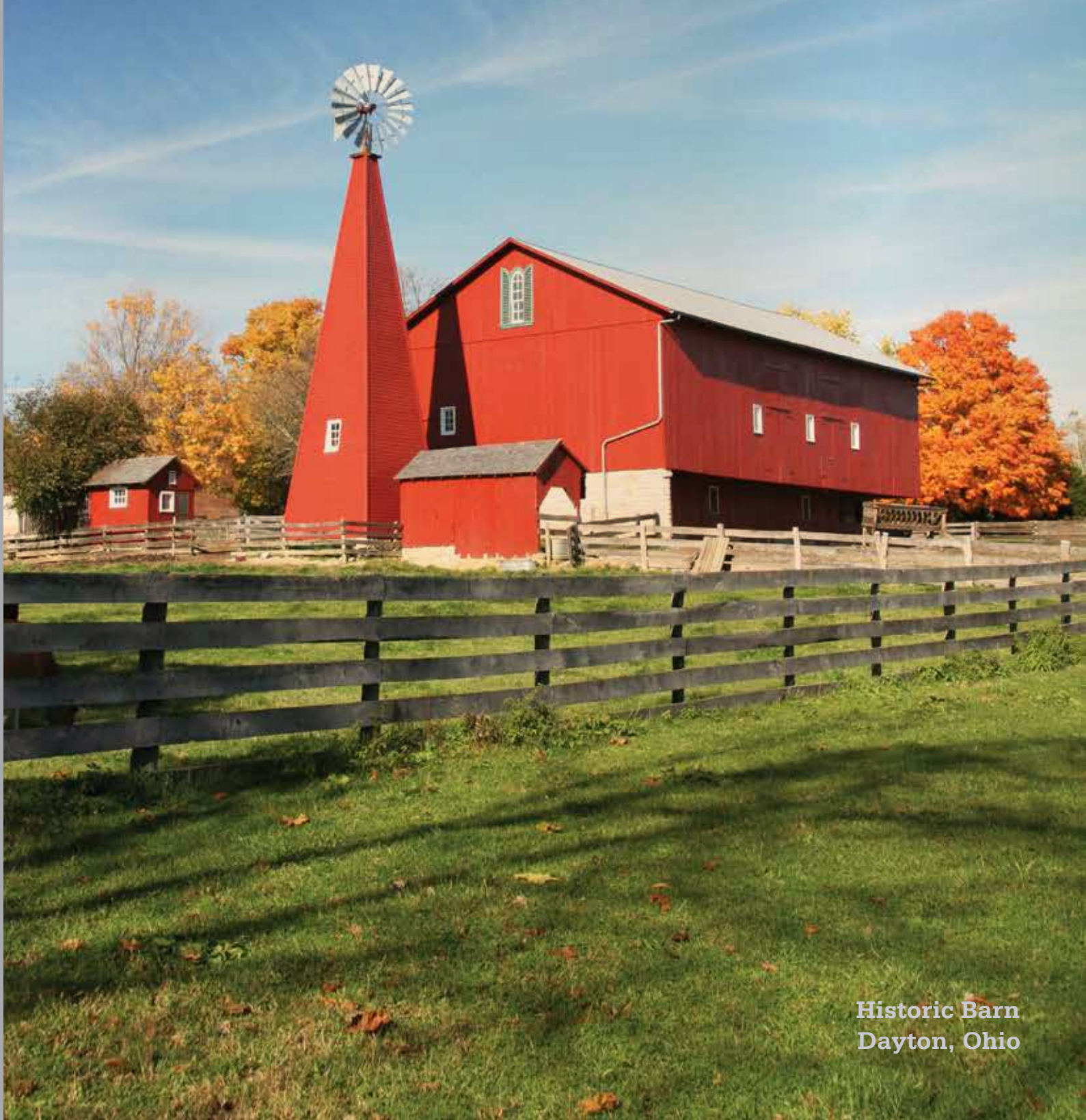


# Introductory Section



Historic Barn  
Dayton, Ohio





Mike DeWine, Governor  
Jon Husted, Lt. Governor

## Office of Budget and Management

Kimberly Murnieks, Director

December 22, 2021

The Honorable Mike DeWine, Governor of Ohio;  
The Honorable Jon Husted, Lieutenant Governor of Ohio;  
Members of the General Assembly;  
Agencies, Boards, Commissions;  
And fellow Ohioans:

It is my privilege to present the State of Ohio's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021, prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Office of Budget and Management (OBM) prepared this report pursuant to Section 126.21 of the Ohio Revised Code. The report includes the state's basic financial statements, providing an overview of the state's financial position and the management of Ohio's financial operations. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Office of Budget and Management (OBM).

To the best of my knowledge and belief, the information presented is accurate in all material respects and reported in a manner that fairly depicts the financial position and results of operations of the state of Ohio. All disclosures necessary for a reasonable understanding of the state's financial activities have been included.

This letter of transmittal is intended to complement management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A provides an overview of the state's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements.

The reporting format for our ACFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the ACFR includes more than just the state's General Revenue Fund (GRF). The General Fund also includes the reimbursement-supported funds used for activities administered by state agencies for which special revenue or proprietary fund classifications were inappropriate.

The state is responsible for establishing and maintaining internal control designed to ensure that the state's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.

## INDEPENDENT AUDIT RESULTS

In compliance with Ohio Revised Code, an annual financial audit has been performed by the Office of the Auditor of State. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. This opinion indicates a qualification on Business-Type Activities and the Unemployment Compensation Fund related to a new benefits system. The unmodified section of the opinion indicates all other financial statements present fairly, in all material respects, in accordance with GAAP.

Additionally, the state's Single Audit report is audited by the Office of the Auditor of State to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget (OMB) Uniform Guidance. The Single Audit report will be issued separately from the state's ACFR.

## PROFILE OF THE GOVERNMENT

### *History*

Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure like the federal model, with three separate branches of government — executive, legislative, and judicial.

### *Governmental Structure*

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: Attorney General, Auditor of State, Secretary of State, and Treasurer of State. Each of these officials are elected to four-year terms.

Approximately 100 agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages x and xi.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of the General Assembly are subject to term-limits; senators are restricted to serving two consecutive four-year terms, and representatives are restricted to serving four consecutive two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Within the Judicial system, the Supreme Court is the court of last resort in Ohio. Most of its cases are appeals from the 12 district courts of appeal. The Chief Justice and six justices are elected to six-year terms on a nonpartisan ballot.

### *Reporting Entity and Its Services*

For financial reporting purposes, the state's reporting entity consists of (1) the primary government, (2) component units for which the primary government is financially accountable, and (3) other component units for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria set forth in Governmental Accounting Standards Board's (GASB) Statement 14, the Financial Reporting Entity, Statement 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB



14, Statement 61, the Financial Reporting Entity: Omnibus, an amendment of GASB 14 and Statement 80, Blending Requirements for Certain Component Units, an amendment of GASB 14, are used to determine the organizations for which the state is financially accountable. NOTE 1A to the financial statements explains more fully which financial activities are included in the state's reporting entity.

The state provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, and other business-type activities.

#### *Retirement Systems*

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, State Teachers Retirement System of Ohio, State Highway Patrol Retirement System, or an alternative retirement plan. Further information on the state's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

#### *Risk Management*

As discussed in NOTE 1Q to the financial statements, the state's primary government is self-insured for claims under its traditional healthcare plan and its vehicle liability plan. Employee and public official fidelity bonding are placed with a private insurer. Tort liability is self-funded; however, several state agencies have also acquired private insurance. State-owned buildings are covered under a catastrophic property policy for both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis. The state's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

#### *Budgetary Control and Accounting System*

Ohio's Constitution requires a balanced state budget. The state's biennial operating budget begins on July 1 of odd-numbered years and ends 24 months later, on June 30. The state maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the General Assembly. Budgets are entered into the statewide accounting system once the appropriations bill becomes law. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure that expenditures do not exceed authorized limits.

The state's non-GAAP budgetary schedules are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received, and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the state fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Job, Family and Other Human Services Special Revenue Fund, these comparisons are presented as part of the required supplementary information. For other budgeted non-major governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the non-major governmental funds section of the ACFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The accounting system maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the accounting system for financial reporting,

selected financial information provided by the state's agencies is compiled to complete the GAAP basis financial statements.

Differences between the two basis of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the state's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. Reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in the ACFR as a note to the budgetary section of required supplementary information.

## **ECONOMIC OVERVIEW AND OUTLOOK**

### *The Economy in 2021*

The national economy suffered a tremendous blow when the global COVID-19 pandemic began to impact the United States in early 2020. As the country and the state braced for uncertainty, mitigation efforts were implemented to stabilize the economy by saving lives. As a result, the Ohio economy surged forward in fiscal year 2021.

According to the Bureau of Economic Analysis, Real Gross Domestic Product (GDP) grew at a seasonally adjusted annual rate of a historically high 33.8 percent in the first quarter of fiscal year 2021. Growth then continued at 4.5 percent in the second quarter, and then increased to 6.3 percent and 6.7 percent in the third and fourth quarters, respectively. The four quarters of remarkable gains brought GDP above pre-pandemic levels. The increases in GDP reflected positive contributions in personal consumption and private inventory investment but were partially offset by a decrease in exports.

Overall, Ohio's seasonally adjusted GDP growth during fiscal year 2021 was robust. During the first two quarters, Ohio's GDP grew at a slightly faster rate than the country. In the third quarter, Ohio's growth continued at 3.5 percent and then grew even faster in the fourth quarter by increasing to 5.2 percent. Increases throughout the fiscal year reflected positive contributions from most sectors including construction, manufacturing, accommodation and food services, and professional, scientific, and technical services.

Ohio's unemployment rate dramatically decreased throughout the fiscal year. In July 2020, the unemployment rate was 9.3 percent having come down from its pandemic high of 16.4 percent in just three months. By the end of fiscal year 2021, the unemployment rate was down to 5.2 percent and has further declined to 4.8 percent as of November 2021.

Nationally, real disposable personal income was higher in the third quarter of fiscal year 2021 than any prior quarter in history, in large part due to an increase in transfer receipts from the federal government provided by the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act.

Real personal consumption also grew at a 7.8 percent seasonally adjusted annual rate over the course of the fiscal year. During the first six months of the fiscal year growth was relatively modest. With the second round of stimulus checks reaching eligible Americans in mid-December and early January, there was a large increase in consumption in January, and an even bigger increase with the third round of stimulus payments in March. Since March's increase, consumption has remained at or near the same level.

Overall, the economy improved substantially over the course of fiscal year 2021. The Back-to-Normal Index created by Moody's Analytics and CNN to track the economic recovery provides evidence of this growth. In

July 2020, Ohio's index averaged 81.6 percent, 6.7 percentage points above the national average of 74.9. By June 2021, Ohio's average index value was 94.6 percent, suggesting that Ohio's strong economy was largely back to its pre-pandemic levels and would continue to grow on pace with the national recovery heading into fiscal year 2022. Ohio's index has continually outpaced the national index.

### *Ohio's Economic Outlook*

While fiscal year 2021 ended with COVID-19 receding, the delta variant surged across the nation just as schools were reopening in August and September. As a result, fiscal year 2022 opened with more measured economic growth than was forecasted prior to the identification of the delta variant. Despite the start, the economic outlook is still strong. In recent months, forecasters moderated growth estimates in the near term, and increased their estimates for the next year and beyond. The October 2021 Wall Street Journal Survey of Economists reported that the average respondent forecasted GDP to increase 5.2 percent in calendar year 2021, 3.6 percent in calendar year 2022 and 2.5 percent in calendar year 2023.

The COVID-19 pandemic has been a major factor impacting the economy since March 2020. As of the end December 2021, more than 70 percent of adult Ohioans have received at least an initial vaccination, more than 2.7 million Ohioans have already received a booster, and all school-age children are now eligible to receive a vaccine. The State's economic outlook continues to be strong based on proactive management of the pandemic and related economic effects. In the months to come, the national economic outlook will likely continue to be impacted by the secondary effects of the pandemic such as the rise in prices, supply shortages and labor uncertainty.

As the economy restarted, demand for goods surged sparking global supply chain shortages. Issues in the supply chain continue to permeate throughout Ohio and around the globe. Shortages of raw materials, key components, and worker shortages hampered those efforts, as container ships filled with goods headed to the U.S. have been stranded offshore or on docks waiting to be unloaded. Once unloaded, goods have not been delivered on time, as shortages of truck drivers have exacerbated the issue. As such, prices have risen to record highs for deliveries.

Many economists are forecasting that the bottlenecks and labor uncertainty affecting the supply chain will persist for the rest of fiscal year 2022 and potentially continue into fiscal year 2023. As many manufacturers and companies use just-in-time inventory and production methods, there is no 'catch-all' solution that will instantly fix the issue. Additionally, countries around the globe have different policies regarding access to COVID vaccinations, leading to many production facilities shutting down when an outbreak occurs.

In Ohio and across the United States, labor shortages are adding to the supply chain challenges. As federal stimulus programs ended in the fourth quarter of the fiscal year, the prevailing thought was that people would return to the workforce. The first quarter of fiscal year 2022 has shown that there is a mismatch between job seekers and potential employers, as employment has grown at a much slower pace: 1.1 percent nationally and 0.6 percent in Ohio. Current data suggests that many workers chose to retire early due to the pandemic, while others chose to stay at home to take care of children or other family members. Ohio is positioned to move ahead despite these challenges given the state budget's proactive focus on economic development, community supports, primary and secondary and higher education, and workforce.

Although uncertainty remains, the Ohio economy has proven resilient and pandemic mitigation efforts remain balanced and focused.

### *Fiscal Year 2021 State Finances in Review*

Ohio's fiscal year 2021 General Revenue Fund (GRF) performance reflected the early and ongoing recovery from the onset of the COVID-19 pandemic, as federal fiscal policies provided economic support and as Ohio's citizens and businesses adapted to the evolving public health environment.

For the fiscal year as a whole, GRF tax revenues surged by \$3,843.7 million (17%) from fiscal year 2020. Furthermore, fiscal year 2021 GRF tax revenues displayed a positive variance from estimate, exceeding anticipated levels by \$1,538.0 million (6.2%). Some of the year-over-year growth stemmed from a postponement in various calendar year 2020 personal income tax payment deadlines, which were extended from April 15/June 15 to July 15. This shifted an estimated \$719 million from fiscal year 2020, and into early fiscal year 2021. However, this shift in revenue was incorporated into the fiscal year 2021 revenue estimates, so the positive revenue variance figure shown here is not inflated by the income tax due date postponements.

The variances for the major tax categories – non-auto sales, auto sales, personal income, and commercial activity – ranged from 0.8 percent for the commercial activity tax to 16.6 percent for the auto sales tax.

	Actual FY 2021	Estimated FY 2021	Variance	Percent Variance
Non-Auto Sales & Use	\$10,334.0	\$9,588.7	\$745.3	7.8%
Auto Sales & Use	\$1,856.6	\$1,592.0	\$264.6	16.6%
Personal Income	\$10,201.3	\$9,765.8	\$435.5	4.5%
Commercial Activity Tax	\$1,666.8	\$1,653.0	\$13.7	0.8%

Total tax and non-tax GRF receipts exceeded the fiscal year 2021 estimate by \$1,574.3 million (4.2%). Federal grant revenue was modestly below estimate for the year (by \$30.3 million, or -0.2%) while other non-tax sources were \$66.7 million above the estimate.

Most of the positive fiscal year 2021 revenue results occurred in the final quarter. During the spring, additional federal fiscal stimulus lifted consumer spending and economic conditions improved as COVID virus caseloads fell. Accordingly, Ohio sales tax revenues during the fiscal year's final quarter grew at high rates and reached historically large levels. Non-auto GRF sales tax revenue not only greatly exceeded the suppressed levels of late fiscal year 2020 (by \$763.4 million, or 35.1%) but was also \$564.4 million above the final quarter of pre-pandemic fiscal year 2019, increasing at a 11.3 percent annualized rate. Auto sales tax revenue grew at a similar percentage pace. Such large growth was not anticipated in the revenue forecast and as a result, combined auto and non-auto sales tax revenue performance for the final quarter exceeded the estimate by \$532.5 million (18%).

Through the first five months of the 2022-2023 budget biennium, revenues demonstrate that the state's conservative, balanced budget is on firm footing and that Ohio's economic resurgence continues. Ohio tax revenues have outperformed estimates through November 2021. July-November 2021 sales tax revenues grew by 7.9 percent and were 2.3 percent above estimates. Total GRF tax revenues are above estimate by \$337 million, or 3.2 percent, with positive variances in all major categories. The revenue performance demonstrated so far in fiscal year 2022 and the relatively modest tax revenue growth assumptions for the remainder of the fiscal year augur well for attaining anticipated revenue levels for the year as a whole.

While the global pandemic remains a factor, Ohio's actions have proven successful. OBM continues vigilant monitoring of revenue performance, poised to take actions necessary to ensure a balanced budget as the biennium proceeds.



## ACKNOWLEDGEMENTS

In conclusion, I wish to express my appreciation to the Financial Reporting staff of OBM's State Accounting Section and staffs of the various state agencies whose time and dedicated efforts made this report possible. I encourage you to access Ohio's Annual Comprehensive Financial Report at [obm.ohio.gov](http://obm.ohio.gov).

Very respectfully yours,



Kimberly A. Mumieks  
Director



# STATE OF OHIO OFFICIALS

As of June 30, 2021

## **EXECUTIVE**

Mike DeWine  
Governor

Jon Husted  
Lieutenant Governor

Dave Yost  
Attorney General

Keith Faber  
Auditor of State

Robert Sprague  
Treasurer of State

Frank LaRose  
Secretary of State

## **LEGISLATIVE**

Matt Huffman  
President of the Senate

Robert Cupp  
Speaker of the House

## **JUDICIAL**

Maureen O'Connor  
Chief Justice  
Supreme Court

# STATE OF OHIO ORGANIZATION CHART

## FINANCIAL REPORTING ENTITY

PRIMARY GOVERNMENT		
<p><b>LEGISLATIVE</b></p> <p><b>Senate</b> (33 Members)</p> <p><b>House of Representatives</b> (99 Members)</p>	<p><b>EXECUTIVE</b></p> <p><b>Governor</b> <b>Lieutenant Governor</b> <b>Attorney General</b> <b>Auditor of State</b> <b>Secretary of State</b> <b>Treasurer of State</b> <b>State Board of Education</b> (11 Elected Members, and 8 At-Large Members)</p>	<p><b>JUDICIAL</b></p> <p><b>Supreme Court</b> Chief Justice and 6 Justices</p>
<p><b>Governmental Activities:</b> <i>General Government:</i> Senate House of Representatives Legislative Service Commission Legislative Committees</p>	<p><b>Governmental Activities:</b> <i>Primary, Secondary and Other Education:</i> Arts Council Broadcast Educational Media Commission Department of Education School for the Blind School for the Deaf State Library Board</p> <p><i>Higher Education Support:</i> Department of Higher Education State Board of Career Colleges and Schools</p> <p><i>Public Assistance and Medicaid:</i> Department of Job and Family Services Department of Medicaid</p> <p><i>Health and Human Services:</i> Commission on Hispanic/Latino Affairs Commission on Minority Health Department of Aging Department of Developmental Disabilities Department of Health Department of Mental Health and Addiction Services Department of Veteran Services Opportunities for Ohioans with Disabilities</p> <p><i>Justice and Public Protection:</i> Adjutant General's Department Board of Tax Appeals Civil Rights Commission Department of Public Safety Department of Rehabilitation and Correction Department of Youth Services Ethics Commission Office of the Attorney General Public Defender Commission</p> <p><i>Environmental Protection and Natural Resources:</i> Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Commission Lake Erie Commission</p> <p><i>Transportation:</i> Department of Transportation</p>	<p><b>Governmental Activities:</b> <i>Justice and Public Protection:</i> Supreme Court Judicial Conference Judiciary Court of Claims</p>

PRIMARY GOVERNMENT (Continued)		
	<p><i>General Government:</i>            Capitol Square Review &amp; Advisory Board            Consumers' Counsel            Department of Administrative Services            Department of Commerce            Department of Insurance            Department of Taxation            Office of Budget and Management            Office of the Governor            Office of the Inspector General            Office of the Lieutenant Governor            Office of the Secretary of State            Office of the Treasurer of State            Public Utilities Commission            Sinking Fund Commission            State Racing Commission            Other Boards and Commissions</p> <p><i>Community and Economic Development:</i>            Department of Agriculture            Department of Development            Expositions Commission            Public Works Commission            Southern Ohio Agricultural &amp; Community            Development Foundation</p> <p><b>Business-Type Activities:</b>            Bureau of Workers' Compensation            and Industrial Commission            Department of Job and Family Services—            Unemployment Compensation Program            Lottery Commission            Office of the Auditor of State            Tuition Trust Authority</p>	

COMPONENT UNITS		
<b>Blended Component Units:</b> Buckeye Tobacco Settlement Financing Authority (included as Governmental Activities)	<b>Discretely Presented Component Units</b> <b>(continued):</b>	
<b>Fiduciary Component Unit:</b> State Highway Patrol Retirement System	<i>State Universities:</i>	
	Bowling Green State University	Ohio University
<b>Discretely Presented Component Units:</b> <i>Financing Authorities and Commissions:</i> Ohio Air Quality Development Authority Ohio Capital Fund Ohio Facilities Construction Commission Ohio Turnpike and Infrastructure Commission  <i>Nonprofit Organizations:</i> Jobs Ohio	Central State University	Shawnee State University
	Cleveland State University	University of Akron
	Kent State University	University of Cincinnati
	Miami University	University of Toledo
	Northeast Ohio Medical University	Wright State University
	Ohio State University	Youngstown State University
	<i>State Community Colleges:</i>	
	Cincinnati State	Owens State
	Clark State	Southern State
	Columbus State	Terra State
Edison State	Washington State	
	Northwest State	

FIDUCIARY
STABLE Program STAR Ohio Variable College Savings Plan Custodial Funds

JOINT VENTURES	RELATED ORGANIZATIONS
Great Lakes Protection Fund Local Community Colleges Technical Colleges	Higher Educational Facility Commission Ohio Housing Finance Agency Ohio Legal Assistance Foundation Ohio Water Development Authority Petroleum Underground Storage Tank Release Compensation Board