,173</u> | <u>\$ 892,417</u> | <u>\$3,450,479</u> | | | |

At June 30, 2021, the Ohio Facilities Construction Commission had \$2.5 million invested in Bond Mutual Funds with a credit rating of AAA.

Descriptions of the investment credit ratings shown in the tables are as follows:

| Rating | General Description of Credit Rating |
|---------|---|
| AAA/Aaa | Extremely strong |
| AA/Aa | Very strong |
| A/A-1 | Strong |
| BBB/Baa | Adequate |
| BB/Ba | Less vulnerable |
| B | More vulnerable |
| CCC/Caa | Currently vulnerable to nonpayment |
| CC/Ca | Currently highly vulnerable to nonpayment |
| C | Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer) |
| D | Currently highly vulnerable to nonpayment for failure to pay by due date |



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

3. Concentration of Credit Risk

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury's cash and investment pool, and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 40 percent of the State's total average portfolio;
- Bankers acceptances cannot exceed ten percent of the State's total average portfolio;
- Debt interest (other than commercial paper) shall not exceed 25 percent of the State's total average portfolio, and when combined with commercial paper, the amount of a single issuer may not exceed five percent of the total average portfolio; and
- Debt interests in foreign nations may not exceed two percent of the State's portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

| Investment Type | Maximum % of Total Average Portfolio |
|--------------------------------------|---|
| U.S. Treasury | 100 |
| Federal Agency (fixed rate) | 100 |
| Federal Agency (callable) | 55 |
| Federal Agency (variable rate) | 10 |
| Repurchase Agreements | 50 |
| Bankers' Acceptances | 10 |
| Commercial Paper | 40 |
| Corporate Notes | 25 |
| Foreign Notes | 2 |
| Certificates of Deposit | 20 |
| Municipal Obligations | 20 |
| STAR Ohio | 25 |
| Mutual Funds | 100 |

The investment policies of the Treasurer of State's Office also specify that:

- Commercial paper, when combined with investments in other corporate obligations of a single issuer, are further limited to no more than five percent of the book value of the portfolio;
- Bankers' Acceptances are further limited to no more than five percent of the book value of the portfolio in any single issuer;
- Mutual funds are limited in that the Treasurer's holdings in a single mutual fund cannot be more than ten percent of the total assets of that mutual fund, nor more than ten percent of the book value of the portfolio;
- Repurchase Agreements are limited in that any one counterparty may not exceed ten percent of the book value of the portfolio; and
- Municipal obligations are limited to no more than 2.5 percent of the book value of the portfolio in any single issuer.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment policies regarding concentration of investments that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Lottery Commission Enterprise Fund

No more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or \$250 million; and mutual funds, 10 percent maximum.

State Highway Patrol Retirement System Pension Trust Fund

Policy prohibits the investment of more than ten percent of its fixed income portfolio in securities of any one issuer except for U.S. government securities, or the investment of more than five percent of the Fund's total investments in any one issue except for U.S. government securities.

STAR Ohio Investment Trust Fund

Investments in a single issuer are limited to no more than five percent of the net assets except as follows:

- U.S. Treasury obligations, limited at 100 percent;
- U.S. Agency obligations, limited to 100 percent with no single U.S. Agency exceeding 33 percent unless maturing in 30 days or less and rated "AA-" or higher;
- Repurchase agreements with terms to maturity of 5 days or less, limited at 100 percent; investments with any one counterparty limited at a maximum of 5 percent for "A-2" rated counterparties, a maximum of 25 percent for "A-1" rated counterparties, and at a maximum of 50 percent for "A-1+" rated counterparties, with further limitations based on the maturity of the investment;
- Mutual funds, limited at 100 percent; with no more than 10 percent of the total average portfolio invested in any single mutual fund and limited to STAR Ohio representing no more than 10 percent of the total assets under management of any single mutual fund;
- Corporate obligations, limited to 25 percent, and when added to investments in commercial paper, no more than five percent invested with any single issuer;
- Municipal bonds, limited at 10 percent and limited to no more than 2.5 percent with any single issuer;
- Commercial paper, limited to 40 percent, and when added to investments in other corporate obligations, no more than 5 percent invested with any single issuer; and
- Bankers' acceptances, limited at 10 percent, with no more than 5 percent invested with any single issuer.

As of June 30, 2021, all investments meet the requirements of the State's law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

| Issuer | Amount | Percentage of Investment Balance |
|---|------------|----------------------------------|
| <i>STAR Ohio Investment Trust Fund:</i> | | |
| Federal Farm Credit Bank..... | \$ 980,036 | 6% |

4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted laws and policies to mitigate this risk.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires that Bankers Acceptances must mature in 270 days or less.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short-term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments. Policy also limits maturities for specific investment types as follows:

- Corporate notes - five years;
- Commercial paper - 397 days;
- Repurchase agreements - 90 days; and
- Foreign debt - five years.

Investment policies regarding investment maturities that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund

Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Bloomberg Barclay's Fixed Income Index ranges.

Lottery Commission Enterprise Fund

Investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

Variable College Savings Plan Private-Purpose Trust Fund

Policy requires the fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Aggregate Index ranges.

STAR Ohio Investment Trust Fund

Investment policies limit maturities of investments to a final stated maturity of 397 days or less, with a 762-day limit for floating rate U.S. Treasury and U.S. Agency obligations. Repurchase agreements are limited to maturities of 30 days and both commercial paper and bankers' acceptances are limited to maturities of 270 days.

As of June 30, 2021, investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes \$2.20 billion with call dates from fiscal years 2022 through 2024, and maturity dates from fiscal years 2023 through 2026. The Corporate Bonds and Notes investment type has \$896 million with call dates and maturity dates from fiscal years 2022 through 2026.

Additionally, several investments reported as "Investments" have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of \$10 million have call dates from fiscal year 2022 through 2023, and maturity dates from fiscal years 2023 through 2025. Corporate bonds in the amount of \$492.8 million have call dates and maturity dates in fiscal year 2022.

The tables that follow list the investment maturities of the investments for the primary government, including fiduciary activities, and its major discretely presented component units. All investments at June 30, 2021, meet the requirements of the State's laws and policies, when applicable. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2021
(dollars in thousands)

| Investment Type | Investment Maturities (in years) | | | | Total |
|---|----------------------------------|--------------------|--------------------|--------------------|----------------------|
| | < 1 | 1 - 5 | 6 - 10 | > 10 | |
| U.S. Government Obligations..... | \$ 5,316,177 | \$5,364,154 | \$1,028,065 | \$ 755,455 | \$ 12,463,851 |
| U.S. Government Obligations - strips..... | 428,795 | 71,101 | 2,579 | 161,282 | 663,757 |
| U.S. Agency Obligations..... | 1,701,418 | 2,658,965 | 44,877 | 318,847 | 4,724,107 |
| U.S. Agency Obligations-strips..... | 19,762 | 41,739 | 8,267 | - | 69,768 |
| Corporate Bonds and Notes..... | 1,038,286 | 1,321,211 | 452,448 | 2,897,507 | 5,709,452 |
| Municipal Obligations..... | 55,515 | 23,667 | 5,929 | 189,978 | 275,089 |
| Negotiable Certificates of Deposit..... | 4,173 | 18,937 | - | - | 23,110 |
| Commercial Paper..... | 14,022,300 | - | - | - | 14,022,300 |
| Repurchase Agreements..... | 408,542 | - | - | - | 408,542 |
| Mortgage and Asset-Backed Securities.. | 201,399 | 67,425 | 35,725 | 312,704 | 617,253 |
| Bond Mutual Funds..... | 10,070,506 | 136,505 | 1,127,578 | 732,773 | 12,067,362 |
| International Investments: | | | | | |
| Foreign Bonds..... | 45,070 | 292,711 | 187,569 | 643,179 | 1,168,529 |
| Securities Lending Collateral: | | | | | |
| Corporate Bonds and Notes..... | 34,994 | - | - | - | 34,994 |
| Commercial Paper..... | 254,120 | - | - | - | 254,120 |
| Repurchase Agreements..... | 4,368,881 | - | - | - | 4,368,881 |
| Variable Rate Notes..... | 223,557 | - | - | - | 223,557 |
| Bond Mutual Funds..... | 159,032 | - | - | - | 159,032 |
| Total Primary Government..... | <u>\$38,352,527</u> | <u>\$9,996,415</u> | <u>\$2,893,037</u> | <u>\$6,011,725</u> | <u>\$ 57,253,704</u> |

Major Discretely Presented Component Unit
Investments Subject to Interest Rate Risk
As of June 30, 2021
(dollars in thousands)

| Investment Type | Investment Maturities (in years) | | | | Total |
|---|----------------------------------|--------------------|------------------|------------------|--------------------|
| | < 1 | 1 - 5 | 6 - 10 | > 10 | |
| Ohio State University: | | | | | |
| U.S. Government Obligations..... | \$ 38,719 | \$ 146,540 | \$ 3,612 | \$ 12,486 | \$ 201,357 |
| U.S. Agency Obligations..... | 1,351 | 22,288 | 32,047 | 57,268 | 112,954 |
| Corporate Bonds and Notes..... | 375,809 | 968,458 | 146,402 | 131,755 | 1,622,424 |
| Municipal Obligations..... | 5,803 | 31,732 | 253 | 6,796 | 44,584 |
| Negotiable Certificates of Deposit..... | 428,243 | - | - | - | 428,243 |
| Commercial Paper..... | 32,534 | - | - | - | 32,534 |
| Bond Mutual Funds..... | 337,095 | 478,265 | 114,819 | 140,972 | 1,071,151 |
| International Investments: | | | | | |
| Foreign Bonds..... | 10,148 | 19,537 | 3,951 | 32,911 | 66,547 |
| Securities Lending Collateral: | | | | | |
| Repurchase Agreements..... | 72,042 | - | - | - | 72,042 |
| Total Ohio State University..... | <u>\$1,301,744</u> | <u>\$1,666,820</u> | <u>\$301,084</u> | <u>\$382,188</u> | <u>\$3,651,836</u> |

At June 30, 2021, the Ohio Facilities Construction Commission had \$2.5 million invested in Bond Mutual Funds with a maturity of less than one year.

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates.

As of June 30, 2021, investments denominated in the currency of foreign nations, as detailed in the following tables for the primary government, including fiduciary activities, and the Ohio State University, a major discretely presented component unit, meet the requirements of the State's laws and policies, when applicable.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

| Primary Government (including Fiduciary Activities) International Investments—Foreign Currency Risk As of June 30, 2021 <i>(dollars in thousands)</i> | | |
|---|---------------------------------------|----------------------------|
| Currency | Commingled International Equity | Total |
| Argentinean Peso..... | \$ 59 | \$ 59 |
| Australian Dollar..... | 98,792 | 98,792 |
| Bermudian Dollar..... | 1,146 | 1,146 |
| Brazilian Real..... | 37,396 | 37,396 |
| British Pound..... | 183,789 | 183,789 |
| Canadian Dollar..... | 160,707 | 160,707 |
| Caymanian Dollar..... | 223 | 223 |
| Chilean Peso..... | 3,191 | 3,191 |
| Chinese Renminbi..... | 254,922 | 254,922 |
| Colombian Peso..... | 1,128 | 1,128 |
| Czech Koruna..... | 725 | 725 |
| Danish Krone..... | 36,421 | 36,421 |
| Egyptian Pound..... | 410 | 410 |
| Euro..... | 492,519 | 492,519 |
| Hong Kong Dollar..... | 60,000 | 60,000 |
| Hungarian Forint..... | 1,592 | 1,592 |
| Indian Rupee..... | 70,952 | 70,952 |
| Indonesian Rupiah..... | 7,853 | 7,853 |
| Israeli Shekel..... | 8,592 | 8,592 |
| Japanese Yen..... | 327,021 | 327,021 |
| Kuwait Dinar..... | 3,652 | 3,652 |
| Macao Pataca..... | 1,081 | 1,081 |
| Malaysian Ringgit..... | 8,862 | 8,862 |
| Manx Pound..... | 1,426 | 1,426 |
| Mexican Peso..... | 12,612 | 12,612 |
| New Zealand Dollar..... | 4,478 | 4,478 |
| Norwegian Krone..... | 8,825 | 8,825 |
| Pakistani Rupee..... | 134 | 134 |
| Papua New Guinea Kina..... | 410 | 410 |
| Peruvian New Sol..... | 136 | 136 |
| Philippines Peso..... | 4,486 | 4,486 |
| Polish Zloty..... | 4,529 | 4,529 |
| Qatari Rial..... | 4,517 | 4,517 |
| Russian Ruble..... | 20,294 | 20,294 |
| Saudi Riyal..... | 20,652 | 20,652 |
| Singapore Dollar..... | 15,435 | 15,435 |
| South African Rand..... | 24,885 | 24,885 |
| South Korean Won..... | 94,847 | 94,847 |
| Swedish Krona..... | 49,709 | 49,709 |
| Swiss Franc..... | 144,458 | 144,458 |
| Taiwan Dollar..... | 98,449 | 98,449 |
| Thailand Baht..... | 11,545 | 11,545 |
| Turkish Lira..... | 1,672 | 1,672 |
| United Arab Emirates Dirham..... | 5,027 | 5,027 |
| Investments Held in Foreign Currency..... | <u>\$ 2,289,559</u> | <u>2,289,559</u> |
| Foreign Investments Held in U.S. Dollars..... | | <u>1,378,618</u> |
| Total Foreign Investments - Primary Government, including Fiduciary Activities..... | | <u><u>\$ 3,668,177</u></u> |



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Unit
International Investments—Foreign Currency Risk
As of June 30, 2021
(dollars in thousands)

Ohio State University:

| Currency | Stocks | Bonds | Commingled International Equity | Total |
|---|-------------------|------------------|---------------------------------------|---------------------|
| Australian Dollar..... | \$ 13,268 | \$ 12,060 | \$ - | \$ 25,328 |
| Brazilian Real..... | 904 | - | - | 904 |
| British Pound..... | 57,597 | 28,686 | 284,936 | 371,219 |
| Canadian Dollar..... | 34,149 | 10,822 | - | 44,971 |
| Chilean Peso..... | 82 | - | - | 82 |
| Chinese Renminbi..... | (202) | - | - | (202) |
| Colombian Peso..... | 27 | - | - | 27 |
| Czech Koruna..... | 27 | - | - | 27 |
| Danish Krone..... | 3,142 | - | - | 3,142 |
| Egyptian Pound..... | 14 | - | - | 14 |
| Euro..... | 157,006 | 8,218 | 173,594 | 338,818 |
| Hong Kong Dollar..... | 37,836 | - | - | 37,836 |
| Hungarian Forint..... | 41 | - | - | 41 |
| Indian Rupee..... | 1,739 | - | - | 1,739 |
| Indonesian Rupiah..... | 192 | - | - | 192 |
| Israeli Shekel..... | 123 | 5,860 | - | 5,983 |
| Japanese Yen..... | 142,466 | 901 | - | 143,367 |
| Kuwaiti Dinar..... | 96 | - | - | 96 |
| Malaysian Ringgit..... | 219 | - | - | 219 |
| Mexican Peso..... | 301 | - | - | 301 |
| New Zealand Dollar..... | 253 | - | - | 253 |
| Norwegian Krone..... | 6,052 | - | - | 6,052 |
| Philippines Peso..... | 109 | - | - | 109 |
| Polish Zloty..... | 109 | - | - | 109 |
| Qatari Rial..... | 109 | - | - | 109 |
| Russian Ruble..... | 397 | - | - | 397 |
| Saudi Riyal..... | 506 | - | - | 506 |
| Singapore Dollar..... | 868 | - | - | 868 |
| South African Rand..... | 616 | - | - | 616 |
| South Korean Won..... | 13,612 | - | - | 13,612 |
| Swedish Krona..... | 12,766 | - | - | 12,766 |
| Swiss Franc..... | 21,945 | - | 26,429 | 48,374 |
| Taiwan Dollar..... | 6,806 | - | - | 6,806 |
| Thailand Baht..... | 274 | - | - | 274 |
| Turkish Lira..... | 41 | - | - | 41 |
| United Arab Emirates Dirham..... | 96 | - | - | 96 |
| Total Foreign Currency Investments - Ohio State University..... | <u>\$ 513,586</u> | <u>\$ 66,547</u> | <u>\$ 484,959</u> | <u>\$ 1,065,092</u> |

The State's laws and investment policies include provisions to limit the exposure to this type of risk. According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation, and provided that all denomination of principal and interest be in U.S. dollars.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

D. Securities Lending Transactions

The Treasurer of State participates in the securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value, with the exception of U.S. Treasury Bills, which are purchased at a discount and are collateralized at par. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

Consequently, as of June 30, 2021, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 28 days while the weighted average maturity of securities loans is four days.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from the insolvency default of the lending counterparty.

During fiscal year 2021, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2021, the Treasurer of State lent U.S. government and agency obligations and corporate notes in exchange for cash collateral.

E. Investment Derivative Instruments

As of June 30, 2021, the State reports the following investment derivative instruments in its financial statements:

| Investment Derivative Instruments | | | | | |
|------------------------------------|-----------|-------------------------|----------------------------|-----------------------------------|--|
| As of June 30, 2021 | | | | | |
| (dollars in thousands) | | | | | |
| | | Fair Value at 6/30/2021 | | Increase (Decrease) in Fair Value | |
| | Notional | Amount | Reported as | Amount | Reported as |
| Governmental Activities: | | | | | |
| Investment Derivative Instruments: | | | | | |
| | | | | | Operating Restricted Investment Gain - |
| | | | | | Primary, Secondary and Other Education |
| Pay-Fixed Interest Rate Swaps | \$ 49,400 | \$ (3,360) | Other Noncurrent Liability | \$ 2,643 | Function |

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivative instruments as of June 30, 2021, and are reported as investment derivative instruments. The increase in fair value for fiscal year 2021 of \$2.6 million is reported as operating restricted investment gains for the primary, secondary, and other education function in the Statement of Activities.

The credit quality ratings of JPMorgan Chase, the counterparty, are "Aa2/A+/AA" as of June 30, 2021. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2021. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative instrument's positive fair value.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement and based on the fair value of the swap. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the 10-year LIBOR. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

F. Fair Value Disclosures

The State categorizes fair value measurements of its investments within the fair value hierarchy shown in the following tables:

| Primary Government (including Fiduciary Activities) | | | | |
|---|--|---|--|-------------------|
| Investments - Fair Value Disclosures | | | | |
| As of June 30, 2021 | | | | |
| (dollars in thousands) | | | | |
| Fair Value | Amount of Fair Value Measured Using: | | | |
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Investments Measured by Fair Value Level: | | | | |
| U.S. Government Obligations..... | \$ 12,462,745 | \$ 3,828,242 | \$ 8,634,503 | \$ - |
| U.S. Government Obligations - strips..... | 663,757 | 663,757 | - | - |
| U.S. Agency Obligations..... | 4,724,970 | 1,779 | 4,723,191 | - |
| U.S. Agency Obligations-strips..... | 69,768 | - | 69,768 | - |
| Common and Preferred Stock..... | 4,276,492 | 4,276,333 | - | 159 |
| Corporate Bonds and Notes..... | 4,988,742 | - | 4,984,717 | 4,025 |
| Corporate Bonds and Notes - Strips..... | 720,271 | - | 720,271 | - |
| Municipal Obligations..... | 275,089 | - | 275,089 | - |
| Negotiable Certificates of Deposit..... | 5,141 | - | 5,141 | - |
| Commercial Paper..... | 7,588,916 | - | 7,588,916 | - |
| Repurchase Agreements..... | 408,542 | 8,542 | 400,000 | - |
| Mortgage and Asset-Backed Securities..... | 617,253 | - | 508,300 | 108,953 |
| Equity Mutual Funds..... | 16,051,708 | 16,051,462 | 246 | - |
| Bond Mutual Funds..... | 9,463,548 | 9,393,364 | 70,184 | - |
| International Investments: | | | | |
| Foreign Stocks..... | 5,086 | 5,086 | - | - |
| Foreign Bonds..... | 1,168,529 | - | 959,275 | 209,254 |
| Commingled Equity Funds..... | 20,467 | 20,467 | - | - |
| Securities Lending Collateral: | | | | |
| Corporate Bonds and Notes..... | 34,994 | - | 34,994 | - |
| Variable Rate Notes..... | 223,557 | - | 223,557 | - |
| Bond Mutual Funds..... | 159,032 | 159,032 | - | - |
| | <u>\$ 63,928,607</u> | <u>\$ 34,408,064</u> | <u>\$ 29,198,152</u> | <u>\$ 322,391</u> |
| Investment Derivative Instruments: | | | | |
| Interest Rate Swaps..... | \$ (3,360) | \$ - | \$ (3,360) | \$ - |
| | <u>\$ (3,360)</u> | <u>\$ -</u> | <u>\$ (3,360)</u> | <u>\$ -</u> |



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

| Primary Government (including Fiduciary Activities) | |
|---|---------------------|
| Investments - Fair Value Disclosures | |
| As of June 30, 2021 | |
| (dollars in thousands) | |
| | Net Asset Value |
| Investments Measured at Net Asset Value Level: | |
| Equity Mutual Funds..... | \$ 639,235 |
| Bond Mutual Funds..... | 1,942,998 |
| Real Estate..... | 3,601,599 |
| Partnerships and Hedge Funds..... | 284,739 |
| International Investments: | |
| Commingled Equity Funds..... | 2,474,095 |
| | <u>\$ 8,942,666</u> |

For investments held by the Treasurer of State, \$2.50 billion classified in Level 1 were valued using inputs based on published share price. Level 2 classifications in the amount of \$12.30 billion were valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications were used. Interactive Data pricing used by the Treasurer's office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission's structured investments are included in the Treasurer of State's Level 2 investments noted above. Investments in the amount of \$200 million, classified in Level 3, were bonds for which there is no secondary market, and were therefore, valued at the original principal.

For investments held by the STAR Ohio investment pool, \$6.31 billion in open-end investment companies, including money market funds, were classified in Level 1 and were valued using the daily redemption value as reported by the underlying fund, while the \$10.36 billion in short-term investments classified in Level 2 was valued using market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and offers. Market indicators and industry and economic events were also monitored to see if further market data was needed.

Investments held by the Department of Commerce in the amount of \$1.05 billion for escheat property classified in Level 1, were valued using quoted prices for identical securities in an active market. Investments held by other state agencies in the amount \$35.2 million classified in Level 1, were valued using quoted prices in a large and active market.

For investments held by independently audited organizations of the primary government, more information regarding investment valuations can be found in the organizations' stand-alone financial reports. The stand-alone financial reports for the independently audited organizations included in the table above may be found as follows:

- STAR Ohio investment pool at the Treasurer of State's Office, at <http://www.tos.ohio.gov/>;
- Development Services Agency-Office of Loan Administration, at <https://development.ohio.gov/>;
- Buckeye Tobacco Settlement Financing Authority, [Issuers | Office of Budget and Management \(ohio.gov\)](#);
- Southern Ohio Agricultural and Community Development Foundation, at <http://www.soacdf.net/>;
- Bureau of Workers' Compensation/Industrial Commission of Ohio, at <https://www.bwc.ohio.gov/>;
- Tuition Trust Authority, at <https://www.collegeadvantage.com/>;
- STABLE, contact the Ohio Treasurer of State's office at (800) 228-1102 to request a copy of the report.
- State Highway Patrol Retirement System, at <https://www.ohprs.org/ohprs/>;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The fair value investment hierarchy for the Ohio State University, a major discretely presented component unit, is reported in the table below:

| Major Discretely Presented Component Unit | | | | |
|--|------------------------|---|---|--|
| Investments - Fair Value Disclosures | | | | |
| As of June 30, 2021 | | | | |
| (dollars in thousands) | | | | |
| | | Amount of Fair Value Measured Using: | | |
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <i>Ohio State University:</i> | | | | |
| <i>Investments Measured by Fair Value Level:</i> | | | | |
| U.S. Government Obligations..... | \$ 201,357 | \$ 605 | \$ 200,752 | \$ - |
| U.S. Agency Obligations..... | 112,954 | - | 112,954 | - |
| Common and Preferred Stock..... | 1,182,412 | 1,182,412 | - | - |
| Corporate Bonds and Notes..... | 1,622,424 | - | 1,622,424 | - |
| Municipal Obligations..... | 44,584 | - | 44,584 | - |
| Negotiable Certificates of Deposit..... | 428,243 | 382,020 | 46,223 | - |
| Commercial Paper..... | 32,534 | - | 32,534 | - |
| Equity Mutual Funds..... | 358,408 | 358,408 | - | - |
| Bond Mutual Funds..... | 948,828 | 948,828 | - | - |
| Real Estate..... | 143,424 | 127,615 | - | 15,809 |
| Partnerships and Hedge Funds..... | 137,009 | - | - | 137,009 |
| Life Insurance..... | 3,552 | - | - | 3,552 |
| International Investments: | | | | |
| Foreign Stocks..... | 513,586 | 513,586 | - | - |
| Foreign Bonds..... | 66,547 | - | 66,547 | - |
| Commingled Equity Funds..... | 365,192 | - | - | 365,192 |
| Securities Lending Collateral: | | | | |
| Repurchase Agreements..... | 72,042 | - | 72,042 | - |
| | <u>\$ 6,233,096</u> | <u>\$ 3,513,474</u> | <u>\$ 2,198,060</u> | <u>\$ 521,562</u> |
| <i>Ohio State University:</i> | | | | |
| | <u>Net Asset Value</u> | | | |
| <i>Investments Measured at Net Asset Value</i> | | | | |
| Equity Mutual Funds | \$ 851,850 | | | |
| Bond Mutual Funds | 122,323 | | | |
| Real Estate | 16 | | | |
| Partnerships and Hedge Funds | 2,890,547 | | | |
| International Investments: | | | | |
| Commingled Equity Funds | 119,767 | | | |
| | <u>\$ 3,984,503</u> | | | |

More information on Ohio State University's fair value investment valuations can be found in its audited stand-alone financial report at <https://www.osu.edu/>.

The Ohio Facilities Construction Commission's investments in the amount of \$2.5 million were classified in Level 1 based on their valuation using the market approach.



NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

Current taxes receivable is expected to be collected in the next fiscal year while noncurrent taxes receivable is not expected to be collected until more than one year from the balance sheet date. As of June 30, 2021, approximately \$121.6 million of the net taxes receivable balance is also reported as Deferred Inflows of Resources on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately \$1.26 billion are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Position and in the General Fund on the governmental funds' Balance Sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands):

| | Governmental Activities | | |
|---------------------------------------|-------------------------|-----------------------------------|-----------------------------|
| | General | Nonmajor Governmental Funds | Total Primary Government |
| Current-Due Within One Year: | | | |
| Income Taxes | \$ 358,871 | \$ - | \$ 358,871 |
| Sales Taxes | 588,755 | - | 588,755 |
| Motor Vehicle Fuel Taxes | 175,441 | 169,073 | 344,514 |
| Commercial Activity Taxes | 524,401 | 13,607 | 538,008 |
| Public Utility Taxes | 92,289 | - | 92,289 |
| Casino Taxes | - | 5,821 | 5,821 |
| | <u>1,739,757</u> | <u>188,501</u> | <u>1,928,258</u> |
| Noncurrent-Due in More Than One Year: | | | |
| Income Taxes | 17,810 | - | 17,810 |
| Taxes Receivable, Net | <u>\$ 1,757,567</u> | <u>\$ 188,501</u> | <u>\$ 1,946,068</u> |

B. Intergovernmental Receivable – Primary Government

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2021 (dollars in thousands):

| | From Nonexchange Programs | | From Sales of Goods and Services | | Total Primary |
|---|------------------------------|---------------------|-------------------------------------|---------------------|---------------------|
| | Federal Government | Local Government | Other State Governments | Local Government | |
| Governmental Activities: | | | | | |
| Major Governmental Funds: | | | | | |
| General | \$ 320,513 | \$ - | \$ - | \$ - | \$ 320,513 |
| Job, Family and Other Human Services | 295,679 | 15,682 | - | - | 311,361 |
| Nonmajor Governmental Funds | 555,300 | 70,871 | - | 17,370 | 643,541 |
| Total Governmental Activities | <u>1,171,492</u> | <u>86,553</u> | <u>-</u> | <u>17,370</u> | <u>1,275,415</u> |
| Business-Type Activities: | | | | | |
| Major Proprietary Funds: | | | | | |
| Unemployment Compensation | - | - | 813 | - | 813 |
| Nonmajor Proprietary Funds | - | - | - | 5,503 | 5,503 |
| Total Business-Type Activities | <u>-</u> | <u>-</u> | <u>813</u> | <u>5,503</u> | <u>6,316</u> |
| Intergovernmental Receivable | <u>\$1,171,492</u> | <u>\$ 86,553</u> | <u>\$ 813</u> | <u>\$ 22,873</u> | <u>\$ 1,281,731</u> |



NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2021, are detailed in the following table (dollars in thousands):

| Primary Government - Loans Receivable | | | |
|---|-------------------------|-----------------------------------|-----------------------------|
| Loan Program | Governmental Activities | | |
| | General | Nonmajor Governmental Funds | Total Primary Government |
| Economic Development Office of Loan Administration..... | \$ 238,691 | \$ - | \$ 238,691 |
| Local Infrastructure Improvements | 641,116 | - | 641,116 |
| Housing Finance | 339,698 | - | 339,698 |
| Highway, Transit, & Aviation Infrastructure Bank..... | - | 141,332 | 141,332 |
| Third Frontier Program Loans..... | - | 43,754 | 43,754 |
| Wayne Trace Local School District | - | - | - |
| Capital Access Loan Program..... | - | 763 | 763 |
| Loans Receivable, Net | <u>\$ 1,219,505</u> | <u>\$ 185,849</u> | <u>\$ 1,405,354</u> |
| Current-Due Within One Year | \$ 108,045 | \$ 24,054 | \$ 132,099 |
| Noncurrent-Due in More Than One Year | 1,111,460 | 161,795 | 1,273,255 |
| Loans Receivable, Net | <u>\$ 1,219,505</u> | <u>\$ 185,849</u> | <u>\$ 1,405,354</u> |

The "Loans Receivable" balance reported in the major discretely presented component units, as of June 30, 2021, is comprised of student loans and other miscellaneous loans.





NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government and fiduciary activities, as of June 30, 2021, follow (dollars in thousands):

| Primary Government and Fiduciary Activities - Accrued Liabilities | | | | | |
|---|--|-----------------------------------|-----------------------------|---|------------------------------|
| | | Wages and Employee Benefits | Accrued Interest | Total Accrued Liabilities | |
| Governmental Activities: | | | | | |
| Major Governmental Funds: | | | | | |
| General..... | | \$ 212,134 | \$ - | \$ 212,134 | |
| Job, Family and Other Human Services..... | | 31,319 | - | 31,319 | |
| Pandemic Relief Funds..... | | 426 | - | 426 | |
| Nonmajor Governmental Funds..... | | 79,247 | - | 79,247 | |
| | | 323,126 | - | 323,126 | |
| Reconciliation of fund level statements to government- wide statements due to basis differences..... | | - | 142,530 | 142,530 | |
| Total Governmental Activities..... | | 323,126 | 142,530 | 465,656 | |
| Business-Type Activities: | | | | | |
| Nonmajor Proprietary Funds..... | | 6,206 | - | 6,206 | |
| Total Primary Government..... | | <u>\$ 329,332</u> | <u>\$ 142,530</u> | <u>\$ 471,862</u> | |
| | | Wages and Employee Benefits | Health Benefit Claims | Management and Administrative Expenses | Total Accrued Liabilities |
| Fiduciary Activities: | | | | | |
| State Highway Patrol Retirement System Pension Trust (12/31/2020)..... | | \$ 6,931 | \$ 446 | \$ - | \$ 7,377 |
| Private-Purpose Trust: | | | | | |
| Variable College Savings Plan..... | | - | - | 4,307 | 4,307 |
| STABLE Program..... | | - | - | 94 | 94 |
| STAR Ohio Investment Trust..... | | - | - | 575 | 575 |
| Total Fiduciary Activities..... | | <u>\$ 6,931</u> | <u>\$ 446</u> | <u>\$ 4,976</u> | <u>\$ 12,353</u> |

The "Accrued Liabilities" balance reported in the major discretely presented component units, as of June 30, 2021, is comprised largely of payables similar to those of the primary government, such as wages and employee benefits, self-insurance, and accrued interest.



NOTE 6 PAYABLES (Continued)

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government and fiduciary activities, as of June 30, 2021, are comprised of the following (dollars in thousands):

| Primary Government and Fiduciary Activities - Intergovernmental Payable | | | | | |
|--|---|------------------------|-----------------------|-----------------|---------------------|
| | Local Government | | | | |
| | Shared Revenue and Local Permissive Taxes | Subsidies and Other | Federal Government | Other States | Total |
| Governmental Activities: | | | | | |
| Major Governmental Funds: | | | | | |
| General | \$ 1,077,923 | \$ 64,930 | \$ 42,078 | \$ - | \$ 1,184,931 |
| Job, Family and Other Human Services | - | 130,717 | - | - | 130,717 |
| Nonmajor Governmental Funds | 108,040 | 287,690 | - | - | 395,730 |
| Total Governmental Activities | <u>\$ 1,185,963</u> | <u>\$ 483,337</u> | <u>\$ 42,078</u> | <u>\$ -</u> | <u>\$ 1,711,378</u> |
| Business-Type Activities: | | | | | |
| Major Proprietary Funds: | | | | | |
| Unemployment Compensation | \$ - | \$ 170 | \$ 1,472,396 | \$ - | \$ 1,472,566 |
| Total Business-Type Activities | <u>\$ -</u> | <u>\$ 170</u> | <u>\$ 1,472,396</u> | <u>\$ -</u> | <u>\$ 1,472,566</u> |
| Total Primary Government..... | | | | | <u>\$ 3,183,944</u> |
| Fiduciary Activities: | | | | | |
| Custodial Funds..... | \$ 239,837 | \$ - | \$ - | \$ - | \$ 239,837 |
| Total Fiduciary Activities | <u>\$ 239,837</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 239,837</u> |

As of June 30, 2021, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported an intergovernmental payable balance totaling approximately \$375.2 million for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Position, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities." The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.



NOTE 6 PAYABLES (Continued)

C. Refund and Other Liabilities

Refund and other liabilities for the primary government and fiduciary activities, as of June 30, 2021, consist of the balances, as follows (dollars in thousands):

| Primary Government and Fiduciary Activities - Refund and Other Liabilities | | | | | | |
|---|---|---|---------------------------------|------------------------------|------------------|---------------------|
| | Personal Income Tax Estimated Refund Claims | Payroll Withholding and Health Care Benefits | Other | Total | | |
| Governmental Activities: | | | | | | |
| Major Governmental Funds: | | | | | | |
| General | \$ 1,261,042 | \$ 143,977 | \$ 31,610 | \$ 1,436,629 | | |
| Job, Family and Other Human Services | - | - | 2,982 | 2,982 | | |
| Total Governmental Activities | <u>\$ 1,261,042</u> | <u>\$ 143,977</u> | <u>\$ 34,592</u> | <u>\$ 1,439,611</u> | | |
| | Reserve for Compensation Adjustment | Net Pension / OPEB Liability | Refund and Security Deposits | Compensated Absences | Other | Total |
| Business-Type Activities: | | | | | | |
| Major Proprietary Funds: | | | | | | |
| Workers' Compensation | \$ 1,649,999 | \$ 149,066 | \$ - | \$ 34,732 | \$ 280,310 | \$ 2,114,107 |
| Lottery Commission | - | 24,150 | 29,664 | 5,383 | 23,564 | 82,761 |
| Unemployment Compensation | - | - | 8,065 | - | - | 8,065 |
| Nonmajor Proprietary Funds | - | 53,974 | - | 12,189 | - | 66,163 |
| | 1,649,999 | 227,190 | 37,729 | 52,304 | 303,874 | 2,271,096 |
| Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements..... | (1,649,999) | (227,190) | - | (52,304) | (252,844) | (2,182,337) |
| Total Business-Type Activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,729</u> | <u>\$ -</u> | <u>\$ 51,030</u> | <u>\$ 88,759</u> |
| Total Primary Government | | | | | | <u>\$ 1,528,370</u> |
| | | | | Child Support Collections | Other | Total |
| Fiduciary Activities: | | | | | | |
| State Highway Patrol Retirement System Pension Trust (12/31/2020)..... | | | | \$ - | \$ 1,476 | \$ 1,476 |
| Private Purpose Trust Funds: | | | | | | |
| Variable College Savings Plan..... | | | | - | 55,886 | 55,886 |
| STABLE Program..... | | | | - | 19 | 19 |
| STAR Ohio Investment Trust | | | | - | 60 | 60 |
| Custodial Funds..... | | | | 88,237 | 7,868 | 96,105 |
| Total Fiduciary Activities | | | | <u>\$ 88,237</u> | <u>\$ 65,309</u> | <u>\$ 153,546</u> |

In the major discretely presented component units, the "Refunds and Other Liabilities" balance reported, as of June 30, 2021, is comprised largely of payables similar to the primary government, such as refund and security deposits, compensated absences, capital leases, and other miscellaneous payables.



NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

A. Interfund Balances

Interfund balances, as of June 30, 2021, consist of the following (dollars in thousands):

| Due from | Due To | | Total |
|---|-----------------------|----------------------------|-------------------|
| | Workers' Compensation | Nonmajor Proprietary Funds | |
| General | \$ 372,658 | \$ 1,989 | \$ 374,647 |
| Job, Family and Other Human Services | 8,771 | - | 8,771 |
| Pandemic Relief Funds | 6,011 | - | 6,011 |
| Nonmajor Governmental Funds | 96,647 | - | 96,647 |
| Lottery Commission | 864 | - | 864 |
| Total..... | <u>\$ 484,951</u> | <u>\$ 1,989</u> | <u>\$ 486,940</u> |

Interfund balances result from the time lag between dates that 1) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$485 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Position, the State includes the liability in the internal balance reported for governmental activities.

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2021, consist of the following (dollars in thousands):

| Transferred from | Transferred to | | | | | Total |
|---|-------------------|------------------------------------|--------------------------------|-----------------------------|-------------------|--------------------|
| | General | Job, Family & Other Human Services | Other Major Governmental Funds | Nonmajor Governmental Funds | Proprietary Funds | |
| General | \$ - | \$ 13,683 | \$ 17 | \$ 1,855,691 | \$ 39,247 | \$1,908,638 |
| Job, Family and Other Human Services .. | - | - | - | 5,465 | - | 5,465 |
| Buckeye Tobacco Settlement | | | | | | |
| Financing Authority Revenue Bonds.... | 22,614 | - | - | - | - | 22,614 |
| Pandemic Relief Funds..... | - | - | - | - | 8,253 | 8,253 |
| Nonmajor Governmental Funds | 241,268 | 171 | 18 | 215,192 | - | 456,649 |
| Workers' Compensation | 8,923 | - | - | - | - | 8,923 |
| Lottery Commission | 1,679 | - | - | 1,359,010 | - | 1,360,689 |
| Unemployment Compensation | 6,956 | 13,467 | - | - | - | 20,423 |
| Total..... | <u>\$ 281,440</u> | <u>\$ 27,321</u> | <u>\$ 35</u> | <u>\$ 3,435,358</u> | <u>\$ 47,500</u> | <u>\$3,791,654</u> |

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as the debt service payments become due, and 3) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)

C. Discretely Presented Component Units

For fiscal year 2021, the discretely presented component units reported \$2.54 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary, and Other Education" expenses reported for the governmental activities, is the funding that the primary government provided to the Ohio Facilities Construction Commission for capital construction at local school districts. The primary government also transferred bond proceeds to the Ohio Facilities Construction Commission to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below:

| Primary Government (dollars in thousands) | | | | | | |
|--|--|---|--|--|----------------------------|--|
| I Program Expenses for State Assistance to Component Units | | | | | | |
| | Receivable from the Component Units | Payable to the Component Units | Primary, Secondary, and Other Education Function | Higher Education Support Function | Transportation Function | Total State Assistance to the Component Units |
| Major Governmental Funds: | | | | | | |
| General | \$ - | \$ 11,010 | \$ 454,795 | \$ 2,078,413 | \$ 2,690 | \$ 2,535,898 |
| Job, Family and Other Human Services ... | - | 3,611 | - | - | - | - |
| Nonmajor Governmental Funds | 9,849 | 7,726 | - | - | - | - |
| Total Primary Government..... | <u>\$ 9,849</u> | <u>\$ 22,347</u> | <u>\$ 454,795</u> | <u>\$ 2,078,413</u> | <u>\$ 2,690</u> | <u>\$ 2,535,898</u> |

| Discretely Presented Component Units (dollars in thousands) | | | |
|---|---|---|--|
| | Receivable from the Primary Government | Payable to the Primary Government | Total State Assistance from the Primary Government |
| Major Discretely Presented Component Units: | | | |
| Ohio Facilities Construction Commission..... | \$ - | \$ - | \$ 454,795 |
| Ohio State University | 442 | - | 550,103 |
| Nonmajor Discretely Presented Component Units | 21,905 | 10,482 | 1,531,000 |
| Total Discretely Presented Component Units | <u>\$ 22,347</u> | <u>\$ 10,482</u> | <u>\$ 2,535,898</u> |



NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2021, reported for the primary government was as follows (dollars in thousands):

| | Primary Government | | | |
|---|-------------------------|------------|--------------|--------------------------|
| | Balance July 1, 2020 | Increases | Decreases | Balance June 30, 2021 |
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 2,519,465 | \$ 115,986 | \$ (12,741) | \$ 2,622,710 |
| Buildings | 62,464 | 2,847 | - | 65,311 |
| Land Improvements | 1,439 | - | - | 1,439 |
| Construction-in-Progress | 2,474,654 | 515,128 | (323,554) | 2,666,228 |
| Infrastructure: | | | | |
| Highway Network: | | | | |
| General Subsystem | 9,074,849 | 22,656 | - | 9,097,505 |
| Priority Subsystem | 9,143,435 | 66,999 | - | 9,210,434 |
| Bridge Network | 2,996,353 | 16,487 | (18,151) | 2,994,689 |
| Total Capital Assets Not Being Depreciated..... | 26,272,659 | 740,103 | (354,446) | 26,658,316 |
| Other Capital Assets: | | | | |
| Buildings | 4,187,790 | 166,287 | (12,861) | 4,341,216 |
| Land Improvements | 552,577 | 16,869 | (2,479) | 566,967 |
| Machinery and Equipment | 1,750,949 | 104,181 | (52,589) | 1,802,541 |
| Vehicles | 549,832 | 25,642 | (29,944) | 545,530 |
| Infrastructure: | | | | |
| Parks, Recreation and Natural Resources Network... | 284,421 | 21 | - | 284,442 |
| Total Other Capital Assets at Historical Cost..... | 7,325,569 | 313,000 | (97,873) | 7,540,696 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 2,606,045 | 116,725 | (11,313) | 2,711,457 |
| Land Improvements | 381,540 | 20,004 | (1,540) | 400,004 |
| Machinery and Equipment | 1,245,760 | 78,461 | (41,798) | 1,282,423 |
| Vehicles | 323,108 | 51,638 | (27,047) | 347,699 |
| Infrastructure: | | | | |
| Parks, Recreation and Natural Resources Network... | 58,561 | 7,651 | - | 66,212 |
| Total Accumulated Depreciation | 4,615,014 | 274,479 | (81,698) | 4,807,795 |
| Other Capital Assets, Net | 2,710,555 | 38,521 | (16,175) | 2,732,901 |
| Governmental Activities - Capital Assets, Net..... | \$ 28,983,214 | \$ 778,624 | \$ (370,621) | \$ 29,391,217 |
| Business-Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 9,466 | \$ - | \$ - | \$ 9,466 |
| Construction-In Progress..... | 73,923 | - | (73,923) | - |
| Total Capital Assets Not Being Depreciated..... | 83,389 | - | (73,923) | 9,466 |
| Other Capital Assets: | | | | |
| Buildings | 209,439 | - | - | 209,439 |
| Machinery and Equipment | 197,691 | 88,997 | (1,267) | 285,421 |
| Vehicles | 3,700 | 466 | (543) | 3,623 |
| Total Other Capital Assets at Historical Cost..... | 410,830 | 89,463 | (1,810) | 498,483 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 201,479 | 779 | - | 202,258 |
| Machinery and Equipment | 176,200 | 21,741 | (1,204) | 196,737 |
| Vehicles | 2,287 | 401 | (460) | 2,228 |
| Total Accumulated Depreciation | 379,966 | 22,921 | (1,664) | 401,223 |
| Other Capital Assets, Net | 30,864 | 66,542 | (146) | 97,260 |
| Business-Type Activities - Capital Assets, Net..... | \$ 114,253 | \$ 66,542 | \$ (74,069) | \$ 106,726 |



NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2021, the State charged depreciation expense to the following functions (dollars in thousands):

| | <i>Depreciation Expense</i> |
|---|--|
| <i>Governmental Activities:</i> | |
| Primary, Secondary and Other Education..... | \$ 2,773 |
| Public Assistance and Medicaid..... | 17,997 |
| Health and Human Services..... | 14,029 |
| Justice and Public Protection..... | 66,389 |
| Environmental Protection and Natural Resources..... | 27,052 |
| Transportation..... | 80,119 |
| General Government..... | 65,554 |
| Community and Economic Development..... | 7,156 |
| Total Depreciation Expense for Governmental Activities..... | 281,069 |
| Gains (Losses) on Capital Asset Disposals Included in Depreciation..... | (6,590) |
| Fiscal Year 2021 Increases to Accumulated Depreciation..... | <u>\$ 274,479</u> |
| <i>Business-Type Activities:</i> | |
| Workers' Compensation..... | \$ 14,224 |
| Lottery Commission..... | 8,398 |
| Tuition Trust Authority..... | 8 |
| Office of Auditor of State..... | 183 |
| Total Depreciation Expense for Business-Type Activities..... | 22,813 |
| Gains (Losses) on Capital Asset Disposals Included in Depreciation..... | 108 |
| Fiscal year 2020 Increase to Accumulated Depreciation..... | <u>\$ 22,921</u> |

As of June 30, 2021, the State considered the following governmental capital asset balances as being impaired and removed from service (dollars in thousands):

| | <i>Net Book Value</i> |
|---|------------------------------|
| <i>Governmental Activities:</i> | |
| Permanently Impaired Assets Removed from Service: | |
| Buildings..... | \$ 4,198 |
| Land Improvements | 225 |
| Total..... | <u>\$ 4,423</u> |



NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Unit

Capital asset activity, for the year ended June 30, 2021, reported for major discretely presented component unit funds with significant capital asset balance was as follows (dollars in thousands):

| | Major Discretely Presented Component Unit | | | |
|--|---|--------------|--------------|--------------------------|
| | Balance July 1, 2020 | Increases | Decreases | Balance June 30, 2021 |
| <u>Ohio State University:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 139,597 | \$ 2,071 | \$ - | \$ 141,668 |
| Construction-in-Progress | 950,722 | 1,005,694 | (884,446) | 1,071,970 |
| Patents and Trademarks..... | 18,589 | - | (124) | 18,465 |
| Total Capital Assets Not Being Depreciated..... | 1,108,908 | 1,007,765 | (884,570) | 1,232,103 |
| Other Capital Assets: | | | | |
| Buildings | 7,038,077 | 587,797 | (24,749) | 7,601,125 |
| Land Improvements | 979,039 | 30,215 | (9) | 1,009,245 |
| Machinery, Equipment and Vehicles | 1,771,655 | 330,227 | (36,677) | 2,065,205 |
| Library Books and Publications | 196,468 | 3,943 | (220) | 200,191 |
| Total Other Capital Assets at Historical Cost..... | 9,985,239 | 952,182 | (61,655) | 10,875,766 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 3,313,930 | 239,217 | (20,844) | 3,532,303 |
| Land Improvements | 400,326 | 45,523 | 1,334 | 447,183 |
| Machinery, Equipment and Vehicles | 1,285,345 | 180,107 | (24,942) | 1,440,510 |
| Library Books and Publications | 172,531 | 4,626 | (218) | 176,939 |
| Total Accumulated Depreciation | 5,172,132 | 469,473 | (44,670) | 5,596,935 |
| Other Capital Assets, Net | 4,813,107 | 482,709 | (16,985) | 5,278,831 |
| Total Capital Assets, Net | \$ 5,922,015 | \$ 1,490,474 | \$ (901,555) | \$ 6,510,934 |

For fiscal year 2021, Ohio State University reported approximately \$470.7 million in depreciation expense. Increases to accumulated depreciation not included in depreciation expense include \$1.2 million related to a loss on the sale of capital assets.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

All part-time and full-time employees and elected officials of the State, including its component units (unless otherwise excluded in Ohio Revised Code), are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

GASB 68 and 75 require employers participating in cost-sharing multiple-employer retirement plans to recognize a proportionate share of net pension and OPEB assets/liabilities, expenses, and deferrals. For the year ended June 30, 2021, the State recognized total pension expense for all retirement plans of \$139 million, net pension liabilities of \$3.64 billion, net pension assets of \$57.3 million, deferred outflows of \$430.1 million, and deferred inflows of \$1.61 billion. The State also recognized total OPEB expense of \$(2.21) billion, net OPEB liabilities of \$633.4 million, net OPEB assets of \$384.9 million, deferred outflows of \$483 million, and deferred inflows of \$1.3 billion.

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – the Traditional Pension Plan (Traditional Plan) which is a defined benefit plan, the Member-Directed Plan which is a defined contribution plan, and the Combined Plan with features of both the defined benefit plan and the defined contribution plan.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

OPERS issues a stand-alone financial report, which may be obtained by visiting <https://www.opers.org> or by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (800) 222-7377.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and survivor and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

New employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers, who must participate in the defined benefit plan, college and university employees who choose to participate in one of the university's alternative retirement plans (see NOTE 9D), and re-employed OPERS retirees.

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members eligible to retire under the law in effect prior to Senate Bill 343 or who will be eligible to retire no later than five years after January 7, 2013, comprise Transition Group A. Members with 20 years of service credit prior to January 7, 2013, or who will be eligible to retire no later than 10 years after January 7, 2013, are included in Transition Group B. Those members who are not in Group A or B or were hired after January 7, 2013, are in Transition Group C.

The age and service requirements for State and Law Enforcement employees in all transition groups are shown in the table below:

| Unreduced Benefit | Group A | | Group B | | Group C | |
|-------------------|---------|---------|---------|---------|---------|---------|
| | Age | Service | Age | Service | Age | Service |
| State | Any | 30 | 52 | 31 | 55 | 32 |
| | N/A | N/A | Any | 32 | N/A | N/A |
| | 65 | 5 | 66 | 5 | 67 | 5 |
| Law Enforcement | 48 | 25 | 50 | 25 | 52 | 25 |
| | 62 | 15 | 64 | 15 | 64 | 15 |

| Reduced Benefit | Group A | | Group B | | Group C | |
|-----------------|---------|---------|---------|---------|---------|---------|
| | Age | Service | Age | Service | Age | Service |
| State | 55 | 25 | 55 | 25 | 57 | 25 |
| | 60 | 5 | 60 | 5 | 62 | 5 |
| Law Enforcement | 52 | 15 | 52 | 15 | 56 | 15 |
| | N/A | N/A | 48 | 25 | 48 | 25 |

The retirement allowance for the Traditional Plan (defined benefit) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 35 years and by 2.5 percent for all other years in excess of 35 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually of the original base amount regardless of changes in the Consumer Price Index for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index, capped at three percent.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

The retirement allowance for the Combined Plan (defined benefit portion) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 35 years and by 1.25 percent for all other years in excess of 35 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index, for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, the increase will be based on the average increase in the Consumer Price Index, capped at three percent. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Certain retirees and benefit recipients may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected and cannot result in a monthly allowance that is less than 50 percent of that monthly amount.

Regular employees who participate in the Member-Directed Plan (defined contribution) may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, a PLOP, rollovers to another eligible retirement plan, or made payable to the member, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS investment options.

Employer and employee required contributions to OPERS are established by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees.

Contribution rates for fiscal year 2021, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

| | Contribution Rates | |
|---|--------------------|----------------|
| | Employee Share | Employer Share |
| <u>Regular Employees:</u> | | |
| July 1, 2020 through June 30, 2021..... | 10.00% | 14.00% |
| <u>Law Enforcement Employees:</u> | | |
| July 1, 2020 through June 30, 2021..... | 13.00% | 18.10% |

In the Combined Plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the Member Directed defined contribution plan, both the employee and employer share of the costs are used to finance the plan.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

At June 30, 2021, the State reports a liability of \$3.16 billion for its proportionate share of the net pension liability for the Traditional Plan and an asset for its proportionate share of the net pension asset of \$57.3 million for the Combined Plan. Ohio State University discretely presented component unit reports liabilities of \$1.5 billion for its proportionate share of the net pension liability for the Traditional Plan. The net pension liability/asset was measured as of December 31, 2020. The Plan's total pension liability used to calculate the Plan's net pension liability/asset was determined by an actuarial valuation as of December 31, 2020. The State's proportion of the net pension liability/asset is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers and non-employer contributing entities to the Plan. At December 31, 2020, the State's proportion was 21.37 percent for the Traditional Plan based on employer contributions of \$421.7 million, as compared to the December 31, 2019, proportion of 20.82 percent. For the Combined Plan, the State's proportion at December 31, 2020, was 19.85 percent based on employer contributions of \$11.8 million, as compared to the December 31, 2019, proportion of 19.36 percent. The proportion for the Traditional Plan for Ohio State University discretely presented component unit was 10.4 percent based on employer contributions totaling \$240.1 million compared to 10.2 percent for the previous fiscal year. For purposes of measuring the net pension liability/asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned. Refunds are payable two months after termination of the member's employment. All investments are reported at fair value.

For the year ended June 30, 2021, the State recognized pension expense of \$103.9 million for the Traditional Plan, and \$1.2 million for the Combined Plan. Ohio State University discretely presented component unit, recognized \$(134.8) million in pension expense.

At June 30, 2021, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| | Pension | |
|--|-----------------------|-----------------------|
| | Primary Government | Ohio State University |
| Traditional Plan | | |
| Deferred Outflow of Resources: | | |
| Differences Between Expected and Actual Experience | \$ - | \$ 1,578 |
| Changes of Assumptions | 109 | 2,577 |
| Change in Employers' Proportionate Share | 91,752 | 4,836 |
| Contributions Subsequent to the Measurement Date | 181,516 | 118,738 |
| Total | <u>\$ 273,377</u> | <u>\$ 127,729</u> |
| Deferred Inflow of Resources: | | |
| Net Difference Between Projected and Actual Earnings | | |
| on Pension Plan Investments | \$ (1,233,458) | \$ (602,692) |
| Change in Employers' Proportionate Share | (4,447) | (21) |
| Differences Between Expected and Actual Experience | (132,688) | (72,258) |
| Total | <u>\$ (1,370,593)</u> | <u>\$ (674,971)</u> |
| Combined Plan | Primary Government | |
| Deferred Outflow of Resources: | | |
| Change in Employers' Proportionate Share | \$ 289 | |
| Change in Assumptions | 3,473 | |
| Contributions Subsequent to the Measurement Date | 5,088 | |
| Total | <u>\$ 8,850</u> | |
| Deferred Inflow of Resources: | | |
| Change in Employers' Proportionate Share | \$ (852) | |
| Net Difference Between Projected and Actual Earnings | | |
| on Pension Plan Investments | (8,272) | |
| Differences Between Expected and Actual Experience | (10,494) | |
| Total | <u>\$ (19,618)</u> | |

Deferred Outflows of Resources of \$181.5 million related to pensions resulting from State contributions subsequent to the measurement date for the Traditional Plan will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Deferred Outflows of Resources of \$5.1 million resulting from State contributions subsequent to the measurement period for the Combined Plan will be recognized as an increase to the net pension asset in the year ended June 30, 2022. Ohio State University, a discretely presented component unit, will recognize \$118.7 million resulting from contributions subsequent to the measurement period as a reduction of its net pension liability in the following year.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| Traditional Plan | Pension | |
|---------------------|--------------------|-----------------------|
| | Primary Government | Ohio State University |
| Year Ended June 30: | | |
| 2022..... | \$ (490,149) | \$ (245,432) |
| 2023..... | (142,231) | (91,050) |
| 2024..... | (478,048) | (244,892) |
| 2025..... | (168,266) | (83,567) |
| 2026..... | (20) | (457) |
| Thereafter..... | (18) | (582) |

| Combined Plan | Primary Government |
|---------------------|--------------------|
| Year Ended June 30: | |
| 2022..... | \$ (4,062) |
| 2023..... | (2,610) |
| 2024..... | (4,518) |
| 2025..... | (2,156) |
| 2026..... | (991) |
| Thereafter..... | (1,519) |

OPEB Benefits

In addition to the pension plan, OPERS maintains a cost-sharing, multiple-employer postemployment health care plan for the Traditional Plan and Combined Plan, which includes hospitalization, medical expenses and prescription drugs for non-Medicare retirees and eligible dependents. Medicare Eligible retirees must select coverage through the OPERS Medicare Connector and may receive an allowance to offset a portion of the monthly premium to retirees and eligible dependents. The allowance is deposited into a Health Retirement Account to be used to reimburse eligible health care expenses. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage, but qualify for a Retiree Medical Account.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible recipients, with one exception. Ohio law currently requires OPERS to provide a Medicare Part A equivalent plan or reimbursement for members and dependents who do qualify for Medicare Part A. Authority to establish and amend OPEB benefits is provided in Chapter 145 of the Ohio Revised Code as well.

To qualify for postemployment health care coverage, age-and-service retirees under the Traditional and Combined plans must have 20 years of qualifying Ohio service credit with a minimum age of 60, or 30 or more years of qualifying service at any age. The Member Directed Plan participants can use vested retiree medical account funds upon retirement for reimbursement of qualified medical expenses. Currently, an employee's interest in the medical account for qualifying health care expenses vests based on length of service, with 100 percent vesting attained after five years of credited service for employees hired prior to July 1, 2015. Members who elect the Member-Directed Plan after July 1, 2015, will vest at 15 years of service at a rate of 10 percent each year starting with the sixth year of participation.

Medicare-eligible retirees who choose to become re-employed in an OPERS covered position must enroll in the employer's health care plan if the employer offers a plan. After the two-month forfeiture period, the retiree may continue participation in an OPERS health care plan. The coverage provided by the employer plan is primary coverage and the OPERS health care plan is secondary coverage. OPERS provides a monthly allowance to offset a portion of the monthly premium. Medicare eligible spouses and dependents can also enroll in this plan if the retiree is enrolled. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Spouses eligible for Medicare will have access to OPERS Medicare Connector and, if not yet eligible for Medicare, will have access to OPERS group coverage at full cost to the spouse.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

The Ohio Revised Code provides the statutory authority which allows public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside for the funding of post-retirement health care benefits. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The OPEB contribution rates for regular and law enforcement employees for 2020 and 2021 was zero percent for the Traditional and Combined Plans. The employer contribution to the Member Directed Plan participants health care accounts for 2020 was four percent. Employers make no further contributions to a member's health care account after retirement, nor do employers have any further obligation to provide postemployment health care benefits.

At June 30, 2021, the State reports an asset of \$378.6 million for its proportionate share of the net OPEB asset compared to a liability of \$2.86 billion at June 30, 2020. Ohio State University discretely presented component unit reports assets of \$189.8 million for its proportionate share of the net OPEB asset, as compared to a liability of \$1.44 billion as of June 30, 2020. The net OPEB asset was measured as of December 31, 2020. The Plan's total OPEB liability used to calculate the Plan's net OPEB asset was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The State's proportion of the net OPEB asset is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers. At December 31, 2020, the State's proportion was 21.25 percent based on total employer contributions to OPERS of \$449.8 million, as compared to the December 31, 2019, proportion of 20.71 percent. The proportion for the Ohio State University discretely presented component unit was 10.7 percent based on employer contributions totaling \$240.1 million compared to 10.4 percent for the previous fiscal year. For purposes of measuring the net OPEB asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB, and OPEB expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned.

For the year ended June 30, 2021, the State recognized OPEB expense of \$(2.26) billion. Ohio State University discretely presented component unit, recognized \$(1.12) billion in OPEB expense. At June 30, 2021, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

| | OPEB | |
|---|-----------------------|-----------------------|
| | Primary Government | Ohio State University |
| Deferred Outflow of Resources: | | |
| Changes of Assumptions | \$ 186,068 | \$ 91,112 |
| Change in Employers' Proportionate Share | 51,962 | 3,076 |
| Total | <u>\$ 238,030</u> | <u>\$ 94,188</u> |
| Deferred Inflow of Resources: | | |
| Differences Between Expected and Actual Experience | \$ (341,543) | \$ (170,003) |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | (201,666) | (100,068) |
| Changes of Assumptions | (613,367) | (307,493) |
| Change in Employers' Proportionate Share | (2,373) | - |
| Total | <u>\$ (1,158,949)</u> | <u>\$ (577,564)</u> |

There were no State contributions related to OPEB subsequent to the measurement date and therefore, there will be no increase of the net OPEB asset resulting from state contributions subsequent to the measurement date recognized in the year ended June 30, 2022.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

| | OPEB | |
|----------------------|--------------------|-----------------------|
| | Primary Government | Ohio State University |
| Year Ending June 30: | | |
| 2022..... | \$ (486,740) | \$ (251,639) |
| 2023..... | (331,787) | (176,653) |
| 2024..... | (78,635) | (43,175) |
| 2025..... | (23,757) | (11,909) |

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities were determined using the following actuarial assumptions listed in the individual tables below, applied to all periods included in the measurement:

| | Pension | |
|---|-----------------------------------|---------------|
| | Traditional Plan | Combined Plan |
| Wage Inflation | 3.25% | 3.25% |
| Salary Increases (including wage inflation) | 3.25-10.75% | 3.25-8.25% |
| Investment Rate of Return | 7.20% | 7.20% |
| COLA or Ad Hoc COLA * | 3.00% | 3.00% |
| Actuarial Cost Method | Individual Entry Age (Both Plans) | |

*The COLA, for both the Traditional and Combined Plans, for retirees prior to January 7, 2013, is three percent simple. For retirees after that date, the COLA is 0.50 percent simple through 2021, and then becomes 2.15 percent simple.

| | OPEB |
|---|---------------------------------------|
| Wage Inflation | 3.25% |
| Salary Increases (including wage inflation) | 3.25%-10.75% |
| Single Discount Rate | 6.00% |
| Investment Rate of Return | 6.00% |
| Municipal Bond Rate | 2.00% |
| Health Care Cost Trend Rate | 8.50% initial, 3.50% ultimate in 2035 |
| Actuarial Cost Method | Individual Entry Age Normal |

The cost-of-living adjustments rate assumption for pensions for post January 7, 2013, retirees changed since the prior measurement date from 1.4 percent simple through 2020 to 0.5 percent through 2021. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. Based on the projection, the plan's fiduciary net position would be available to make all projected benefit payments for all current plan members. Therefore, the long-term expected rate of return of 7.2 percent was applied to all periods of projected benefit payments to determine the total liability.

A single discount rate of 6 percent was used to measure the OPEB asset on the measurement date of December 31, 2020, as compared to a single discount rate of 3.16 percent on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects a long-term expected rate of return on OPEB plan investments and tax-exempt municipal bond rates based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6 percent and a municipal bond rate of 2 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined rate; therefore, the contributions were sufficient for health care costs to 2120. The health care investment rate was applied to projected costs to 2120, and the municipal bond rate applied thereafter.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

For both tables, mortality rates are based on the RP-2014 Employees mortality table. For disabled retirees, mortality rates are based on the RP-2014 Disabled mortality table. The Healthy Annuitant Mortality tables were adjusted for mortality improvements back to the observation period base year of 2006, and then established the base year as 2010 for females, and 2015 for males.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study covering a five-year period between 2011 through 2015 and updated in conjunction with an Investment Return Assumption performed between the December 31, 2017, and December 31, 2018, valuations. The pension and health care valuation results are valued and presented as of December 31, 2020, and December 31, 2019, respectively.

An estimate range for investment return assumption for pension and OPEB is developed and based on the target allocation adopted by the OPERS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Pension | | OPEB | |
|------------------------------|-------------------|---|-------------------|---|
| | Target Allocation | Weighted, Average Long-Term Expected Real Rate of Return* | Target Allocation | Weighted, Average Long-Term Expected Real Rate of Return* |
| Fixed Income | 25% | 1.32% | 34% | 1.07% |
| Domestic Equity | 21% | 5.64% | 25% | 5.64% |
| Real Estate | 10% | 5.39% | 7% | 6.48% |
| Private Equity | 12% | 10.42% | 0% | 0.00% |
| International Equities | 23% | 7.36% | 25% | 7.36% |
| Other Investments | 9% | 4.75% | 9% | 4.02% |
| Total Fund | 100% | 5.43% | 100% | 4.43% |

*Arithmetic.

Sensitivity of the State's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate – The following table represents the net pension liability/(asset) as of December 31, 2020, calculated using the current period discount rate assumption of 7.2 percent. Also shown is what the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current assumption (dollars in thousands):

| | Pension | | |
|-----------------------------|---------------------|--------------|---------------------|
| | Current Discount | | |
| | 1% Decrease 6.2% | Rate 7.2% | 1% Increase 8.2% |
| <u>Traditional Plan</u> | | | |
| Net Pension Liability: | | | |
| Primary Government | \$ 6,035,855 | \$ 3,164,266 | \$ 776,545 |
| Ohio State University | 2,906,112 | 1,503,497 | 338,004 |
| <u>Combined Plan</u> | | | |
| Net Pension (Asset): | | | |
| Primary Government | \$ (39,906) | \$ (57,311) | \$ (70,275) |

The table below represents sensitivity of the State's proportionate share of the net OPEB liability/(asset) to changes in the current period single discount rate assumption of 6 percent, as of December 31, 2020. The table below shows the expected net OPEB liability/(asset) if it were calculated using a discount rate that is one percentage point lower (5 percent) or one percentage point higher (7 percent) than the current single discount rate (dollars in thousands):



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| | OPEB | | |
|-----------------------------|----------------------|--|----------------------|
| | 1% Decrease 5.00% | Current Single Discount Rate 6.00% | 1% Increase 7.00% |
| Net OPEB Liability/(Asset): | | | |
| Primary Government | \$ (94,128) | \$ (378,552) | \$ (612,371) |
| Ohio State University | (47,204) | (189,776) | (307,093) |

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(asset). 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 2021 is 8.5 percent. The actuaries project premium rate decreases to a level at, or near, wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.5 percent in the most recent valuation. The following table represents the net OPEB liability/(asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current health care cost trend rate assumption (dollars in thousands):

| | OPEB | | |
|-----------------------------|--------------|--|--------------|
| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
| Net OPEB Liability/(Asset): | | | |
| Primary Government | \$ (387,777) | \$ (378,552) | \$ (368,229) |
| Ohio State University | (194,464) | (189,776) | (184,661) |

Early Retirement Incentives (ERI)

State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years' worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when the terminations equal or exceed the lesser of 350 employees or 40 percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date. The amount of service credit offered cannot exceed five years or 20 percent of the total service credited to any participant. The ERI agreements establish an obligation to pay specific amounts on fixed dates.

As of June 30, 2021, the State had no significant liabilities relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2021, the State did not incur any significant expenditures/expenses related to ERI agreements.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – the Defined Benefit Plan, the Defined Contribution Plan, and the Combined Plan with features of both the defined benefit plan and the defined contribution plan. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS also provides death, survivor, and disability benefits to members in the Defined Benefit and Combined Plans.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877 or by visiting the STRS Website at <https://www.strsoh.org>.

For retirement dates between August 1, 2019, and July 1, 2021, participants in the Defined Benefit Plan may retire with an unreduced benefit after 33 years of credited service regardless of age, or age 65 with five years of credited service. Effective between August 1, 2019, and July 1, 2021, any member may retire with reduced benefit amounts at any age with 30 years of service, or at age 55 with 28 years of credited service, or at age 60 with 5 years of credited service. Eligibility changes will be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60; or 30 years of service credit regardless of age. Benefits are based on the final average salary based on the five highest years of earnings, and by multiplying 2.2 percent times the number of years of service credit. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the "formula benefit" calculation

For members who were eligible to retire on July 1, 2015, or later, the annual benefit amount will be the greater of either the benefit amount calculated under the current benefit formula as described above, or the benefit amount calculated as of July 1, 2015, under the previous benefit formula, as described below.

The previous benefit formula was based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by 0.1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by 0.1 percent starting at 2.6 percent for the 32nd year.

Retirees choose from one of four payment options, including annuity options and a "partial lump-sum" option. Under the partial lump-sum option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, may choose to participate in the Combined Plan or the Defined Contribution Plan, in lieu of participation in the Defined Benefit Plan.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2021 were 14 percent for employers and 14 percent for employees for the Defined Benefit, Defined Contribution, and Combined Plans.

Participants in the Defined Contribution Plan are eligible to retire at age 50. All employee contributions and 9.53 percent of earned compensation is placed into individual member accounts (the remaining 4.47 percent of earned compensation is allocated to the defined benefit unfunded liability), and members direct the investment of their accounts by selecting from various professionally managed investment options. Members vest 20 percent per year in employer contributions, including associated gains and losses on those contributions. Employee contributions vest immediately. Retirees may select from various annuity payment plans or a lump-sum payment option.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

Participants in the Combined Plan may start to collect the unreduced defined benefit portion of the plan at age 60 with five years of service, or participants may collect a reduced defined benefit portion of the plan before age 60 with five years of service. Of employee contributions, 12 percent of earned compensation is deposited into the defined contribution portion of the plan, while the remaining two percent is deposited into the defined benefit portion of the plan. Employee contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefits payment. The annual allowance for the defined benefit portion of the Plan is determined by multiplying the final average salary for the five highest paid years by one percent for each year of Ohio contributing service credit. Participants in the Combined Plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the Plan may be taken as a lump sum if the member withdraws before the age of 50, or as a lifetime monthly annuity, if paid on or after the age of 50.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for an annuity benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

At June 30, 2021, the State reports a liability of \$88 million for its proportionate share of the net pension liability, as compared to \$80.2 million at June 30, 2020. Ohio State University discretely presented component unit reports a net pension liability of \$1.18 billion for its proportionate share, as compared to \$1.04 billion at June 30, 2020. The net pension liability was measured as of June 30, 2020. The Plan's total pension liability was used to calculate the net pension liability, as determined by an actuarial valuation as of June 30, 2020. The State's proportion of the net pension liability is determined by a measure of the State's proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers and non-employer contributing entities to the plan. At June 30, 2021, the State's proportion of .36 percent, remained the same as the prior year, based on employer contributions totaling \$6.3 million. Ohio State University's proportionate share was 4.9 percent based on employer contributions of \$86.9 million, as compared to 4.7 percent for June 30, 2020.

For purposes of measuring the net pension liability, and related deferred inflows and outflows of resources and pension expenses, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2021, the State recognized pension expense of \$10.2 million and Ohio State University discretely presented component unit recognized pension expense of \$90.4 million.

At June 30, 2021, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| | Pension | |
|--|-----------------------|-----------------------------|
| | Primary Government | Ohio State University |
| Deferred Outflows of Resources: | | |
| Differences Between Expected and Actual Experience | \$ 197 | \$ 2,638 |
| Changes of Assumptions | 4,724 | 63,120 |
| Differences Between Projected and Actual Investment Earnings | 4,280 | 57,181 |
| Change in Employer Proportionate Share | 256 | 1,947 |
| Employer Contributions Subsequent to the Measurement Date | 6,284 | 87,064 |
| Total | <u>\$ 15,741</u> | <u>\$ 211,950</u> |
| Deferred Inflows of Resources: | | |
| Differences Between Expected and Actual Experience | \$ (563) | \$ (7,519) |
| Change in Employer Proportionate Share | (1,637) | - |
| Total | <u>\$ (2,200)</u> | <u>\$ (7,519)</u> |

Deferred Outflows of Resources of \$6.3 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Ohio State University discretely presented component unit will recognize \$87.1 million as a reduction of its net pension liability.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

| | Pension | |
|---------------------|-----------------------|-----------------------------|
| | Primary Government | Ohio State University |
| Year Ended June 30: | | |
| 2022..... | \$ 2,331 | \$ 39,364 |
| 2023..... | 745 | 19,960 |
| 2024..... | 2,193 | 32,020 |
| 2025..... | 1,988 | 26,023 |

OPEB Benefits

Additionally, STRS offers a cost-sharing, multiple employer health care plan which provides access to health care to eligible retirees who participate in the Defined Benefit Plan or Combined Plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Retirees enrolled in the Defined Contribution Plan receive no postemployment health care benefits.

Ohio Revised Code Chapter 3307 gives the STRS board discretionary authority over how much, if any, of associated health care costs are absorbed by the health care plan. All benefit recipients of the health care plan, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Medicare Part D allows STRS Ohio to recover part of the health care cost for providing prescription coverage through its health care plans which include creditable prescription drug coverage. For the Defined Benefit and Combined Plans, all employer contributions are used to fund pension obligations, and none was allocable to postemployment health care benefits for 2021. Under Ohio law, funding for the postemployment health care may be deducted from employer contributions. This action will reduce the amortization period for the pension fund. The Board has authority to direct part of the employer contribution back to the Health Care Fund in the future.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

At June 30, 2021, the State reports a net OPEB asset of \$6.4 million for its proportionate share, as compared to \$6 million at June 30, 2020. Ohio State University discretely presented component unit reports a net OPEB asset of \$85.4 million for its proportionate share, as compared to \$77.9 million as of June 30, 2020. The net OPEB asset was measured as of June 30, 2020. The Plan's total OPEB liability was used to calculate the net OPEB asset determined by an actuarial valuation as of June 30, 2020. The State's proportion of the net OPEB asset is determined by a measure of the State's proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers to the plan. At June 30, 2021, the State's proportion of 0.36 percent, remained the same as the prior year, based on employer contributions totaling \$6.3 million. Ohio State University's proportionate share was 4.9 percent based on employer contributions of \$86.9 million, as compared to 4.7 percent at June 30, 2020.

For purposes of measuring the net OPEB asset, related deferred inflows and outflows of resources and expenses, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2021, the State recognized OPEB expense of \$(440.1) million and Ohio State University discretely presented component unit recognized OPEB expense of \$(4.8) million.

At June 30, 2021, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

| | OPEB | |
|---|-----------------------|-----------------------------|
| | Primary Government | Ohio State University |
| Deferred Outflows of Resources: | | |
| Differences Between Expected and Actual Experience | \$ 409 | \$ 5,472 |
| Changes of Assumptions | 105 | 1,410 |
| Differences Between Projected and Actual Investment Earnings | 224 | 2,993 |
| Change in Employer Proportionate Share | 35 | 119 |
| Total | <u>\$ 773</u> | <u>\$ 9,994</u> |
| Deferred Inflows of Resources: | | |
| Differences Between Expected and Actual Experience | \$ (1,273) | \$ (17,012) |
| Changes of Assumptions | (6,071) | (81,122) |
| Change in Employer Proportionate Share | (296) | - |
| Total | <u>\$ (7,640)</u> | <u>\$ (98,134)</u> |

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no increase of the net OPEB asset resulting from subsequent contributions recognized in the year ended June 30, 2022

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| | OPEB | |
|----------------------|-----------------------|-----------------------------|
| | Primary Government | Ohio State University |
| Year Ending June 30: | | |
| 2022..... | \$ (1,711) | \$ (21,688) |
| 2023..... | (1,559) | (19,791) |
| 2024..... | (1,506) | (19,085) |
| 2025..... | (1,484) | (18,664) |
| 2026..... | (298) | (4,439) |
| Thereafter..... | (309) | (4,473) |

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities in the June 30, 2020, actuarial valuations were determined using the following actuarial assumptions, respectively, applied to all periods included in the measurement:

| Pension | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Inflation | 2.50 percent |
| Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of pension plan investment expenses, including inflation |
| Discount Rate | 7.45 percent |
| COLA or Ad Hoc COLA | 0 percent |
| OPEB | |
| Actuarial Cost Method | Entry Age Normal |
| Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Payroll Increases | 3.00 percent |
| Municipal Bond Yield | 2.21 percent as of June 30, 2019 |
| Discount Rate | 7.45 percent, based on a blend of 3.50% municipal bond yield/expected return |
| COLA or Ad Hoc COLA | 0 percent |
| Health Care Cost Trends | -6.69-11.87 percent initial; 4 percent ultimate |

Pension and OPEB mortality rates were based on the RP-2014 Annuitant mortality table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. The disabled rates are based on the RP-2014 Disabled mortality table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. The actuarial assumptions used in the valuation were adopted by the board based on the results of an actuarial experience study for July 1, 2011 through June 30, 2016.

The pension and OPEB actuarial assumptions used in this valuation for fiscal year 2020 are the same as those recommended for the prior actuary. The total pension liability for 2020 was determined by an actuarial valuation as of June 30, 2020, using actuarial assumptions related to inflation of 2.5 percent, investments rate of return of 7.45 percent, and zero percent for COLA. Projected salary increases range from 2.5 percent at age 65 to 12.5 percent at age 20.

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



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| Asset Class | Pension and OPEB | |
|----------------------------|--------------------|--|
| | Target Allocation* | Long-Term Expected Real Rate of Return** |
| Domestic Equity | 28% | 7.35% |
| International Equity | 23% | 7.55% |
| Alternatives | 17% | 7.09% |
| Fixed Income | 21% | 3.00% |
| Real Estate | 10% | 6.00% |
| Liquidity Reserves | 1% | 2.25% |
| Total Fund | 100% | |

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and does not include investment expenses.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. Only employer contributions that are intended to fund benefits of current plan members and beneficiaries are included. Therefore, the long-term expected rate of return of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table represents the net pension liability as of the June 30, 2020, measurement date, calculated using the current period discount rate assumption of 7.45 percent. Also shown in the table below is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption (dollars in thousands):

| | Pension | | |
|-----------------------------|----------------------|-----------------------------------|----------------------|
| | 1% Decrease 6.45% | Current Discount Rate 7.45% | 1% Increase 8.45% |
| Net Pension Liability: | | | |
| Primary Government | \$ 125,302 | \$ 88,004 | \$ 56,397 |
| Ohio State University | 1,674,185 | 1,175,835 | 753,526 |

The projection of cash flows used to determine the net OPEB liability/(asset) discount rates assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020. Shown in the table below is what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption (dollars in thousands):



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

| | OPEB | | |
|-----------------------------|-------------|---------------|-------------|
| | Current | | |
| | 1% Decrease | Discount Rate | 1% Increase |
| | 6.45% | 7.45% | 8.45% |
| Net OPEB Liability/(Asset): | | | |
| Primary Government | \$ (5,562) | \$ (6,392) | \$ (7,097) |
| Ohio State University | (74,309) | (85,406) | (94,822) |

Sensitivity of the net OPEB liability/(asset) to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability/(asset) would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

| | OPEB | | |
|-----------------------------|-----------------|------------|-------------|
| | Current Health | | |
| | Care Cost Trend | | |
| | Rate | | |
| | 1% Decrease | Assumption | 1% Increase |
| Net OPEB Liability/(Asset): | | | |
| Primary Government | \$ (7,053) | \$ (6,392) | \$ (5,587) |
| Ohio State University | (94,237) | (85,406) | (74,649) |

There were no economic assumption changes from the prior year. The only changes since the last valuation were updates to the benefit percentage elections to reflect current elections for blended premiums. The July 1, 2020, and June 30, 2021, claims costs were developed based on the average premium rates paid to vendors, the average projected employer group waiver program recoveries expected to receive, prescription filled dates, and estimates of drug rebates for non-Medicare population resulting in a per person per month cost and then adjusted using age curves. Retiree subsidies paid out to Non-Medicare retirees, Medicare retirees, and Medicare Part B premiums are accounted for as well. A weighted average total cost across medical plans is used as the STRS Ohio subsidy.

C. State Highway Patrol Retirement System (SHPRS)
Pension Benefits

SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State. The plan covers employees of the State Highway Patrol, including officers with arrest authority, cadets in training, and members with the radio division.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 1900 Polaris Parkway, Suite 201, Columbus, Ohio 43240-4037, or by calling (614) 431-0781 or (800) 860-2268. SHPRS's Comprehensive Annual Financial Report for the year ended December 31, 2020, may also be found at <https://www.ohprs.org>.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than the employee rate paid by contributing members.

SHPRS' investments are reported at fair value. Fair value is the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate and private equity investments are based on information provided by the Fund's managers or by independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.

Employees are eligible for an age and service pension, and health care benefits, upon reaching both an age and service requirement. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 52 with unreduced benefits, or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48 with unreduced benefits. The pension benefit is a percentage of the member's final average salary, which is the average of the member's five highest salary years. For members with 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

Employees who left SHPRS prior to meeting the requirements for receiving an age and service pension, but who have at least 15 years of service credit, are eligible for a deferred pension. Such employees who have less than 20 years of service credit, may collect a pension at age 55, at a percentage of their final average salary determined by multiplying 1.5 percent times the number of years of service credit. These employees are not eligible for health care benefits. Employees who are eligible for the deferred pension and who have at least 20 years of service credit, may receive a pension once they meet the age requirements for the age and service pension, calculated in the same manner as the age and service pension described above.

Membership data for SHPRS is presented in the table below:

Membership Data as of December 31, 2020

| | |
|---------------------------------------|--------------|
| Active Members | 1,542 |
| Retirees Receiving Benefits | 1,730 |
| Retirees not Receiving Benefits | 26 |
| | <u>3,298</u> |

The SHPRS Board sets employee contribution rates and cost-of-living adjustment rates. Employee contribution rates may range between 10 and 14 percent and cost-of-living adjustments range between zero and three percent. The Board may set the cost-of-living adjustments annually, but in no case shall it exceed three percent. The cost-of-living adjustment eligibility is 60 years of age, or age 53 for members retired prior to January 7, 2013.

The employer and employee contribution rates, as of December 31, 2020, were 26.5 percent and 14 percent, respectively. During calendar year 2020, none of the employers' contributions funded postemployment health care. The employees' contributions funded pension benefits only.

The State's net pension liability was determined by an actuarial valuation as of December 31, 2019, using key actuarial assumptions, methods, and other inputs as of December 31, 2020. Detailed information about SHPRS' pension plan fiduciary net position and the OPEB plan fiduciary net position is available in the separately issued SHPRS financial report. SHPRS uses the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded at the trade date.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

The Schedule of Changes in Net Pension Liability is presented below (dollars in thousands):

| Fiscal year ending December 31, 2020 | Pension |
|---|---------------------|
| Total Pension Liability: | |
| Service Cost | \$ 20,462 |
| Interest on the Total Pension Liability | 90,171 |
| Difference Between Expected and Actual Experience | 5,922 |
| Benefit Payments | (81,133) |
| Net Change in Total Pension Liability | 35,422 |
| Total Pension Liability - Beginning | 1,263,838 |
| Total Pension Liability - Ending (a) | <u>\$ 1,299,260</u> |
| Plan Fiduciary Net Position: | |
| Employer Contributions | \$ 32,855 |
| Employee Contributions | 18,107 |
| Pension Plan Net Investment Income | 121,213 |
| Benefit Payments | (81,133) |
| Pension Plan Administrative Expense | (1,509) |
| Net Change in Plan Fiduciary Net Position | 89,533 |
| Plan Fiduciary Net Position - Beginning | 817,859 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 907,392</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 391,868</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 69.84% |
| Covered Payroll* | \$ 117,996 |
| Net Pension Liability as a Percentage of Covered Payroll | 332.10% |
| Notes to Schedule: | N/A |

*Includes members of the DROP.

For the year ended June 30, 2021, the State recognized pension expense of \$23.7 million. The amount of employer contributions from the State for the calendar year ended December 31, 2020, totaled \$32.9 million for pension. At June 30, 2021, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

| | Pension |
|---|---------------------|
| Deferred Outflows of Resources: | |
| Differences Between Expected and Actual Experience | \$ 9,144 |
| Changes of Assumptions | 107,185 |
| Contributions Subsequent to Measurement Date | 15,796 |
| Total | <u>\$ 132,125</u> |
| Deferred Inflows of Resources: | |
| Difference Between Expected and Actual Experience | \$ (4,772) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | (68,214) |
| Changes of Assumptions | (144,812) |
| Total | <u>\$ (217,798)</u> |



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

Deferred Outflows of Resources of \$15.8 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

| | Pension |
|----------------------|-------------|
| Year Ending June 30: | |
| 2022..... | \$ (13,878) |
| 2023..... | (6,807) |
| 2024..... | (69,355) |
| 2025..... | (11,429) |

OPEB Benefits

In addition to providing pension benefits, SHPRS, a single employer plan, is authorized by Chapter 5505, Ohio Revised Code, to provide a postemployment health care plan which includes medical, hospitalization and prescription drug coverage. Health care benefits are not guaranteed and are subject to change at any time, as determined by the Board and certified by the Office of Budget and Management. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period. Qualifications for postemployment health care coverage are described along with pension qualifications under the Pension Plan section.

During calendar year 2020, the employer's contribution rate for postemployment health care benefits was zero percent of payroll. None of the employees' contributions funded postemployment health care. The cost of retiree health care benefits is recognized as claims are incurred and premiums are paid.

The pension and OPEB plans' fiduciary net position has been determined on the same basis used by the pension plan.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

The Schedule of Changes in Net OPEB Liability is presented as follows (dollars in thousands):

| Fiscal year ending December 31, 2020 | OPEB |
|--|-------------------|
| Total OPEB Liability: | |
| Service Cost | \$ 19,270 |
| Interest on the Total OPEB Liability | 19,150 |
| Difference Between Expected and Actual Experience | (26,654) |
| Assumption Changes | 167,137 |
| Benefit Payments | (8,303) |
| Net Change in Total OPEB Liability | 170,600 |
| Total OPEB Liability - Beginning | 581,436 |
| Total OPEB Liability - Ending (a) | <u>\$ 752,036</u> |
| Plan Fiduciary Net Position: | |
| Net Investment Income | \$ 16,141 |
| Benefit Payments (includes refunds of employee contributions) | (8,303) |
| OPEB Plan Administrative Expense | (201) |
| Net Change in Plan Fiduciary Net Position | 7,637 |
| Plan Fiduciary Net Position - Beginning | 110,986 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 118,623</u> |
| Net OPEB Liability - Ending (a) - (b) | \$ 633,413 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 15.77% |
| Covered Payroll* | \$ 117,996 |
| Net OPEB Liability as a Percentage of Covered Payroll | 536.81% |
| Notes to Schedule: | N/A |

*Includes members of the DROP.

For the year ended June 30, 2021, the State recognized OPEB expense of \$51.4 million. At June 30, 2021, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

| | OPEB |
|--|---------------------|
| Deferred Outflows of Resources: | |
| Changes of Assumptions | \$ 244,228 |
| Total | <u>\$ 244,228</u> |
| Deferred Inflows of Resources: | |
| Difference Between Expected and Actual Experience | \$ (83,240) |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | (8,884) |
| Changes of Assumptions | (38,136) |
| Total | <u>\$ (130,260)</u> |

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from subsequent state contributions recognized in the year ending June 30, 2022.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

| | OPEB |
|----------------------|-----------|
| Year Ending June 30: | |
| 2022..... | \$ 20,478 |
| 2023..... | 21,824 |
| 2024..... | 15,602 |
| 2025..... | 20,095 |
| 2026..... | 35,969 |

Actuarial Assumptions for Pension and OPEB Liabilities

The pension and OPEB actuarial assumptions are the same as those recommended for the prior actuary. The total pension and OPEB liabilities at December 31, 2020, were determined using the following actuarial assumptions applied to all periods included in the measurement: an investment rate of return of 7.25 percent compounded annually, projected salary increase of 3 percent attributable to inflation and additional projected salary increases ranging from 3.8 percent to 13.5 percent attributable to seniority and merit, and price inflation of 2.5 percent annually. The actuarial assumptions were based off a December 31, 2019, actuarial valuation date and rolled forward to December 31, 2020. A five-year experience study covering the five-year period ending December 31, 2018 was the basis for the assumptions.

Mortality rates were based on the PubS-2010 total healthy public safety employee amount weighted mortality rates with a static projection of mortality improvements from 2010-2024 using Scale MP-2020 for pension and mortality improvements from 2010-2023 using Scale MP-2019 for OPEB. Static projected mortality rates for male and female contingent survivors have been adjusted to reflect 105% of gender-specific table rates at each age for both pension and OPEB.

An estimate range for investment return assumptions is developed and based on the target allocation adopted by the SHPRS' Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Pension and OPEB | |
|----------------------------------|-------------------|---|
| | Target Allocation | Long-Term Expected Real Rate of Return* |
| Cash | 3% | 0.00% |
| Domestic Equity | 21% | 5.20% |
| Global Equity | 24% | 7.50% |
| Non-US Equity | 6% | 5.20% |
| Opportunistic Fixed Income | 9% | 4.30% |
| Core Fixed Income | 6% | 0.00% |
| Real Estate | 8% | 8.30% |
| Private Equity | 13% | 9.00% |
| Absolute Return | 6% | 3.50% |
| Real Assets | 4% | 5.30% |
| Total Fund | 100% | |

*Long-Term expected rates of return as shown were calculated arithmetically.



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

The single discount rate used to measure the total pension liability was 7.25 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and the municipal bond rate of 1.93 percent. The projection of cash flows used to determine the discount rate assumes employer contribution rates allocated to pensions will be 26.5 percent for each year, and employee contribution rates of 14 percent in each year. Based on these assumptions, the pension plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.25 percent on investments and 1.93 percent on municipal bonds, was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2020.

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of December 31, 2020, calculated using the current period discount rate assumption of 7.25 percent. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current assumption (dollars in thousands):

| Pension | | |
|-------------|----------------|-------------|
| | Current Single | |
| 1% Decrease | Discount Rate | 1% Increase |
| 6.25% | 7.25% | 8.25% |
| \$ 537,780 | \$ 391,869 | \$ 269,499 |

Net OPEB Liability uses a single discount rate of 2.03 percent as compared to a single discount rate of 3.36 percent as of measurement date December 31, 2019. This Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.25 percent and a municipal bond rate of 1.93 percent. The projection of cash flows used to determine this Single Discount Rate assumed no contributions and total payroll for the initial projection year consists of the payroll of the active membership as of the valuation date who are expected to be actively employed on the measurement date, the net position and contributions were sufficient through 2029. Therefore, the long-term expected rate of return was applied through 2029 and the municipal rate was applied thereafter. Shown in the table below is what the net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower (1.03 percent) or one percentage point higher (3.03 percent) than the current assumption (dollars in thousands):

| OPEB | | |
|-------------|----------------|-------------|
| | Current Single | |
| 1% Decrease | Discount Rate | 1% Increase |
| 1.03% | 2.03% | 3.03% |
| \$ 807,168 | \$ 633,413 | \$ 502,369 |

It is assumed health care cost will increase between 4 percent and 8.25 percent per year until 2028, ultimately declining to 3.5 percent for future years. The sensitivity of the net OPEB liability to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

| OPEB | | |
|-------------|-----------------|-------------|
| | Current Health | |
| | Care Cost Trend | |
| 1% Decrease | Rate Assumption | 1% Increase |
| \$ 484,338 | \$ 633,413 | \$ 836,727 |



NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least four or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified civil service employees hired on or after August 1, 2005, are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP. The Ohio Department of Higher Education has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. For the fiscal year ended June 30, 2021, these contribution rates are 10 percent for OPERS and 14 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2021, each public institution of higher education was required to contribute 2.44 percent of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 4.47 percent of a participating employee's gross salary, for the year ended June 30, 2021, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every fifth year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP vesting of all contributions made on behalf of participants is based on the employer's vesting requirements. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's major discretely presented component unit, employer and employee contributions required and made for the year ended June 30, 2021, for the ARP follow (dollars in thousands):

| <u>Major Component Unit:</u> | <u>OPERS</u> | <u>STRS</u> |
|------------------------------|--------------|-------------|
| Ohio State University: | | |
| Employer Contributions | \$ 32,035 | \$ 36,544 |
| Employee Contributions | 27,712 | 53,685 |

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 20 constitutional amendments (the last adopted May 2014 for a ten-year extension of the local government infrastructure program adopted in 2005), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, re-



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

search and development support for high-tech business, business site development, and veterans compensation. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years. The State's general obligation bonds are described below.

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2021, the General Assembly had authorized the issuance of \$6.05 billion in Common Schools Capital Facilities Bonds, of which \$5.61 billion has been issued. As of June 30, 2021, the General Assembly had also authorized the issuance of \$4.85 billion in Higher Education Capital Facilities Bonds, of which \$4.37 billion has been issued.

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2021, the General Assembly has authorized the issuance of approximately \$3.74 billion in Highway Capital Improvements Bonds, of which \$3.38 billion has been issued.

Constitutional amendments in 1995, 2005, and 2014 allowed for the issuance of \$5.63 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Not more than \$175 million of Infrastructure Bonds may be issued in each fiscal year beginning in 2018 through fiscal year 2022 and \$200 million in each fiscal year beginning in fiscal year 2023 through fiscal year 2027, plus any obligations unissued from previous fiscal years. As of June 30, 2021, the General Assembly had authorized \$4.9 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$4.38 billion had been issued (net of \$214 million in unaccreted discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. Not more than \$50 million of Natural Resources Bonds may be issued in any fiscal year. As of June 30, 2021, the General Assembly had authorized the issuance of \$262 million in Coal Research and Development Bonds, of which \$254 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$512 million, as of June 30, 2021, of which \$484.5 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to \$400 million. No more than \$50 million may be issued during a fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2021, the General Assembly had authorized the issuance of \$800 million in Conservation Projects Bonds of which \$642.2 million had been issued.

Through approval of the November 2005 and May 2010 amendments, voters authorized the issuance of \$1.2 billion of Third Frontier Research and Development Bonds. Obligations that may be issued are limited to \$175 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2021, the General Assembly had authorized the issuance of \$1.2 billion in Third Frontier Research and Development Bonds, of which \$971 million had been issued.

A November 2005 amendment authorized the issuance of \$150 million of Site Development Bonds. As of fiscal year 2014, all \$150 million had been issued.

A 2009 constitutional amendment provided for the issuance of up to \$200 million in Veterans Compensation Bonds. No obligations may be issued after December 31, 2013. The General Assembly authorized all \$200 million in Veterans' Compensation Bonds, of which \$83.9 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2021, are presented in the table below. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2021. As rates vary, variable-rate bond interest payments and net swap payments vary.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

**Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2021**

(dollars in thousands)

| | Fiscal Years Issued | Interest Rates | Maturing Through Fiscal Year | Outstanding Balance | Authorized But Unissued |
|---|---------------------------|-------------------|------------------------------------|------------------------|----------------------------|
| Common Schools Capital Facilities | 2004-21 | 1.3%-5.0% | 2041 | \$2,969,176 | \$ 433,800 |
| Higher Education Capital Facilities | 2010-21 | 0.2%-5.3% | 2041 | 2,549,562 | 478,555 |
| Highway Capital Improvements | 2010-20 | 3.0%-5.0% | 2035 | 1,001,055 | 359,000 |
| Infrastructure Improvements | 2002-21 | 1.3%-5.5% | 2040 | 2,066,961 | 522,774 |
| Coal Research and Development | 2012-20 | 2.0%-5.0% | 2030 | 31,839 | 8,000 |
| Natural Resources Capital Facilities | 2010-20 | 2.0%-5.0% | 2035 | 148,942 | 27,510 |
| Conservation Projects | 2010-21 | 2.0%-5.0% | 2035 | 352,730 | 157,825 |
| Third Frontier Research and Development | 2012-20 | 1.8%-5.0% | 2029 | 292,614 | 229,000 |
| Site Development | 2014 | 4.0% | 2023 | 8,981 | - |
| Veterans' Compensation | 2020 | 1.7%-2.1% | 2026 | 20,170 | 116,090 |
| Total General Obligation Bonds | | | | <u>\$9,442,030</u> | <u>\$2,332,554</u> |

Future Funding of Fixed-Rate Bonds:

| Year Ending June 30, | Principal | Interest | Total |
|------------------------------|---------------------|---------------------|---------------------|
| 2022..... | \$ 846,730 | \$ 368,071 | \$ 1,214,801 |
| 2023..... | 804,945 | 326,600 | 1,131,545 |
| 2024..... | 771,225 | 290,149 | 1,061,374 |
| 2025..... | 736,380 | 254,527 | 990,907 |
| 2026..... | 610,290 | 222,441 | 832,731 |
| 2027-2031..... | 2,460,935 | 753,531 | 3,214,466 |
| 2032-2036..... | 1,579,190 | 302,288 | 1,881,478 |
| 2037-2041..... | 512,570 | 49,888 | 562,458 |
| Total Fixed-Rate Bonds | <u>\$ 8,322,265</u> | <u>\$ 2,567,495</u> | <u>\$10,889,760</u> |

Future Funding of Variable-Rate Bonds:

| Year Ending June 30, | Principal | Interest | Interest Rate Swaps, Net | Total |
|--|--------------------|------------------|-----------------------------|-------------------|
| 2022..... | \$ 54,300 | \$ 5,789 | \$ 724 | \$ 60,813 |
| 2023..... | 46,560 | 4,174 | 452 | 51,186 |
| 2024..... | 39,315 | 2,648 | 248 | 42,211 |
| 2025..... | 26,060 | 1,330 | 110 | 27,500 |
| 2026..... | 13,620 | 409 | 56 | 14,085 |
| Total Variable-Rate Bonds | <u>\$ 179,855</u> | <u>\$ 14,350</u> | <u>\$ 1,590</u> | <u>\$ 195,795</u> |
| Total General Obligation Bonds | \$8,502,120 | | | |
| Unamortized Premium/(Discount), Net..... | 939,910 | | | |
| Total..... | <u>\$9,442,030</u> | | | |

Selected maturities of the following Higher Education General Obligation Bonds, Series 2012A (2/1/2024 and 2/1/2025), Series 2015A (8/1/2026), Series 2015C (11/1/2031), Series 2017A (5/1/2037), Series 2018A (2/1/2038) and Series 2019A (5/1/2039) were defeased on June 23, 2021. The State used cash and some interest earnings to purchase eligible investments in an escrow account to make principal and interest payments until final maturity. The debt service is secured solely by the escrow account and is no longer considered State debt.

For the year ended June 30, 2021, NOTE 15 summarizes changes in general obligation bonds.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivative Instruments

As of June 30, 2021, approximately \$117 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of (\$8.4) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Position. The fair value increased \$5.6 million during fiscal year 2021. This increase is reported on the Statement of Net Position as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method. For information on the State's Deferred Outflows of Resources and Deferred Inflows of Resources, see NOTE 18.

Terms and objectives of the State's hedging derivative instruments are provided in the following table:

| Hedging Derivative Instruments As of June 30, 2021 (dollars in thousands) | | | | | | | |
|--|-------------------------------|-----------------|--------------------------|---|----------------------------------|----------------|-----------------------------|
| Issue | Type of Cash Flow Hedge | Notional Amount | Underlying Index | Counterparty's Sw ap Rate at 06/30/2021 | State's Sw ap Rate at 06/30/2021 | Effective Date | Termination (Maturity) Date |
| Infrastructure Improvements, Series 2001B | Pay-fixed interest rate sw ap | \$9,300 | SIFMA Index | 0.03% | 4.63% | 11/29/2001 | 8/1/2021 |
| Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates | | | | | | | |
| Embedded Option: JPMorgan Chase may elect to terminate its portion of the sw ap if the SIFMA index averages 7 percent or higher over a 180-day period. | | | | | | | |
| Credit Quality Ratings of Counterparty: 50% Aa2/A+/AA JPMorgan Chase; 50% Aa2/A+/AA- Wells Fargo | | | | | | | |
| Infrastructure Improvements, Refunding Series 2004A | Pay-fixed interest rate sw ap | \$16,860 | LIBOR (See terms below) | 0.31% | 3.51% | 3/3/2004 | 2/1/2023 |
| Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates | | | | | | | |
| Credit Quality Ratings of Counterparty: Aa2/A+/AA- Wells Fargo | | | | | | | |
| Terms: 63% of 1-month LIBOR + 25 basis points | | | | | | | |
| Common Schools, Series 2003D | Pay-fixed interest rate sw ap | \$41,415 | LIBOR (see terms below) | 0.30% | 3.41% | 9/14/2007 | 3/15/2024 |
| Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates | | | | | | | |
| Credit Quality Ratings of Counterparty: 50% Aa2/A+/AA JPMorgan Chase; 50% Aa2/A+/AA- Wells Fargo | | | | | | | |
| Terms: 65% of 1-month LIBOR + 25 basis points | | | | | | | |
| Common Schools, Series 2006B | Pay-fixed interest rate sw ap | \$24,700 | LIBOR (see terms below) | 0.07% | 3.20% | 11/21/2014 | 6/15/2026 |
| Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates | | | | | | | |
| Credit Quality Ratings of Counterparty: A1/AA-/AA- US Bank National Association | | | | | | | |
| Terms: 65% of 1-month LIBOR + 25 basis points | | | | | | | |
| Common Schools, Series 2006C | Pay-fixed interest rate sw ap | \$24,700 | LIBOR (see terms below) | 0.07% | 3.20% | 6/15/2006 | 6/15/2026 |
| Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates | | | | | | | |
| Credit Quality Ratings of Counterparty: Aa2/AA-/AA Royal Bank of Canada | | | | | | | |
| Terms: 65% of 1-month LIBOR + 25 basis points | | | | | | | |



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2021. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative instrument's positive fair value.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities and held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

These swaps expose the State to basis risk or a mismatch between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch would increase or decrease the interest cost paid by the State.

For Infrastructure Improvements, Series 2001B, the SIFMA municipal swap index has proven to be an effective proxy for the State's variable-rate debt and substantially mitigates basis risk.

For Infrastructure Improvements, Series 2004A and for Common Schools, Series 2003D, 2006B, and 2006C, the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities, given that the variable swap receipt is based on a taxable index (LIBOR). Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State may be liable to the counterparty for a payment. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No termination events have occurred.

Refundings

During fiscal year 2021, there were two refundings of general obligation bonds. Proceeds of the refunding (new) bonds were placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) bonds. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. Details on the refunding are presented in the table on the following page.

In prior years, the State defeased certain bond issues by placing the proceeds of refunding (new) bonds in irrevocable trusts to provide for all future debt service payments on the refunded (old) bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. At June 30, 2021, Common School Bonds of \$296.4 million, Higher Education Bonds of \$449.1 million, Infrastructure Improvement Bonds of \$184.6 million, Natural Resources Bonds of \$39.4 million, and Highway Capital Improvement Bonds of \$143 million are outstanding and considered defeased.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities

General Obligation Bonds

Details of Refundings

For the Year Ended June 30, 2021

(dollars in thousands)

| Refunding Bond Issue | Date of Refunding | Amount of Refunding Bonds Issued | True Interest Cost Rates of Refunding Bonds | Carrying Amount of Bonds Refunded (in substance) | Refunding Bond Proceeds Placed in Escrow | Reduction (Increase) in Debt Service Payments | Economic Gain / (Loss) Resulting from Refunding |
|----------------------------------|-------------------|----------------------------------|---|--|--|---|---|
| Common Schools, Series 2021B ... | 3/17/2021 | \$111,385 | 1.28% | \$ 146,675 | \$148,424 | \$ 45,887 / 13 yrs | \$ 40,659 |
| Conservation, Series 2020C..... | 12/22/2020 | 14,610 | 0.44% | 17,630 | 17,984 | 3,418 / 8 yrs | 3,265 |
| Total | | <u>\$125,995</u> | | <u>\$ 164,305</u> | <u>\$166,408</u> | | <u>\$ 43,924</u> |

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds and notes that are not supported by the full faith and credit of the State. These bonds and notes pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service.

The Treasurer of State and the Buckeye Tobacco Settlement Financing Authority (BTSFA) issue revenue bonds and notes for the primary government. The Treasurer of State issues bonds and notes on behalf of the Ohio Department of Transportation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

A. Primary Government

The Treasurer of State, since fiscal year 1998, has issued a total of \$3.01 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2033 are estimated at approximately \$1.06 billion. For fiscal year 2021, principal and interest payments on the revenue bonds was \$227.8 million and pledged receipts was \$166.7 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principal amount of which shall not exceed \$6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of \$5.53 billion (Series 2007 Bonds). On March 4, 2020, the authority issued \$5.35 billion in Asset-Backed Refunding Bonds, Series 2020 Senior Bonds (Series 2020 Bonds), the proceeds of which were used to refund, through redemption and defeasance, all of the Authority's Series 2007 Bonds.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

The Authority has pledged future tobacco settlement receipts, including related investment earnings, and net of specified operating and enforcement expenses, to repay the bonds, which have a final stated maturity in 2057. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts.

As of June 30, 2021, the total principal and interest payments remaining to be paid on the bonds was \$9.77 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2021 were \$306.5 million and \$305.3 million, respectively.

The Series 2007 Bonds were issued on a tax-exempt basis to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. The Series 2020 Bonds were issued on a federally-tax basis and on a tax-exempt basis. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become payable to the State. Additional information on these bonds can be found in BTSFA's stand-alone financial report.

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2021, are presented in the following tables:

Primary Government-Governmental Activities
Summary of Revenue Bonds and Notes
As of June 30, 2021
(dollars in thousands)

| | <u>Fiscal Years Issued</u> | <u>Interest Rates</u> | <u>Maturing Through Fiscal Year</u> | <u>Outstanding Balance</u> |
|---|------------------------------------|---------------------------|---|--------------------------------|
| Treasurer of State: State Infrastructure Bank | 2007-21 | 0.2%-6.0% | 2033 | \$ 970,634 |
| Buckeye Tobacco Settlement Financing Authority..... | 2020 | 1.5%-5.6% | 2057 | 5,656,409 |
| Total Revenue Bonds and Notes..... | | | | <u>\$6,627,043</u> |

Primary Government-Governmental Activities
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2021
(dollars in thousands)

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|--------------------|---------------------|---------------------|
| 2022..... | \$ 288,825 | \$ 257,458 | \$ 546,283 |
| 2023..... | 215,680 | 244,782 | 460,462 |
| 2024..... | 221,325 | 236,230 | 457,555 |
| 2025..... | 227,740 | 227,359 | 455,099 |
| 2026..... | 200,690 | 218,534 | 419,224 |
| 2027-2031..... | 1,088,000 | 942,157 | 2,030,157 |
| 2032-2036..... | 991,985 | 691,655 | 1,683,640 |
| 2037-2041..... | 1,227,325 | 430,892 | 1,658,217 |
| 2042-2046..... | 1,165,177 | 655,834 | 1,821,011 |
| 2047-2050..... | 378,099 | 916,743 | 1,294,842 |
| | <u>6,004,846</u> | <u>4,821,644</u> | <u>10,826,490</u> |
| Unamortized Premium/(Discount), Net..... | 622,197 | - | 622,197 |
| Total | <u>\$6,627,043</u> | <u>\$ 4,821,644</u> | <u>\$11,448,687</u> |

For the year ended June 30, 2021, NOTE 15 summarizes changes in revenue bonds and notes.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

The preceding future funding table for the Authority's portion includes (i) serial bond maturities that the Authority must pay as of specific distribution dates in order to avoid an event of default under the Trust Indenture, (ii) turbo term bond payments that the Authority would pay according to the Trust Indenture if sufficient tobacco settlement receipts are collected; however, a failure to pay before final maturity does not constitute an event of default under the Trust Indenture, and (iii) capital appreciation turbo term bond maturities.

Refundings

During fiscal year 2021, there was one refunding of a State Infrastructure Bank Bonds. Proceeds of the refunding (new) bonds were placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) bonds. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. Details on the refunding are presented in the table below.

In prior years, the State defeased certain bond issues by placing cash and other monetary assets and proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. At June 30, 2021, Economic Development Bonds of \$5.9 million and Buckeye Tobacco Settlement Financing Authority Bonds of \$274.8 million are outstanding are considered defeased.

Primary Government — Governmental Activities

Revenue Bonds and Notes

Details of Refundings

For the Year Ended June 30, 2021

(dollars in thousands)

| Refunding Bond Issue | Date of Refunding | Amount of Refunding Bonds Issued | True Interest Cost Rates of Refunding Bonds | Carrying Amount of Bonds Refunded (in substance) | Refunding Bond Proceeds Placed in Escrow | Reduction (Increase) in Debt Service Payments | Economic Gain / (Loss) Resulting from Refunding |
|--|-------------------|----------------------------------|---|--|--|---|---|
| Treasurer of State: State Infrastructure | | | | | | | |
| Bank, Series 2021-1B..... | 6/8/2021 | \$ 58,220 | 0.49% | \$ 55,220 | \$ 57,883 | \$ 3,313 / 5 yrs | \$ 3,239 |
| Total | | <u>\$ 58,220</u> | | <u>\$ 55,220</u> | <u>\$ 57,883</u> | | <u>\$ 3,239</u> |

B. Major Discretely Presented Component Units

Future bond service requirements for revenue bonds and notes reported for the major discretely presented component units, as of June 30, 2021, are shown in the following table:



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2021
(dollars in thousands)

| Year Ending June 30, | Ohio State University | | |
|--|-----------------------|---------------------|--------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 344,778 | \$ 134,156 | \$ 478,934 |
| 2023..... | 80,760 | 130,872 | 211,632 |
| 2024..... | 74,598 | 126,910 | 201,508 |
| 2025..... | 75,030 | 123,097 | 198,127 |
| 2026..... | 62,065 | 119,386 | 181,451 |
| 2027 – 2031..... | 309,844 | 550,110 | 859,954 |
| 2032 – 2036..... | 171,969 | 492,030 | 663,999 |
| 2037 – 2041..... | 831,987 | 416,140 | 1,248,127 |
| 2042 – 2046..... | 101,056 | 246,932 | 347,988 |
| 2047 – 2051..... | 350,026 | 177,248 | 527,274 |
| 2052 – 2056..... | - | 170,600 | 170,600 |
| 2057 – 2061..... | 250,000 | 125,060 | 375,060 |
| 2062 – 2066..... | - | 120,000 | 120,000 |
| 2067 – 2071..... | - | 122,556 | 122,556 |
| 2072 – 2076..... | - | 120,000 | 120,000 |
| 2077 – 2081..... | - | 120,000 | 120,000 |
| 2082 – 2086..... | - | 120,000 | 120,000 |
| 2087 – 2091..... | - | 120,000 | 120,000 |
| 2092 – 2096..... | - | 120,000 | 120,000 |
| 2097 – 2101..... | - | 120,000 | 120,000 |
| 2102 – 2106..... | - | 120,000 | 120,000 |
| 2107 – 2111..... | 500,000 | 120,000 | 620,000 |
| | 3,152,113 | 4,015,097 | 7,167,210 |
| Unamortized Premium/(Discount), Net..... | 105,129 | - | 105,129 |
| Total | <u>\$3,257,242</u> | <u>\$ 4,015,097</u> | <u>\$7,272,339</u> |

The bonds and notes of the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond and note agreements. The proceeds of the bonds and notes are used for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores, and athletic facilities. The State is not obligated for the debt of its discretely presented component units.

The Ohio State University, a major discretely presented component unit, has entered into two pay fixed/receive floating interest rate swap agreements, which are considered effective hedging derivative instruments, to convert all or a portion of variable-rate debt into a synthetic fixed rate to protect against the potential of rising interest rates. Both swaps have a notional amount of \$164.4 million, effective date of June 1, 2023, termination date of June 1, 2043, and cancellation option June 1, 2035, at the University's option. The two swaps differ in their June 30, 2021, fair value, counterparty credit rating, and what fixed rate the University pays, with the respective information as: Swap one \$6.8 million, A1/A, and 1.19 percent and Swap two \$5.5 million, Aa2/A+, and 1.26 percent. The derivative instruments are reported at fair value in noncurrent assets and changes in fair value are part of deferred inflows on the Statement of Net Position.

NOTE 12 SPECIAL OBLIGATION BONDS

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, transportation, and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating special revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding, bonds authorized but unissued, and future debt service requirements, as of June 30, 2021, are presented in the following tables:

| Primary Government-Governmental Activities Summary of Special Obligation Bonds As of June 30, 2021 (dollars in thousands) | | | | | |
|--|------------------------|-------------------|------------------------------------|------------------------|-------------------------------|
| | Fiscal Years Issued | Interest Rates | Maturing Through Fiscal Year | Outstanding Balance | Authorized but Unissued |
| Treasurer of State Lease Rental Bonds..... | 2012-2021 | 0.02-5.00% | 2041 | \$2,628,132 | \$1,226,335 |
| Total Special Obligation Bonds..... | | | | <u>\$2,628,132</u> | <u>\$1,226,335</u> |

| Future Funding of Special Obligation Bonds: | | | |
|---|---------------------|-------------------|---------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2022..... | \$ 214,135 | \$ 92,442 | \$ 306,577 |
| 2023..... | 219,780 | 86,466 | 306,246 |
| 2024..... | 216,385 | 77,242 | 293,627 |
| 2025..... | 209,010 | 68,275 | 277,285 |
| 2026..... | 153,660 | 60,081 | 213,741 |
| 2027-2031..... | 729,730 | 191,402 | 921,132 |
| 2032-2036..... | 385,355 | 60,630 | 445,985 |
| 2037-2041..... | 214,765 | 11,571 | 226,336 |
| | <u>2,342,820</u> | <u>648,109</u> | <u>2,990,929</u> |
| Unamortized Premium/(Discount), Net..... | 285,312 | - | 285,312 |
| Total | <u>\$ 2,628,132</u> | <u>\$ 648,109</u> | <u>\$ 3,276,241</u> |

For the year ended June 30, 2021, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2021, the Treasurer of State Lease Rental had three refunding issues. Details on the refundings for fiscal year 2021 are presented in the table below:

| Primary Government — Governmental Activities Special Obligation Bonds Details of Refundings For the Year Ended June 30, 2021 (dollars in thousands) | | | | | | | |
|---|----------------------|---|--|--|--|--|--|
| Refunding Bond Issue | Date of Refunding | Amount of Refunding Bonds Issued | True Interest Cost Rates of Refunding Bonds | Carrying Amount of Bonds Refunded (in substance) | Refunding Bond Proceeds Placed in Escrow | Reduction (Increase) in Debt Service Payments | Economic Gain / (Loss) Resulting from Refunding |
| Treasurer of State Lease Rental Bonds: | | | | | | | |
| Parks & Recreation 2020 Series A..... | 8/12/2020 | \$ 2,300 | 0.49% | \$ 2,415 | \$ 2,427 | \$ 62 / 2 yrs | \$ 79 |
| Administrative Building 2020 Series D..... | 8/12/2020 | 58,960 | 1.39% | 49,750 | 58,501 | 1,357 / 16 yrs | 954 |
| Juvenile Correctional 2020 Series A..... | 9/24/2020 | 5,500 | 0.56% | 5,795 | 5,943 | 518 / 5 yrs | 514 |
| Total | | <u>\$ 66,760</u> | | <u>\$ 57,960</u> | <u>\$ 66,871</u> | | <u>\$ 1,547</u> |



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

In prior years, the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. At June 30, 2021, \$106.5 million of lease rental special obligations bonds outstanding are considered defeased.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2021, approximately \$273.1 million in certificate of participation (COP) obligations were reported in governmental activities.

Beginning in fiscal year 2015, the Ohio Department of Administrative Services participated in the issuance of \$105.4 million of COP obligations to finance the cost of acquisition of the Enterprise Data Center Solutions (EDCS).

Beginning in fiscal year 2013, the Ohio Department of Administrative Services participated in the issuance of \$72 million of COP obligations to finance the upgrade of the Ohio Multi-Agency Radio Communications System (MARCS).

Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of \$204.3 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for the acquisition, construction, or improvement of capital assets.

Beginning in fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of \$67.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue System (STARS).

In fiscal year 2015, the Ohio Treasurer of State's Office participated in the issuance of \$8.8 million of COP obligations to finance the cost of acquisition of the Treasury Management System (TMS).

In fiscal year 2017, the Ohio Attorney General's Office participated in the issuance of \$19.6 million of COP obligations to finance the cost of acquisition of the Bureau of Criminal Investigation Records System (BCIRS).

Beginning in fiscal year 2019, the Ohio Secretary of State participated in the issuance of \$92.9 million of COP obligations to finance Voting Systems Acquisitions (VSA).

In fiscal year 2020, the Ohio Department of Administrative Services participated in the issuance of \$12.2 million of COP obligations to finance the Unemployment Insurance System (UIS).

Under the COP financing arrangements, the State is required to make rental payments from the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding and future commitments for the primary government under COP financing arrangements, as of June 30, 2021, are presented in the following tables:



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2021
(dollars in thousands)

| | Fiscal Years Issued | Interest Rates | Maturing Through Fiscal Year | Outstanding Balance |
|--|------------------------|----------------|------------------------------------|------------------------|
| Attorney General: | | | | |
| Bureau of Criminal Investigation Records System (BCIRS)..... | 2017-21 | 0.3%-4.0% | 2027 | \$ 13,702 |
| Department of Administrative Services: | | | | |
| Enterprise Data Center Solutions (EDCS)..... | 2015-20 | 1.4%-5.0% | 2030 | 78,891 |
| Multi-Agency Radio Communications System (MARCS) | 2021 | 0.2%-1.3% | 2028 | 43,800 |
| Ohio Administrative Knowledge System (OAKS) | 2017 | 5.0% | 2027 | 13,833 |
| State Taxation Accounting and Revenue System (STARS)..... | 2015-21 | 0.4%-5.0% | 2027 | 15,336 |
| Unemployment Insurance System (UIS)..... | 2020 | 2.5%-5.0% | 2030 | 12,789 |
| Secretary of State: | | | | |
| Voting Systems Acquisitions (VSA)..... | 2019-21 | 5.0% | 2030 | 90,461 |
| Treasurer of State: | | | | |
| Treasury Management Systems (TMS)..... | 2015 | 5.0% | 2025 | 4,288 |
| Total Certificates of Participation | | | | <u>\$ 273,100</u> |

| Future Commitments for Certificate of Participation Obligations: | | | |
|--|-------------------|------------------|-------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2022..... | \$ 30,935 | \$ 9,155 | \$ 40,090 |
| 2023..... | 35,140 | 7,748 | 42,888 |
| 2024..... | 36,350 | 6,514 | 42,864 |
| 2025..... | 37,600 | 5,268 | 42,868 |
| 2026..... | 31,050 | 4,052 | 35,102 |
| 2027-2031..... | 81,620 | 5,704 | 87,324 |
| | 252,695 | 38,441 | 291,136 |
| Unamortized Premium, Net..... | 20,405 | - | 20,405 |
| Total | <u>\$ 273,100</u> | <u>\$ 38,441</u> | <u>\$ 311,541</u> |

For the year ended June 30, 2021, NOTE 15 summarizes changes in COP obligations.

Refundings

During fiscal year 2021, there were three refundings of certificate of participation (COP) obligations. Proceeds of the refunding (new) COPs were placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) COPs. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased COPs are not included in the State's financial statements. Details on the refundings are presented in the following table.



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

| Primary Government — Governmental Activities Certificate of Participation Obligations (COP) Details of Refundings For the Year Ended June 30, 2021 <i>(dollars in thousands)</i> | | | | | | | |
|--|-------------------|---------------------------------|--|---|---|---|---|
| Refunding COP Issue | Date of Refunding | Amount of Refunding COPs Issued | True Interest Cost Rates of Refunding COPs | Carrying Amount of COPs Refunded (in substance) | Refunding COP Proceeds Placed in Escrow | Reduction (Increase) in Debt Service Payments | Economic Gain / (Loss) Resulting from Refunding |
| BCIRS, Series 2021..... | 2/9/2021 | \$ 11,775 | 0.79% | \$ 10,880 | \$ 11,689 | \$ 1,314 / 7 yrs | \$ 1,244 |
| MARCS, Series 2021..... | 2/9/2021 | 43,800 | 0.93% | 40,820 | 43,543 | 3,166 / 8 yrs | 3,088 |
| STARS, Series 2021..... | 2/9/2021 | 12,445 | 0.78% | 11,500 | 12,356 | 1,055 / 7 yrs | 1,044 |
| Total | | <u>\$ 68,020</u> | | <u>\$ 63,200</u> | <u>\$ 67,588</u> | | <u>\$ 5,376</u> |

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2021, in addition to bonds, notes, and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

| Non-Current Liabilities | |
|--|----------------------|
| Governmental Activities: | |
| Compensated Absences | \$ 572,734 |
| Net Pension Liability..... | 3,416,948 |
| Net OPEB Liability..... | 633,413 |
| Capital Leases Payable | 27,394 |
| Derivative Instruments..... | 11,756 |
| Pollution Remediation Liabilities..... | 1,829 |
| Infrastructure, Capital Assets..... | 319,933 |
| Liability for Escheat Property | 314,195 |
| Total Governmental Activities | <u>5,298,202</u> |
| Business-Type Activities: | |
| Compensated Absences | 52,304 |
| Net Pension Liability..... | 227,190 |
| Capital Leases Payable | 14,917 |
| Workers' Compensation: | |
| Benefits Payable | 11,888,612 |
| Other | 1,887,926 |
| Prize Awards Payable | 330,283 |
| Tuition Benefits Payable | 108,900 |
| Total Business-Type Activities | <u>14,510,132</u> |
| Total Primary Government | <u>\$ 19,808,334</u> |

For the year ended June 30, 2021, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow:

A. Compensated Absences

For the primary government, the compensated absences liability, as of June 30, 2021, was \$625 million, of which \$572.7 million is allocable to governmental activities and \$52.3 million is allocable to business-type activities.

As of June 30, 2021, major discretely presented component units reported a total of \$240.1 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

B. Net Pension Liability and Net OPEB Liability

The State recognizes a net pension liability in the amount of \$3.64 billion, as of June 30, 2021, for the primary government of which \$3.42 billion is allocable to governmental activities and \$227.2 million is allocable to business-type activities. The net pension liability represents the State's proportionate share of the difference between the total pension liability and the fiduciary net position for OPERS, STRS, and SHPRS.

For the primary government, the State recognizes a net OPEB liability in the amount of \$633.4 million as of June 30, 2021, allocable to governmental activities. The net OPEB liability represents the State's proportionate share of the difference between the total OPEB liability and the fiduciary net position for SHPRS, whereas OPERS and STRS resulted in a net OPEB asset. See NOTE 9 for further details.

C. Lease Agreements

The State's primary government leases office buildings, computers, and office equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Operating leases (leases on assets not recorded in the Statement of Net Position) contain various renewable options as well as some purchase options. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The primary government's total operating lease expenditures/expenses for fiscal year 2021 were approximately \$137 million. Fiscal year 2022 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2021, were \$4.5 million.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2021, are as follows (dollars in thousands):

| Year Ending June 30, | Capital Leases | | |
|---|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-Type Activities | Total |
| 2022..... | \$ 9,816 | \$ 3,478 | \$ 13,294 |
| 2023..... | 7,564 | 11,438 | 19,002 |
| 2024..... | 5,428 | - | 5,428 |
| 2025..... | 3,729 | - | 3,729 |
| 2026..... | 1,739 | - | 1,739 |
| 2027-2028..... | 288 | - | 288 |
| Total Minimum Lease Payments..... | 28,564 | 14,916 | 43,480 |
| Amount for Interest..... | (1,170) | - | (1,170) |
| Present Value of Net Minimum Lease Payments | <u>\$ 27,394</u> | <u>\$ 14,916</u> | <u>\$ 42,310</u> |

As of June 30, 2021, the primary government had the following capital assets under capital leases (dollars in thousands):

| | Capital Assets | | |
|-----------------|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Equipment | \$ 12,221 | \$ 126,207 | \$ 138,428 |
| Vehicles | 47,320 | - | 47,320 |
| Total | <u>\$ 59,541</u> | <u>\$ 126,207</u> | <u>\$ 185,748</u> |



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense. Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and discretely presented component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the major discretely presented component unit funds, as of June 30, 2021, (dollars in thousands):

| Capital Leases | |
|--|-----------------------|
| Major Discretely Presented Component Units | |
| Year Ending June 30, | Ohio State University |
| 2022..... | \$ 9,904 |
| 2023..... | 8,777 |
| 2024..... | 5,794 |
| 2025..... | 2,837 |
| Total Minimum Lease Payments..... | 27,312 |
| Amount for Interest..... | (1,166) |
| Present Value of Net Minimum Lease Payments..... | <u>\$ 26,146</u> |
| Equipment & Vehicles..... | \$ 55,824 |
| Total | <u>\$ 55,824</u> |

D. Derivative Instruments

For governmental activities, the State has reported \$(11.8) million of investment and hedging derivative instruments as of June 30, 2021. Additional information regarding the State's derivative instruments is included in NOTE 4, NOTE 10, and NOTE 18.

E. Pollution Remediation Liabilities

The State recognizes a liability for pollution remediation in the amount of \$1.8 million, as of June 30, 2021. This represents the cost to the State to the extent that is probable for future clean up and reclamation of polluted sites within the State. See NOTE 20 for further detail.

F. Infrastructure, Capital Assets

The State records a liability for the Portsmouth Bypass Highway. Since the completion of construction in fiscal year 2020, the State has recognized payments of \$109.8 million. As of June 30, 2021, the liability totaled approximately \$319.9 million.

G. Litigation Liabilities

In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2021, no noncurrent liabilities ultimately payable from various governmental funds have been recorded for this purpose. For more information on the State's loss contingencies arising from pending litigation, see NOTE 20.

H. Estimated Claims Payable

The State had no estimated claims payable to report at June 30, 2021.

I. Liability for Escheat Property

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2021, the liability totaled approximately \$314.2 million.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

J. Worker's Compensation

Benefits Payable

As discussed in NOTE 21, the Worker's Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2021, in the amount of approximately \$11.9 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

K. Prize Awards Payable

Future installment payments for the prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from two to eight percent, represent the expected long-term rate of return on the assets restricted for the payment of prize awards. Once established for a particular prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. The State reduces prize liabilities by an estimate of the amount of the prize that will ultimately be unclaimed. As of June 30, 2021, the prize awards payable totals \$330.3 million.

Future payments of prize awards, stated at present value, as of June 30, 2021, follow (dollars in thousands):

| Year Ending June 30, | |
|----------------------------|-------------------|
| 2022..... | \$ 51,563 |
| 2023..... | 40,038 |
| 2024..... | 36,134 |
| 2025..... | 31,602 |
| 2026..... | 26,700 |
| 2027-2031..... | 119,357 |
| 2032-2036..... | 63,053 |
| 2037-2041..... | 22,948 |
| 2042-2046..... | 6,980 |
| | <u>398,375</u> |
| Unamortized Discount | (68,092) |
| Net Prize Liability | <u>\$ 330,283</u> |

L. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$108.9 million, as of June 30, 2021. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases in state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: 1.4 percent rate of return, compounded annually, on the investment of current and future assets, a tuition inflation assumption equal to the maximum amount of tuition and mandatory fee increases permitted by the State of Ohio biennial budget of 4 percent.

As of June 30, 2021, the market value of actuarial net position available for the payment of the tuition benefits payable was \$192.9 million.

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$1.89 billion in other noncurrent liabilities, as of June 30, 2021, of which 1) \$1.65 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 21, 2) \$172.2 million consists of retrospective rating adjustments for employers within similar industries that are enrolled in group experience rating plans, 3) \$4.5 million is contingent liabilities, and 4) \$61.2 million consists of other miscellaneous liabilities.



NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2021, are presented for the primary government in the following table:

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2021
(dollars in thousands)

| | Balance June 30, 2020 | Additions | Reductions | Balance June 30, 2021 | Amount Due Within One Year |
|---|--------------------------|--------------|--------------|--------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Bonds and Notes Payable: | | | | | |
| General Obligation Bonds (NOTE 10) | \$ 9,418,099 | \$ 1,016,967 | \$ 993,036 | \$ 9,442,030 | \$ 909,932 |
| Revenue Bonds and Notes (NOTE 11) | 6,743,423 | 173,832 | 290,212 | 6,627,043 | 137,706 |
| Special Obligation Bonds (NOTE 12) | 2,278,884 | 661,936 | 312,688 | 2,628,132 | 257,446 |
| Total Bonds and Notes Payable | 18,440,406 | 1,852,735 | 1,595,936 | 18,697,205 | 1,305,084 |
| Certificates of Participation (NOTE 13) | 281,757 | 93,236 | 101,893 | 273,100 | 31,314 |
| Other Noncurrent Liabilities (NOTE 14): | | | | | |
| Compensated Absences | 515,895 | 384,379 | 327,540 | 572,734 | 73,401 |
| Net Pension Liability | 4,339,320 | 7,818 | 930,190 | 3,416,948 | - |
| Net OPEB Liability | 3,120,471 | 162,963 | 2,650,021 | 633,413 | - |
| Capital Leases Payable | 24,278 | 3,116 | - | 27,394 | 9,253 |
| Derivative Instruments | 19,976 | - | 8,220 | 11,756 | - |
| Pollution Remediation Liabilities | 1,880 | - | 51 | 1,829 | 65 |
| Infrastructure, Capital Assets | 341,995 | - | 22,062 | 319,933 | 25,465 |
| Liability for Escheat Property | 332,217 | 52,940 | 70,962 | 314,195 | 96,640 |
| Total Other Noncurrent Liabilities | 8,696,032 | 611,216 | 4,009,046 | 5,298,202 | 204,824 |
| Total Noncurrent Liabilities | \$ 27,418,195 | \$ 2,557,187 | \$ 5,706,875 | \$ 24,268,507 | \$ 1,541,222 |
| Business-Type Activities: | | | | | |
| Other Noncurrent Liabilities (NOTE 14): | | | | | |
| Compensated Absences | \$ 45,621 | \$ 27,822 | \$ 21,139 | \$ 52,304 | \$ 5,086 |
| Net Pension Liability | 302,434 | - | 75,244 | 227,190 | - |
| Net OPEB Liability | 209,938 | - | 209,938 | - | - |
| Capital Leases Payable | 2,911 | 13,950 | 1,944 | 14,917 | 3,479 |
| Workers' Compensation: | | | | | |
| Benefits Payable | 12,768,654 | 472,569 | 1,352,611 | 11,888,612 | 1,294,961 |
| Other: | | | | | |
| Adjustment Expenses Liability | 1,749,500 | 53,431 | 152,932 | 1,649,999 | 435,182 |
| Miscellaneous | 372,246 | 249,638 | 383,957 | 237,927 | 111,203 |
| Unemployment Compensation: | | | | | |
| Intergovernmental Payable | 217,826 | 1,254,076 | 1,471,902 | - | - |
| Prize Awards Payable | 352,727 | 31,097 | 53,541 | 330,283 | 41,975 |
| Tuition Benefits Payable | 132,600 | - | 23,700 | 108,900 | 24,000 |
| Total Other Noncurrent Liabilities | \$ 16,154,457 | \$ 2,102,583 | \$ 3,746,908 | \$ 14,510,132 | \$ 1,915,886 |

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the nonmajor governmental funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2021, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance and accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects.



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

| | (in 000s) |
|--|-------------------|
| Governmental Activities: | |
| Primary, Secondary and Other Education | \$ 362,774 |
| Higher Education Support | 177,494 |
| Health and Human Services..... | 447 |
| Environmental Protection and Natural Resources | 1,524 |
| Transportation..... | 45,672 |
| Community and Economic Development..... | 98,423 |
| Total Interest Expense Charged to Governmental Functions | <u>\$ 686,334</u> |

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2021, are presented in the following table for the State's major discretely presented component units:

**Major Discretely Presented Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2021
(dollars in thousands)**

| | Balance June 30, 2020 | Additions | Reductions | Balance June 30, 2021 | Amount Due Within One Year |
|--|--------------------------|-------------------|---------------------|--------------------------|----------------------------------|
| <i>Ohio Facilities Construction Commission</i> | | | | | |
| Intergovernmental Payable | \$ 648,292 | \$ - | \$ 273,077 | \$ 375,215 | \$ 221,037 * |
| Compensated Absences* | 1,223 | 727 | 527 | 1,423 | 130 |
| Total | <u>\$ 649,515</u> | <u>\$ 727</u> | <u>\$ 273,604</u> | <u>\$ 376,638</u> | <u>\$ 221,167</u> |
| <i>Ohio State University:</i> | | | | | |
| Compensated Absences* | \$ 225,561 | \$ 37,451 | \$ 24,292 | \$ 238,720 | \$ 24,291 |
| Capital Leases Payable* (NOTE 14)..... | 24,698 | 11,468 | 10,018 | 26,148 | 9,393 |
| Hedging Derivative Instruments*..... | 6,629 | - | 6,629 | - | - |
| Net Pension Liability* | 3,025,029 | - | 345,696 | 2,679,333 | - |
| Net OPEB Liability* | 1,459,572 | - | 1,436,889 | 22,683 | - |
| Advance from Concessionaire* | 1,002,769 | - | 21,816 | 980,953 | - |
| Other Liabilities* | 427,454 | 635,182 | 435,805 | 626,831 | 98,356 |
| Revenue Bonds & Notes Payable (NOTE 11) | 3,234,377 | 101,773 | 78,908 | 3,257,242 | 344,779 * |
| Total | <u>\$ 9,406,089</u> | <u>\$ 785,874</u> | <u>\$ 2,360,053</u> | <u>\$ 7,831,910</u> | <u>\$ 476,819</u> |

*Liability is reported under the "Refund and Other Liabilities" account.

NOTE 16 CONDUIT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities, lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred. The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance.

This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.



NOTE 16 CONDUIT DEBT (Continued)

Ohio Enterprise Bond Fund bonds are issued through the Treasurer of State for the purpose of financing eligible projects of private industry organizations. The actual bonds are sold through private placement. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited solely to the pledged receipts deposited into the Ohio Enterprise Bond Fund Accounts. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the Development Services Agency, Office of Loan Administration, under Chapter 166, Ohio Revised Code. As of June 30, 2021, no liability has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14H for additional information.

The Development Services Agency also participates in the issuance of Hospital Facilities Bonds, as authorized under Chapter 140, Ohio Revised Code. These revenue bonds are payable solely from payments made by the borrowing entities and are secured by the property financed. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

Under Chapter 5531, Ohio Revised Code, the Ohio Department of Transportation is authorized to issue State Infrastructure Bond Program debt issuances through the Treasurer of State for highway and transit capital projects of eligible Ohio political subdivisions. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited to the pledged receipts and those special funds pledged by each debt issuance. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the State Infrastructure Bank program of the Ohio Department of Transportation. In the event of a borrower's default, amounts recovered from the secured capital project would be used to replenish any reserve funds and any remaining amounts would be transferred to the State Infrastructure Bank accounts. Any amounts provided to repay bonds using appropriations of the Ohio Department of Transportation would be submitted to the Attorney General's Office for collection. Currently, guarantees are outstanding through fiscal year 2044, when the bonds mature, and no circumstances presently exist that indicate the State will be required to make any payments as a result of these guarantees.

As of June 30, 2021, revenue bonds and notes outstanding that represent conduit debt for the State were as follows (dollars in thousands):

| | <u>Outstanding Amount</u> |
|--|-------------------------------|
| Primary Government: | |
| Development Services Agency: | |
| Ohio Enterprise Bond Program | \$ 74,940 |
| Hospital Facilities Bonds | 4,895 |
| Ohio Department of Transportation: | |
| State Transportation Infrastructure Bond Fund Program..... | 75,880 |
| Total Primary Government | <u>\$ 155,715</u> |

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING

A. Fund Balance Reporting-Constraints by Purpose

Fund balance constraints reported in the governmental funds, as of June 30, 2021, are presented by purpose in the table on the following page:



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

| Primary Government Fund Balance Constraints by Purpose (dollars in thousands) | | | | | | |
|---|---------------|---|---|-----------------------------|-----------------------------------|---------------|
| Major Funds | | | | | | |
| | General | Job, Family & Other Human Services | Buckeye Tobacco Settlement Financing Authority Bonds | Pandemic Relief Funds | Nonmajor Governmental Funds | Total |
| Fund Balance: | | | | | | |
| <i>Nonspendable</i> | | | | | | |
| Inventories..... | \$ 19,714 | \$ - | \$ - | \$ 103,230 | \$ 221,336 | \$ 344,280 |
| Advances to Local Government..... | 27,304 | - | - | - | - | 27,304 |
| Total Nonspendable..... | 47,018 | - | - | 103,230 | 221,336 | 371,584 |
| <i>Restricted</i> | | | | | | |
| Primary, Secondary and Other Education..... | 19 | - | - | - | 133,793 | 133,812 |
| Higher Education Support..... | 285,295 | - | - | - | 3,350 | 288,645 |
| Public Assistance and Medicaid..... | - | 146,032 | - | - | 240,674 | 386,706 |
| Health and Human Services..... | - | - | - | - | 37,949 | 37,949 |
| Justice and Public Protection..... | 41,883 | 2,420 | - | - | 17,419 | 61,722 |
| Environmental Protection and Natural Resources | 17,171 | - | - | - | 275,879 | 293,050 |
| Transportation..... | - | - | - | - | 10,145 | 10,145 |
| Transit Project Loans..... | - | - | - | - | 242,447 | 242,447 |
| Highway Construction/Preservation..... | - | - | - | - | 1,475,173 | 1,475,173 |
| General Government..... | 28,777 | 33,562 | - | - | 97,163 | 159,502 |
| Community and Economic Development..... | 58,762 | 8 | - | - | 380,725 | 439,495 |
| Grants/Loans-Local Government Capital Projects | 926,287 | - | - | - | - | 926,287 |
| Local Government Road/Bridge Improvements.... | 246,815 | - | - | - | - | 246,815 |
| Capital Outlay..... | - | - | - | - | 700,158 | 700,158 |
| Debt Service..... | - | - | 4,183,992 | - | 7,857 | 4,191,849 |
| Total Restricted..... | 1,605,009 | 182,022 | 4,183,992 | - | 3,622,732 | 9,593,755 |
| <i>Committed</i> | | | | | | |
| Primary, Secondary and Other Education..... | - | - | - | - | 88,489 | 88,489 |
| Higher Education Support..... | - | - | - | - | 1,357 | 1,357 |
| Public Assistance and Medicaid..... | - | 545,551 | - | - | 74,808 | 620,359 |
| Health and Human Services..... | 377 | - | - | - | 31,393 | 31,770 |
| Justice and Public Protection..... | 1,133 | 4,208 | - | - | 95,203 | 100,544 |
| Environmental Protection and Natural Resources | - | - | - | - | 265,268 | 265,268 |
| Transportation..... | - | - | - | - | 1,820 | 1,820 |
| General Government..... | 84,042 | 17,741 | - | - | 112,469 | 214,252 |
| Community and Economic Development..... | 118,750 | - | - | - | 101,071 | 219,821 |
| Business Development Loans..... | 633,266 | - | - | - | - | 633,266 |
| Total Committed..... | 837,568 | 567,500 | - | - | 771,878 | 2,176,946 |
| <i>Assigned</i> | | | | | | |
| Primary, Secondary and Other Education..... | 46,516 | - | - | - | - | 46,516 |
| Higher Education Support..... | 20,061 | - | - | - | - | 20,061 |
| Public Assistance and Medicaid..... | 695,783 | - | - | - | - | 695,783 |
| Health and Human Services..... | 123,030 | - | - | - | - | 123,030 |
| Justice and Public Protection..... | 215,152 | - | - | - | - | 215,152 |
| Environmental Protection and Natural Resources | 150,994 | - | - | - | - | 150,994 |
| General Government..... | 660,771 | - | - | - | - | 660,771 |
| Escheat Investments for Mortgage Insurance/ Minority Contractor Bonding/Housing Loans..... | 1,865,928 | - | - | - | - | 1,865,928 |
| Community and Economic Development..... | 78,141 | - | - | - | - | 78,141 |
| Total Assigned..... | 3,856,376 | - | - | - | - | 3,856,376 |
| <i>Unassigned</i> | 5,717,927 | (6,674) | - | - | - | 5,711,253 |
| Total Fund Balance..... | \$ 12,063,898 | \$ 742,848 | \$ 4,183,992 | \$ 103,230 | \$ 4,615,946 | \$ 21,709,914 |



NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

As of June 30, 2021, the Budget Stabilization Fund had a fund balance of \$2.69 billion, which was included as a part of the unassigned fund balance in the General Fund.

B. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2021 (dollars in thousands):

Primary Government:

Major Proprietary Fund:

Unemployment Compensation..... \$ (912,431)

Nonmajor Proprietary Fund:

Office of Auditor of State..... (59,529)

Total Primary Government..... \$ (971,960)

Discretely Presented Component Units:

Major Component Unit:

Ohio Facilities Construction Commission \$ (3,125,101)

Nonmajor Component Units:

Ohio Turnpike and Infrastructure Commission..... (25,515)

Ohio Capital Fund..... (88,672)

Total Component Units..... \$ (3,239,288)

Deficits are due to the timing of revenue recognition and the accrual of expenses not recorded under the cash basis of accounting.

NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

A. Deferred Outflows of Resources

Details on deferred outflows of resources for the primary government, as of June 30, 2021, follow (dollars in thousands):

| Primary Government - Deferred Outflows of Resources | | | | | |
|---|--|--------------------------------------|-------------------------------|------------------------------------|---------------------|
| | Net Pension and OPEB Liability/Asset | Hedging Derivative Instruments | Loss on Debt Refundings | Resources of a Future Period | Total |
| Governmental Activities: | | | | | |
| Major Governmental Funds: | | | | | |
| Buckeye Tobacco Settlement Financing Authority Revenue Bonds..... | \$ - | \$ - | \$ - | \$ 3,811,934 | \$ 3,811,934 |
| Total Governmental Activities | - | - | - | 3,811,934 | 3,811,934 |
| Reconciliation of fund level statements to government-wide statements due to basis differences..... | 882,188 | 8,396 | 203,314 | - | 1,093,898 |
| Total Governmental Activities | <u>\$ 882,188</u> | <u>\$ 8,396</u> | <u>\$ 203,314</u> | <u>\$ 3,811,934</u> | <u>\$ 4,905,832</u> |
| Business-Type Activities: | | | | | |
| Major Proprietary Funds: | | | | | |
| Workers' Compensation..... | \$ 20,083 | \$ - | \$ - | \$ - | \$ 20,083 |
| Lottery Commission..... | 3,125 | - | - | - | 3,125 |
| Nonmajor Proprietary Funds | 7,209 | - | - | - | 7,209 |
| Total Business-Type Activities | <u>\$ 30,417</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,417</u> |
| Total Primary Government..... | | | | | <u>\$ 4,936,249</u> |

As of June 30, 2021, The Ohio State University, a major discretely presented component unit, reported Deferred Outflows of Resources totaling approximately \$443.9 million for net pension and OPEB liability/asset, \$22.2 million for losses on debt-related transactions and \$1.5 million for future asset retirement obligation.



NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (Continued)

B. Deferred Inflows of Resources

The deferred inflows of resources for the primary government, as of June 30, 2021, are comprised of the following (dollars in thousands):

| Primary Government - Deferred Inflows of Resources | | | | | |
|--|--|---|--------------------------|--------------------|---------------------|
| | Net Pension and OPEB Liability/Asset | Resources from the Sale of Future Revenues | Unavailable Resources | Debt Refundings | Total |
| Governmental Activities: | | | | | |
| Major Governmental Funds: | | | | | |
| General | \$ - | \$ 707,877 | \$ 206,223 | \$ - | \$ 914,100 |
| Job, Family and Other Human Services | - | - | 81,928 | - | 81,928 |
| Buckeye Tobacco Settlement Financing | | | | | |
| Authority Revenue Bonds | - | - | 706,220 | - | 706,220 |
| Nonmajor Governmental Funds | - | 34,100 | 6,049 | - | 40,149 |
| Total Governmental Activities | - | 741,977 | 1,000,420 | - | 1,742,397 |
| Reconciliation of fund level statements to government-wide statements due to basis differences | 2,721,944 | 936,692 | (1,000,420) | 25,149 | 2,683,365 |
| Total Governmental Activities | <u>\$ 2,721,944</u> | <u>\$ 1,678,669</u> | <u>\$ -</u> | <u>\$ 25,149</u> | <u>\$ 4,425,762</u> |
| Business-Type Activities: | | | | | |
| Major Proprietary Funds: | | | | | |
| Workers' Compensation | \$ 120,668 | \$ - | \$ - | \$ - | \$ 120,668 |
| Lottery Compensation | 19,536 | - | - | - | 19,536 |
| Nonmajor Proprietary Funds | 44,352 | - | - | - | 44,352 |
| Total Business-Type Activities | <u>\$ 184,556</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 184,556</u> |
| Total Primary Government | | | | | <u>\$ 4,610,318</u> |

As of June 30, 2021, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported Deferred Inflows of Resources totaling approximately \$3.10 billion pertaining to resources from the sale of future revenues. In addition, the Ohio State University, another major discretely presented component unit, reported Deferred Inflows of Resources of \$1.36 billion for net pension and OPEB liability/asset, \$30.6 million for gains on debt-related transactions, \$10.1 million for irrevocable split-interest agreements, and \$397.3 million related to service concession arrangements.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.



NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately \$219 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2020 (the GLPF's year-end), are presented below (dollars in thousands):

| | Contribution Required | Contribution Received | Contribution Percentage |
|-------------------|--------------------------|--------------------------|----------------------------|
| Michigan | \$ 25,000 | \$ 25,000 | 30.9% |
| Indiana* | 16,000 | - | - |
| Illinois | 15,000 | 15,000 | 18.4% |
| Ohio | 14,000 | 14,000 | 17.3% |
| New York | 12,000 | 12,000 | 14.8% |
| Wisconsin | 12,000 | 12,000 | 14.8% |
| Minnesota | 1,500 | 1,500 | 1.9% |
| Pennsylvania | 1,500 | 1,500 | 1.9% |
| Total | <u>\$ 97,000</u> | <u>\$ 81,000</u> | <u>100%</u> |

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2020, was as follows (dollars in thousands):

| | |
|---|-------------------|
| Cash and Investments | \$ 152,377 |
| Other Assets | 96 |
| Total Assets | <u>\$ 152,473</u> |
| Total Liabilities | \$ 1,434 |
| Total Net Position | 151,039 |
| Total Liabilities and Net Position | <u>\$ 152,473</u> |
| Total Revenues and Other Additions | \$ 16,832 |
| Total Expenditures and Other Deductions | (6,257) |
| Change in Net Position | <u>\$ 10,575</u> |

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

The governing boards of the technical colleges consist of either seven or nine trustees, of which State officials appoint two or three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.



NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2021 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands):

| | Operating Subsidies | Capital Subsidies | Total |
|-------------------------------------|------------------------|----------------------|------------|
| Local Community Colleges: | | | |
| Cuyahoga | \$ 70,876 | \$ 4,937 | \$ 75,813 |
| Eastern Gateway..... | 11,980 | 279 | 12,259 |
| Lakeland | 20,131 | 2,514 | 22,645 |
| Lorain County | 30,374 | 981 | 31,355 |
| Rio Grande | 5,787 | 17 | 5,804 |
| Sinclair | 54,658 | 2,425 | 57,083 |
| Total Local Community Colleges..... | 193,806 | 11,153 | 204,959 |
| Technical Colleges: | | | |
| Belmont | 4,378 | 266 | 4,644 |
| Central Ohio | 11,292 | 3,089 | 14,381 |
| Hocking | 10,779 | 2,441 | 13,220 |
| James A. Rhodes | 10,885 | 9,700 | 20,585 |
| Marion | 8,087 | 202 | 8,289 |
| Zane | 7,175 | 978 | 8,153 |
| North Central | 9,478 | 123 | 9,601 |
| Stark | 29,896 | 1,271 | 31,167 |
| Total Technical Colleges | 91,970 | 18,070 | 110,040 |
| Total | \$ 285,776 | \$ 29,223 | \$ 314,999 |

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the Ohio Water Development Authority, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.



NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 2021, the State had the following related-party transactions with its related organizations:

- The General Fund reports a \$339.7 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the custodial funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$3.5 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

NOTE 20 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. Pending litigation affecting the Department of Natural Resources is discussed below. All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

Department of Natural Resources (DNR)

In 2014, in response to several earthquakes, the Department of Natural Resources suspended drilling activity on a well owned by American Water Management Services (AWMS) Water Solutions, L.L.C., AWMS Holdings L.L.C., and AWMS Rt. 169, L.L.C. (collectively "AWMS"). AWMS originally instituted an action alleging that this suspension constituted a taking of private property, requiring the State to pay for such taking. Litigation proceeded over the last few years, resolving procedural issues but establishing an issue of material fact whether the State's suspension of activity at this well constituted a total taking and to determine any potential economic injury related to that issue.

On December 2, 2020, the Ohio Supreme Court found that there continues to be an issue of material fact whether the State's suspension of AWMS' operations constituted a total taking depriving AWMS of all economically beneficial use of the well. In addition, the Court held that the State waived a nuisance defense to this total takings claim and ordered the court of appeals on remand to weigh evidence related the economic impact, interference with investment-backed expectations, and the character of the State's actions with respect to this claim.

Trial in the Eleventh District Court of Appeals concluded on September 30, 2021, with post-trial briefing anticipated to wrap-up by the end of calendar year 2021.

Given the recent action in this litigation, the outcome cannot be presently determined. Accordingly, no provision for any liability resulting from this case has been reported in the financial statements.

Department of Rehabilitation and Correction (DRC)

A lawsuit was filed in US District Court for the Southern District of Ohio, Eastern Division, in April of 2020, regarding a use-of-force incident involving several then-DRC corrections officers and other prison personnel at the Chillicothe Correctional Institution, during which an inmate suffered a cervical spine injury. While DRC is not a defendant in the action, DRC has the potential responsibility of indemnifying some of the then-employees.

Mediation was scheduled for early November 2021, and parties are working through the settlement process, without direct timeline for completion. Accordingly, no provision for any liability resulting from this case has been reported in the financial statements.



NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

B. Unemployment Compensation

The COVID-19 Pandemic, starting in March 2020, presented the Ohio Department of Job and Family Services with many challenges and obstacles including a sharp increase in the volume of unemployment claims as well as the expansion of regular unemployment benefits by the federal government. The Department did not have the manpower or technology resources to adequately deal with this drastic increase in claim activity and the addition of new federal unemployment funding. The Department's legacy unemployment System, Ohio Job Insurance (OJI), has been in place since 2004. Due to its age and functionality, it was unable to handle the increased volume of claimants brought on by the pandemic. Therefore, the Department contracted with a service organization for processing of pandemic unemployment benefits and maintaining key functions of the benefit claims processing, which were customized to fit Ohio's needs (effective May 14, 2020). This outside system, the Unemployment Framework for Automated Claim & Tax Services (uFACTS) System, was used for certain pandemic benefits only.

During this timeframe, the fraud imposters recognized the opportunity presented by the unprecedented increase in unemployment claim activity, the relaxed federal eligibility and employment/earnings verification requirements associated with the new expansion of benefits, and the stress being placed on the Department and its systems to get benefits processed and into the hands of unemployed Ohioans. The combination of high claim volume and the increase in imposter fraud negatively impacted the Department's ability to keep up, creating a backlog of claims pending adjudication.

During fiscal year 2021, Unemployment Compensation operating expenses related to benefits and claims amounted to \$14.53 billion. The Department reported known fraud and non-fraud overpayments totaling \$3.75 billion to the U.S. Department of Labor (DOL) as of June 30, 2021. Of the total overpayments reported to the DOL, \$474.6 million was fraud and \$3.27 billion was non-fraud. These overpayments were regular unemployment as well as federal pandemic unemployment benefits. The federal government gave discretion to states to waive the need for repayment of pandemic funding related to non-fraud. Due to the nature of these known overpayments along with federal waiver discretion, most of these monies have not been subject to a collection process.

Additionally, the Department has flagged as possible overpayments, certain claims with one or more fraud identifiers. These flagged claims were both regular unemployment and federal pandemic unemployment benefits with an accumulated amount of \$1.41 billion. Despite being flagged as potential overpayments, until the claims are fully adjudicated, no determination can be made on the outcome.

C. Federal Awards

The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

Federal Single Audit

As a result of the fiscal year 2020 State of Ohio Single Audit (issued in May 2021), \$426 thousand of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for these questioned costs in the state's financial statements for the fiscal year ended June 30, 2021.

D. Tobacco Settlement

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state healthcare expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.



NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

As of October 23, 2007, the State transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority (BTSFA).

While BTSFA's share of the total base payments to the states through 2057 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

In addition to the base payments in 2008 through 2017, BTSFA received payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund were based on a state's contribution to the litigation and settlement with the tobacco companies. These payments were also subject to the adjustment factors outlined in the MSA. Strategic contribution payments ended in 2017. Beginning in 2018, payments consist solely of the base payment plus amounts, if any, paid by participating manufacturers relating to prior years and amounts, if any, released from the disputed payment account.

During fiscal year 2021, Ohio received \$306.2 million, which is approximately \$21.6 million or 6.58 percent less than the pre-adjusted base payment for the year.

In March 2020, the Authority issued \$5.35 billion in Asset-Backed Refunding Bonds (Series 2020 Bonds) to advance refund and current refund the outstanding 2007 Series Bonds. The Series 2020 Bonds have a final stated maturity in 2057.

As of June 30, 2021, the estimated tobacco settlement receivable in the amount of \$740.3 million is included in "Other Receivables" reported for the governmental funds. The receivable includes \$544.2 million for payments withheld from BTSFA beginning fiscal year 2008 and \$34.1 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

The Tobacco Settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other pledged collateral. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTSFA may not have adequate financial resources to make payment on the bonds.

A schedule of pre-adjusted base payments for the State of Ohio in future years follows (dollars in thousands):



NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

| Year Ending June 30, | Pre-Adjusted MSA Base Payments |
|----------------------|--------------------------------------|
| 2022..... | \$ 324,045 |
| 2023..... | 322,070 |
| 2024..... | 319,878 |
| 2025..... | 318,116 |
| 2026..... | 317,112 |
| 2027-2031..... | 1,588,441 |
| 2032-2036..... | 1,603,879 |
| 2037-2041..... | 1,615,426 |
| 2042-2046..... | 1,622,972 |
| 2047-2051..... | 1,629,583 |
| 2052-2056..... | 1,637,797 |
| 2057..... | 328,842 |
| Total | <u>\$ 11,628,161</u> |

E. Construction Commitments

As of June 30, 2021, the Ohio Department of Transportation had total contractual commitments of approximately \$2.52 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$1.45 billion, \$714.6 million, \$296 million, and \$67.8 million, respectively.

As of June 30, 2021, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit were as follows (dollars in thousands):

| Primary Government | |
|--|-------------------|
| Mental Health/Developmental Disabilities Facilities Improvements | \$ 153,829 |
| Parks and Recreation Improvements | 149,393 |
| Administrative Services Building Improvements | 41,640 |
| Youth Services Building Improvements | 6,989 |
| Adult Correctional Building Improvements | 149,711 |
| Ohio Parks and Natural Resources | 26,080 |
| Total | <u>\$ 527,642</u> |
| Major Discretely Presented Component Unit | |
| Ohio State University | \$ 1,767,371 |

F. Pollution Remediation Activities

During fiscal year 2021, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than \$1 million at June 30 are not listed).

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be \$1.8 million. Cost was estimated by the onsite coordinators using actual invoices to date.



NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

The liability described above is reported as “Other Noncurrent Liabilities-Due in One Year” and “Other Noncurrent Liabilities-Due in More Than One Year” for governmental activities in the government-wide Statement of Net Position. The reported liability for this activity is an estimate and subject to change over time. Variances in the final costs may result from changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State’s capital assets policy. As of June 30, 2021, no capital assets were created nor reported as a result of any pollution remediation process.

G. Encumbrances

At June 30, 2021, the State has significant encumbrances of \$1.12 billion in the General Fund, \$1.41 billion in the Job, Family and Other Human Services Special Revenue Fund, \$884 million in the Pandemic Relief Funds and \$4.58 billion in the nonmajor governmental funds.

NOTE 21 RISK FINANCING

A. Workers’ Compensation Benefits

The Ohio Workers’ Compensation System, which the Ohio Bureau of Workers’ Compensation and the Industrial Commission of Ohio administer, is the exclusive provider of workers’ compensation insurance to private and public employers in Ohio who are not self-insured. The Workers’ Compensation Enterprise Fund (Fund) provides benefits to employees for losses sustained from job-related injury, disease, or death.

“Benefits Payable” of \$11.89 billion is reported in the Fund as of June 30, 2021. This amount represents reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in “Other Liabilities” in the amount of approximately \$1.65 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Bureau of Workers’ Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at four percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund’s reserves.

The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$21.7 billion, as of June 30, 2021, and \$23.7 billion, as of June 30, 2020. For additional information, refer to the Fund’s separately audited financial report, for the fiscal year ended June 30, 2021.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers’ Compensation Program during the past two fiscal years are presented in the table below:



NOTE 21 RISK FINANCING (Continued)

| Primary Government | | |
|---|---------------------|---------------------|
| Changes in Workers' Compensation Benefits Payable and Compensation Adjustment Expenses Liability | | |
| Last Two Fiscal Years | | |
| <i>(dollars in millions)</i> | | |
| | Fiscal Year 2021 | Fiscal Year 2020 |
| Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1 | \$ 14,518 | \$ 14,934 |
| Incurred Compensation and Compensation Adjustment Benefits..... | 526 | 1,261 |
| Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments | (1,505) | (1,677) |
| Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30 | <u>\$ 13,539</u> | <u>\$ 14,518</u> |

B. State Employee Healthcare Plan

Employees of the State's primary government have the option of participating in the State of Ohio medical plan (Plan). The Plan offers two options: the Ohio Med PPO (preferred provider organization) and the Ohio Med HDHP (high deductible health plan). The Plan is managed by two third party administrators (TPAs) who are responsible for processing claims for separate regions throughout the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, liabilities are reported in the governmental and proprietary funds for claims that have been incurred but not reported. The Plan's actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are accumulated in the State Employee Health Benefit Fund, accounted for within the General Fund, until such time that the accumulated resources are distributed to the TPAs for claims settlement.

For governmental funds, claims are recognized as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2021, approximately \$318.7 million in total assets was available in the General Fund to cover healthcare claims. Changes in the balance of claims liabilities for the Plan during the past two fiscal years were as follows (dollars in thousands):

| Ohio Med PPO | | |
|---|---------------------|---------------------|
| | Fiscal Year 2021 | Fiscal Year 2020 |
| Claims Liabilities, as of July 1 | \$ 66,272 | \$ 75,439 |
| Incurred Claims | 867,083 | 802,902 |
| Claims Payments | (851,381) | (812,069) |
| Claims Liabilities, as of June 30 | <u>\$ 81,974</u> | <u>\$ 66,272</u> |

As of June 30, 2021, the resources on deposit in the General Fund were more than the estimated claims liability by approximately \$236.8 million, thereby resulting in a funding surplus.



NOTE 21 RISK FINANCING (Continued)

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.

NOTE 22 SUBSEQUENT EVENTS

Bond Issuances

Subsequent to June 30, 2021, the State issued major debt as detailed in the table below:

| Debt Issuances Subsequent to June 30, 2021 (dollars in thousands) | | | |
|--|--------------|---|------------------|
| | Date Issued | Net Interest Rate or True Interest Cost | Amount |
| Primary Government: | | | |
| <i>Ohio Public Facilities Commission (OPFC)- General Obligation Bonds:</i> | | | |
| Infrastructure Improvements, Series 2021A..... | 10/27/2021 | 2.14% | \$140,710 |
| Conservation Projects, Series 2021A..... | 10/27/2021 | 1.41% | 40,450 |
| Infrastructure Improvements, Refunding Series 2021B..... | 10/27/2021 | 1.20% | 47,905 |
| Common Schools Capital Facilities, Refunding Series 2021C..... | 10/27/2021 | 1.23% | 100,130 |
| Total General Obligation Bonds..... | | | <u>329,195</u> |
| <i>Treasurer of State-Special Obligation Bonds:</i> | | | |
| Cultural and Sports Capital Facilities, Series 2021A | 08/17/2021 | 0.94% | 56,785 |
| Parks and Recreation Facilities, Series 2022A..... | 12/09/2021 * | 1.08% | 75,000 |
| State Facilities (Administrative Building), Series 2022A..... | 12/09/2021 * | 1.05% | 10,420 |
| Total Special Obligation Bonds | | | <u>142,205</u> |
| <i>Attorney General's Office - Certificates of Participation:</i> | | | |
| Claims Fund Project, Series 2021..... | 10/20/2021 | 1.90% | 21,385 |
| Total Certificates of Participation..... | | | <u>21,385</u> |
| Total Primary Government..... | | | <u>\$492,785</u> |
| Major Component Units: | | | |
| <i>The Ohio State University:</i> | | | |
| General Receipts Bonds-Tax Exempt, Series 2021A..... | 09/30/2021 | 2.46% | \$600,000 |
| Total The Ohio State University | | | <u>\$600,000</u> |

* Anticipated bond closing is 01/05/2022