

Ohio Office of Budget
and Management

State of Ohio
George V. Voinovich
Governor



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 1995

ACKNOWLEDGMENTS

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Special appreciation is given to all fiscal and accounting personnel throughout the State whose extra efforts to contribute accurate, timely financial data for their agencies made this report possible.

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Office of Budget
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Deputy Director
Division of
State Accounting

Prepared by Division of
State Accounting



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 1995

STATE OF OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1995

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**G E N E R A L
P U R P O S E
F I N A N C I A L
S T A T E M E N T S**

STATE OF OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 1995

(amounts expressed in thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS				
Cash Equity with Treasurer	\$ 1,751,106	\$ 1,347,705	\$ 114,321	\$ 506,956
Cash and Cash Equivalents	7,844	13,070	3,215	—
Investments	—	108,007	327,132	36,136
Deposit with Federal Government	—	—	—	—
Receivables:				
Taxes	715,152	180,057	1,246	—
Intergovernmental	390,814	181,868	—	—
Premiums and Assessments	—	—	—	—
Loans, Net	19,094	330,451	—	78,397
Other	11,632	50,759	8,155	1,621
Due from Other Funds	18,593	37,965	1,013	598
Inventories	5,948	38,246	—	—
Food Stamps	—	318,641	—	—
Deposit with Deferred Compensation Plan	—	—	—	—
Advances to Other Funds	22,986	—	—	—
Restricted Assets:				
Cash Equity with Treasurer	—	—	—	—
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Dedicated Investments	—	—	—	—
Other Receivables	—	—	—	—
Fixed Assets (net of accumulated depreciation)	—	—	—	—
Other Assets	1,242	3,317	—	—
Sureties	—	—	—	—
Amount Available in Debt Service Fund	—	—	—	—
Amount to be Provided for the Retirement of General Long-Term Obligations	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	\$ 2,944,411	\$ 2,610,086	\$ 455,082	\$ 623,708
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 75,438	\$ 190,680	\$ —	\$ 78,254
Medicaid Claims Payable	517,023	—	—	—
Accrued Liabilities	99,389	55,334	546	36
Intergovernmental Payable	172,324	356,938	—	—
Due to Other Funds	16,732	20,481	74	238
Deferred Revenues	—	355,924	345	—
Workers' Compensation Benefits Payable	—	—	—	—
Refund and Other Liabilities	407,370	56,398	1,652	116
Liability for Escheat Property	—	—	—	—
Liability for Deferred Compensation	—	—	—	—
Liabilities Payable from Restricted Assets	—	—	—	—
Advances from Other Funds	—	74,577	—	—
General Obligation Bonds	—	—	—	—
Revenue Bonds and Notes	—	—	—	—
Special Obligation Bonds	—	—	—	—
Certificates of Participation	—	—	—	—
Other General Long-Term Obligations	—	—	—	—
Total Liabilities	1,288,276	1,110,332	2,617	78,644
Fund Equity and Other Credits:				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Net Unrealized Losses on Investments	—	—	—	—
Retained Earnings:				
Reserved	—	—	—	—
Unreserved (Deficits)	—	—	—	—
Fund Balances:				
Reserved for:				
Debt Service	—	—	448,524	—
Encumbrances	307,929	1,527,790	—	541,069
Budget Stabilization	293,093	—	—	—
Noncurrent Portion of Loans Receivable	16,473	268,448	—	77,802
Pension and Other Postemployment Benefits	—	—	—	—
Unemployment Benefits	—	—	—	—
Restricted Fund Balances	—	—	—	—
Other	47,731	156,594	—	41,702
Unreserved/Designated	858,019	—	—	—
Unreserved/Undesignated (Deficits)	132,890	(453,078)	3,941	(115,509)
Total Fund Equity (Deficits) and Other Credits	1,656,135	1,499,754	452,465	545,064
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 2,944,411	\$ 2,610,086	\$ 455,082	\$ 623,708

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL PRIMARY GOVERNMENT (memorandum only)	COMPONENT UNITS	TOTAL REPORTING ENTITY (memorandum only)
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS			
\$ 81,549	\$ 27,009	\$ 193,646	\$ —	\$ —	\$ 4,022,292	\$ 408	\$ 4,022,700
345,026	131	42,281	—	—	411,567	189,348	600,915
10,639,410	1,540	72,047,868	—	—	83,160,093	1,987,275	85,147,368
—	—	1,453,697	—	—	1,453,697	—	1,453,697
—	—	231,366	—	—	1,127,821	—	1,127,821
—	1,680	13	—	—	574,375	29,021	603,396
2,421,140	—	—	—	—	2,421,140	—	2,421,140
—	—	—	—	—	427,942	1,434,061	1,862,003
324,751	54,457	26,621	—	—	477,996	295,608	773,604
524	24,925	4,179	—	—	87,797	627,530	715,327
22,040	20,798	—	—	—	87,032	42,694	129,726
—	—	—	—	—	318,641	—	318,641
—	—	609,473	—	—	609,473	4,021	613,494
—	—	74,577	—	—	97,563	—	97,563
19,467	—	—	—	—	19,467	—	19,467
5,608	—	—	—	—	5,608	4,207	9,815
—	41,724	—	—	—	41,724	472,565	514,289
1,394,068	—	—	—	—	1,394,068	—	1,394,068
13,184	—	—	—	—	13,184	—	13,184
382,298	45,976	2,673	3,010,815	—	3,441,762	7,162,362	10,604,124
31,354	340	28	—	—	36,281	437,215	473,496
—	—	360,126	—	—	360,126	—	360,126
—	—	—	—	448,524	448,524	—	448,524
—	—	—	—	6,214,882	6,214,882	—	6,214,882
\$ 15,680,419	\$ 218,580	\$ 75,046,548	\$ 3,010,815	\$ 6,663,406	\$ 107,253,055	\$ 12,686,315	\$ 119,939,370
\$ 93,989	\$ 28,567	\$ 327	\$ —	\$ —	\$ 467,255	\$ 160,430	\$ 627,685
39,768	11,388	213	—	—	517,023	—	517,023
385	1,800	3,016,826	—	—	206,674	459,125	665,799
457	1,644	59,578	—	—	3,548,273	—	3,548,273
447,149	958	—	—	—	99,204	627,530	726,734
12,617,676	—	—	—	—	804,376	157,914	962,290
1,160,986	—	69,158,105	—	—	12,617,676	—	12,617,676
—	—	58,870	—	—	70,784,627	357,228	71,141,855
1,368,408	—	609,488	—	—	58,870	—	58,870
—	22,986	—	—	—	609,488	4,021	613,509
—	—	—	—	—	1,368,408	—	1,368,408
210,016	46,256	—	—	1,216,196	97,563	—	97,563
—	—	—	—	—	1,216,196	—	1,216,196
—	—	—	—	—	82,730	1,796,601	2,135,603
—	—	—	—	—	4,322,467	—	4,322,467
—	—	—	—	—	7,995	18,390	26,385
—	—	—	—	—	1,034,018	—	1,034,018
15,938,834	113,599	72,903,407	—	6,663,406	98,099,115	3,581,239	101,680,354
—	—	—	3,010,815	—	3,010,815	6,332,656	9,343,471
—	5,984	—	—	—	5,984	—	5,984
(327,363)	—	—	—	—	(327,363)	—	(327,363)
138,881	525	—	—	—	139,406	—	139,406
(69,933)	98,472	—	—	—	28,539	697,168	725,707
—	—	—	—	—	448,524	—	448,524
—	—	—	—	—	2,376,788	—	2,376,788
—	—	—	—	—	293,093	—	293,093
—	—	—	—	—	362,723	—	362,723
—	—	364,201	—	—	364,201	—	364,201
—	—	1,648,707	—	—	1,648,707	—	1,648,707
—	—	—	—	—	—	1,360,994	1,360,994
—	—	74,577	—	—	320,604	—	320,604
—	—	—	—	—	858,019	617,133	1,475,152
—	—	55,656	—	—	(376,100)	97,125	(278,975)
(258,415)	104,981	2,143,141	3,010,815	—	9,153,940	9,105,076	18,259,016
\$ 15,680,419	\$ 218,580	\$ 75,046,548	\$ 3,010,815	\$ 6,663,406	\$ 107,253,055	\$ 12,686,315	\$ 119,939,370

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

(amounts expressed in thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
Income Taxes	\$ 4,879,232	\$ 576,785	\$ —
Sales Taxes	4,522,230	240,879	—
Corporate and Public Utility Taxes	1,708,674	101,722	—
Motor Vehicle Fuel Taxes	—	1,239,267	53,771
Unemployment Taxes	—	—	—
Other Taxes	812,957	39,209	—
Licenses, Permits and Fees	81,772	646,352	43,377
Sales, Services and Charges	65,015	38,605	—
Federal Government	3,451,126	4,851,637	404
Other	268,114	451,812	19,226
TOTAL REVENUES	15,789,120	8,186,268	116,778
EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	3,475,877	1,374,873	—
Higher Education Support	282,751	125,088	—
Public Assistance and Medicaid	6,271,576	2,035,110	—
Health and Human Services	861,095	1,336,637	—
Justice and Public Protection	1,045,898	357,279	—
Environmental Protection and Natural Resources	90,412	182,726	—
Transportation	35,785	1,425,227	—
General Government	263,298	91,856	—
Community and Economic Development	89,873	244,521	—
INTERGOVERNMENTAL	814,803	1,497,357	—
CAPITAL OUTLAY	5,597	82,286	—
DEBT SERVICE	9,740	—	792,046
TOTAL EXPENDITURES	13,246,705	8,752,960	792,046
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,542,415	(566,692)	(675,268)
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	—	67,899	—
Refunding Bond Proceeds	—	—	26,241
Payment to Refunded Bond Escrow Agents	—	—	(26,241)
Operating Transfers-in	144,114	1,480,448	697,499
Operating Transfers-out	(660,799)	(866,899)	(30,070)
Operating Transfers to Component Units	(1,276,925)	—	—
TOTAL OTHER FINANCING SOURCES (USES)	(1,793,610)	681,448	667,429
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	748,805	114,756	(7,839)
FUND BALANCES, JULY 1 (as restated)	908,212	1,379,798	460,304
INCREASE (DECREASE) FOR CHANGES IN INVENTORIES	(882)	5,200	—
FUND BALANCES, JUNE 30	\$ 1,656,135	\$ 1,499,754	\$ 452,465

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

	FIDUCIARY FUND TYPE	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTAL (memorandum only)
\$ —	\$ —	\$ 5,456,017
—	—	4,763,109
—	—	1,810,396
—	—	1,293,038
—	1,045,138	1,045,138
—	—	852,166
—	—	771,501
—	—	103,620
1,942	17,326	8,322,435
33,885	129,447	902,484
35,827	1,191,911	25,319,904
—	—	4,850,750
—	—	407,839
—	—	8,306,686
—	724,972	2,922,704
—	—	1,403,177
—	—	273,138
—	—	1,461,012
—	12,552	367,706
765	—	335,159
—	—	2,312,160
784,353	—	872,236
208	—	801,994
785,326	737,524	24,314,561
(749,499)	454,387	1,005,343
743,869	—	811,768
—	—	26,241
—	—	(26,241)
260,911	—	2,582,972
(293,405)	—	(1,851,173)
—	—	(1,276,925)
711,375	—	266,642
(38,124)	454,387	1,271,985
583,188	1,324,553	4,656,055
—	—	4,318
\$ 545,064	\$ 1,778,940	\$ 5,932,358

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1995

(amounts expressed in thousands)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES :			
Income Taxes	\$ 4,919,600	\$ 4,880,692	\$ (38,908)
Sales Taxes	4,322,505	4,511,896	189,391
Corporate and Public Utility Taxes	1,554,298	1,717,115	162,817
Motor Vehicle Fuel Taxes	—	—	—
Other Taxes	799,109	818,470	19,361
Licenses, Permits and Fees	102,509	88,801	(13,708)
Sales, Services and Charges	52,484	54,144	1,660
Federal Government	3,928,370	3,482,468	(445,902)
Other	359,937	415,116	55,179
TOTAL REVENUES	16,038,812	15,968,702	(70,110)
BUDGETARY EXPENDITURES :			
CURRENT			
Primary, Secondary and Other Education	3,529,530	3,510,947	18,583
Higher Education Support	1,573,546	1,570,483	3,063
Public Assistance and Medicaid	7,033,274	6,356,265	677,009
Health and Human Services	896,747	881,384	15,363
Justice and Public Protection	1,077,620	1,062,534	15,086
Environmental Protection and Natural Resources	109,461	104,873	4,588
Transportation	40,014	40,010	4
General Government	372,992	347,312	25,680
Community and Economic Development	109,772	108,499	1,273
INTERGOVERNMENTAL	855,745	818,273	37,472
CAPITAL OUTLAY	16,420	5,757	10,663
DEBT SERVICE	710,516	643,817	66,699
TOTAL BUDGETARY EXPENDITURES	16,325,637	15,450,154	875,483
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	(286,825)	518,548	805,373
OTHER FINANCING SOURCES (USES) :			
Bond Proceeds	—	—	—
Operating Transfers-in	74,904	74,850	(54)
Operating Transfers-out	(1,001)	(9,398)	(8,397)
Encumbrance Reversions	—	64,050	64,050
TOTAL OTHER FINANCING SOURCES (USES)	73,903	129,502	55,599
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) BUDGETARY EXPENDITURES AND OTHER FINANCING USES	(212,922)	648,050	860,972
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JULY 1	399,535	399,535	—
Increase in Budgetary Designations	(869,812)	(869,812)	—
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	(683,199)	177,773	860,972
Budgetary Designations, June 30	1,151,112	1,151,112	—
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	\$ 467,913	\$ 1,328,885	\$ 860,972

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 576,997	\$ 576,997	\$ —	\$ —	\$ —	\$ —
240,206	240,206	—	—	—	—
102,148	102,148	—	—	—	—
1,255,650	1,255,650	—	52,573	52,573	—
38,830	38,830	—	—	—	—
824,672	824,672	—	42,834	42,834	—
24,800	24,800	—	—	—	—
4,207,521	4,207,521	—	—	—	—
613,659	613,659	—	96,669	96,669	—
7,884,483	7,884,483	—	192,076	192,076	—
1,472,360	1,463,937	8,423	—	—	—
40,903	37,219	3,684	—	—	—
1,835,111	1,598,818	236,293	—	—	—
1,551,364	1,416,504	134,860	—	—	—
419,753	371,497	48,256	—	—	—
233,435	198,073	35,362	—	—	—
1,549,865	1,425,448	124,417	—	—	—
131,112	93,401	37,711	—	—	—
430,023	355,091	74,932	—	—	—
1,730,470	1,634,701	95,769	—	—	—
348,477	149,462	199,015	—	—	—
25,472	12,085	13,387	313,508	204,266	109,242
9,768,345	8,756,236	1,012,109	313,508	204,266	109,242
(1,883,862)	(871,753)	1,012,109	(121,432)	(12,190)	109,242
67,899	67,899	—	600	600	—
1,439,556	1,439,556	—	39,228	39,228	—
(784,512)	(784,512)	—	(39,228)	(39,228)	—
247,230	247,230	—	—	—	—
970,173	970,173	—	600	600	—
\$ (913,689)	98,420	\$ 1,012,109	\$ (120,832)	(11,590)	\$ 109,242
	(572,583)			125,910	
	—			—	
	(474,163)			114,320	
	—			—	
	\$ (474,163)			\$ 114,320	

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES ALL PROPRIETARY FUND TYPES, PENSION TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 1995

(amounts expressed in thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST
OPERATING REVENUES:			
Charges for Sales and Services	\$ 2,534,102	\$ 261,952	\$ —
Premium and Assessment Income	2,288,077	—	—
Investment Income	936,692	—	63,439
Employer Contributions	—	—	14,329
Employee Contributions	—	—	6,178
Other	33,077	3,367	177
TOTAL OPERATING REVENUES	5,791,948	265,319	84,123
OPERATING EXPENSES:			
Costs of Sales and Services	213,498	155,561	—
Administration	204,146	99,501	1,378
Bonuses and Commissions	133,417	—	—
Prizes	1,236,846	—	—
Benefits and Claims	524,392	—	14,235
Depreciation	31,632	26,248	122
Other	180,084	12,309	—
TOTAL OPERATING EXPENSES	2,524,015	293,619	15,735
OPERATING INCOME (LOSS)	3,267,933	(28,300)	68,388
NONOPERATING REVENUES (EXPENSES):			
Investment Income	7,149	1,705	—
Interest Expense	—	(4,345)	—
Federal Grants	—	—	—
Other	(108)	(213)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	7,041	(2,853)	—
INCOME (LOSS) BEFORE OPERATING TRANSFERS	3,274,974	(31,153)	68,388
OPERATING TRANSFERS:			
Operating Transfers-in	1,000	41,599	—
Operating Transfers-out	(735,671)	(33,401)	—
TOTAL OPERATING TRANSFERS	(734,671)	8,198	—
NET INCOME (LOSS)	2,540,303	(22,955)	68,388
RETAINED EARNINGS (DEFICITS)/ FUND BALANCES, JULY 1	(2,471,355)	121,952	295,813
RETAINED EARNINGS/ FUND BALANCES, JUNE 30	\$ 68,948	\$ 98,997	\$ 364,201

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

<u>TOTAL PRIMARY GOVERNMENT (memorandum only)</u>	<u>COMPONENT UNIT OHIO WATER DEVELOPMENT AUTHORITY</u>	<u>TOTAL REPORTING ENTITY (memorandum only)</u>
\$ 2,796,054	\$ 83,242	\$ 2,879,296
2,288,077	—	2,288,077
1,000,131	18,726	1,018,857
14,329	—	14,329
6,178	—	6,178
36,621	1,100	37,721
<u>6,141,390</u>	<u>103,068</u>	<u>6,244,458</u>
369,059	58,583	427,642
305,025	—	305,025
133,417	—	133,417
1,236,846	—	1,236,846
538,627	—	538,627
58,002	67	58,069
192,393	4,689	197,082
<u>2,833,369</u>	<u>63,339</u>	<u>2,896,708</u>
<u>3,308,021</u>	<u>39,729</u>	<u>3,347,750</u>
8,854	—	8,854
(4,345)	—	(4,345)
—	87,806	87,806
(321)	—	(321)
<u>4,188</u>	<u>87,806</u>	<u>91,994</u>
<u>3,312,209</u>	<u>127,535</u>	<u>3,439,744</u>
42,599	—	42,599
(769,072)	—	(769,072)
<u>(726,473)</u>	<u>—</u>	<u>(726,473)</u>
2,585,736	127,535	2,713,271
<u>(2,053,590)</u>	<u>569,633</u>	<u>(1,483,957)</u>
<u>\$ 532,146</u>	<u>\$ 697,168</u>	<u>\$ 1,229,314</u>

STATE OF OHIO

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

(amounts expressed in thousands)

	COMPONENT UNIT				
	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)	OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 3,267,933	\$ (28,300)	\$ 3,239,633	\$ 39,729	\$ 3,279,362
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Investment Income	(935,300)	(646)	(935,946)	(18,726)	(954,672)
Depreciation	31,632	26,248	57,880	67	57,947
Provision for Uncollectible Accounts	65,049	—	65,049	—	65,049
Amortization of Premiums and Discounts.....	35,119	—	35,119	776	35,895
Interest on Bonds, Notes and Capital Leases	9,980	—	9,980	57,807	67,787
Other	(2)	—	(2)	337	335
Decrease (Increase) in Assets:					
Intergovernmental Receivables	—	(91)	(91)	—	(91)
Premiums and Assessments Receivable	65,241	—	65,241	—	65,241
Loans, Net	—	—	—	(123,921)	(123,921)
Other Receivables	(101,375)	(2,949)	(104,324)	141	(104,183)
Due from Other Funds	11,828	16,728	28,556	2,852	31,408
Inventories	626	(4,803)	(4,177)	—	(4,177)
Other Assets	(517)	(256)	(773)	—	(773)
Increase (Decrease) in Liabilities:					
Accounts Payable	52,282	(53)	52,229	3,532	55,761
Accrued Liabilities	(492)	750	258	—	258
Intergovernmental Payable	9	800	809	—	809
Due to Other Funds	(4,370)	670	(3,700)	(2,852)	(6,552)
Deferred Revenues	4,878	(593)	4,285	—	4,285
Workers' Compensation Benefits Payable	(1,276,091)	—	(1,276,091)	—	(1,276,091)
Refund and Other Liabilities	(10,473)	—	(10,473)	2,798	(7,675)
Liabilities Payable from Restricted Assets	(22,468)	—	(22,468)	—	(22,468)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	1,193,489	7,505	1,200,994	(37,460)	1,163,534

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating Transfers-in	1,000	41,599	42,599	—	42,599
Operating Transfers-out	(735,671)	(33,401)	(769,072)	—	(769,072)
Federal Grants	—	—	—	89,432	89,432
Retirement of Revenue Bond Principal	—	—	—	(58,461)	(58,461)
Interest Paid	—	—	—	(47,940)	(47,940)
Other	—	—	—	(1)	(1)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(734,671)	8,198	(726,473)	(16,970)	(743,443)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Retirement of Revenue Bond Principal	—	(1,878)	(1,878)	—	(1,878)
Interest Paid	(9,980)	(4,325)	(14,305)	—	(14,305)
Principal Receipts on Capital Leases	—	2,433	2,433	—	2,433
Retirement of Certificates of Participation	—	(2,365)	(2,365)	—	(2,365)
Repayment of Interfund Loans for Capital Acquisition	—	(6,900)	(6,900)	—	(6,900)
Acquisition and Construction of Capital Assets	(33,367)	(5,506)	(38,873)	(46)	(38,919)
Proceeds from Sales of Fixed Assets	296	8	304	—	304
Principal Payments on Capital Leases	(7,668)	(3,800)	(11,468)	—	(11,468)
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(50,719)	(22,333)	(73,052)	(46)	(73,098)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from the Sales and Maturities of Investments	5,282,063	2,246	5,284,309	3,209,178	8,493,487
Purchase of Investments	(6,986,430)	—	(6,986,430)	(3,171,574)	(10,158,004)
Investment Income Received	900,932	2,203	903,135	17,845	920,980
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	(803,435)	4,449	(798,986)	55,449	(743,537)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	(395,336)	(2,181)	(397,517)	973	(396,544)
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CASH AND CASH EQUIVALENTS, JULY 1

	846,986	29,321	876,307	387	876,694
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CASH AND CASH EQUIVALENTS, JUNE 30

	<u>\$ 451,650</u>	<u>\$ 27,140</u>	<u>\$ 478,790</u>	<u>\$ 1,360</u>	<u>\$ 480,150</u>
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NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	—	16,279	16,279	—	16,279
Payment of Capital Lease Principal.....	—	13,394	13,394	—	13,394
Interfund Advances for Capital Acquisition.....	—	(29,098)	(29,098)	—	(29,098)
Increase in Contributed Capital	—	(575)	(575)	—	(575)
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$ —	\$ —	\$ —	\$ —	\$ —

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

STATE OF OHIO

STATEMENT OF CHANGES IN FUND BALANCE

DISCRETELY PRESENTED COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1995

(amounts expressed in thousands)

	<u>TOTAL COMPONENT UNITS</u>
REVENUES AND OTHER ADDITIONS :	
Unrestricted Current Fund Revenues	\$ 2,713,614
Local Appropriations-Restricted	28,900
Federal Grants and Contracts-Restricted	414,700
State Grants and Contracts-Restricted	102,897
Local Grants and Contracts-Restricted	3,285
Private Gifts, Grants and Contracts-Restricted	255,560
Endowment Income-Restricted	28,039
Investment Income-Restricted	29,098
Realized Gain on Investments-Restricted (net)	20,401
Interest on Loans Receivable	5,408
Investment in Plant-Additions	554,682
Matured Annuity and Life Income Restricted to Endowment	55
Other	16,564
TOTAL REVENUES AND OTHER ADDITIONS	<u>4,173,203</u>
EXPENDITURES AND OTHER DEDUCTIONS:	
Educational and General Expenditures	3,339,019
Auxiliary Enterprises Expenditures	453,402
Hospital Expenditures	653,853
Indirect Costs Recovered	67,460
Grant Refunds and Adjustments	1,500
Loan Cancellations and Write-offs	1,458
Administrative and Collection Costs	2,275
Expended for Plant Facilities	187,848
Retirement of Indebtedness	51,079
Interest on Indebtedness	45,539
Investment in Plant-Deductions	128,116
Other	8,649
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>4,940,198</u>
TRANSFERS :	
Operating Transfers from Primary Government	1,276,925
NET INCREASE FOR THE YEAR	<u>509,930</u>
FUND BALANCE AND OTHER CREDITS, JULY 1 (as restated)	<u>7,897,978</u>
FUND BALANCE AND OTHER CREDITS, JUNE 30	<u>\$ 8,407,908</u>

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

STATE OF OHIO

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

DISCRETELY PRESENTED COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1995

(amounts expressed in thousands)

	<u>TOTAL COMPONENT UNITS</u>
REVENUES :	
Tuition, Fees and Other Student Charges	\$ 1,215,882
Local Appropriations	45,417
Federal Grants and Contracts	411,730
State Grants and Contracts	72,571
Local Grants and Contracts	4,519
Private Gifts, Grants and Contracts	214,607
Endowment Income	42,262
Sales and Services	1,222,453
Temporary Investment Income	50,690
Other Sources	116,751
TOTAL REVENUES	<u>3,396,882</u>
EXPENDITURES AND MANDATORY TRANSFERS:	
EDUCATIONAL AND GENERAL :	
Instruction and Departmental Research	1,499,667
Separately Budgeted Research	321,157
Public Service	187,966
Academic Support	308,687
Student Services	178,048
Institutional Support	294,925
Operation and Maintenance of Plant	245,411
Scholarships and Fellowships	300,116
Other Educational and General	378
TOTAL EDUCATIONAL AND GENERAL	3,336,355
AUXILIARY ENTERPRISES	453,703
HOSPITALS	653,853
TOTAL EXPENDITURES	<u>4,443,911</u>
MANDATORY TRANSFERS, NET :	
Principal and Interest	88,871
Renewals and Replacements	3,668
Student Loan Matching Grants	1,186
Other	114
TOTAL MANDATORY TRANSFERS, NET	<u>93,839</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>4,537,750</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS) :	
Operating Transfers from Primary Government	1,276,045
NONMANDATORY TRANSFERS, NET :	
Capital Improvements	(77,544)
Other	85,051
ADDITIONS/(DEDUCTIONS) :	
Excess of Restricted Receipts over Transfers to Revenue	83,053
Indirect Costs Recovered	(67,423)
Other	7,016
TOTAL OTHER TRANSFERS AND ADDITIONS	<u>1,306,198</u>
NET INCREASE IN FUND BALANCE	<u>\$ 165,330</u>

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



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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements, as of June 30, 1995, 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. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) documents these principles. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

For financial reporting purposes, the State of Ohio's primary government includes all funds, account groups, 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.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following considerations: 1) 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 2) an organization is fiscally dependent on the primary government. Information for obtaining complete financial statements for the State's component units is available from the Ohio Office of Budget and Management.

1. Blended Component Units

The Ohio Building Authority, Ohio Public Facilities Commission, and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

2. Discretely Presented Component Units

The component units' columns in the combined financial statements include the financial data of the following organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government.

Proprietary:	Ohio State University	State Community Colleges:
Ohio Water	Ohio University	Cincinnati State Community College
Development Authority	Shawnee State University	Clark State Community College
	University of Akron	Columbus State Community College
Colleges and Universities:	University of Cincinnati	Edison State Community College
	University of Toledo	Northwest State Community College
State Universities:	Wright State University	Owens State Community College
Bowling Green State University	Youngstown State	Southern State Community College
Central State University	University	Terra State Community College
Cleveland State University		Washington State Community
Kent State University	Medical Colleges:	College
Miami University	Medical College	
	of Ohio at Toledo	



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 22, 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.

B. Basis of Presentation — Fund Accounting

The State of Ohio uses funds and account groups to report its financial position and results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. An account group is an accounting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Primary government and component unit funds fall into four categories: governmental, proprietary, fiduciary, and college and university.

1. Primary Government

In the primary government's financial statements, each fund category is divided into separate "fund types," which are described along with the two account groups, as follows:

Governmental Fund Types

General — The General Fund, the State's primary operating fund, accounts for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue — The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Debt Service — The debt service funds account for the accumulation of resources for the payment of general long-term debt principal and interest.

Capital Projects — The capital projects funds account for the acquisition of fixed assets and construction of major capital facilities and for major repairs and replacements other than those financed by proprietary or trust funds.

Proprietary Fund Types

Enterprise — The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises — where the State's intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability and other purposes. The enterprise funds include the Ohio Bureau of Workers' Compensation for its fiscal year ended December 31, 1994.

Internal Service — The internal service funds account for the financing of goods or services that a State department or agency provides to other State departments and agencies or to other government units on a cost-reimbursement basis.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

Trust funds account for assets that the State holds in a trustee capacity. The State's General Purpose Financial Statements present expendable and pension trust funds. The Pension Trust Fund includes the State Highway Patrol Retirement System for its fiscal year ended December 31, 1994.

Agency funds account for assets the State holds as an agent for individuals, private organizations, other governments, or other funds. The Agency Fund includes the assets of the Public Employees Retirement System and the Police and Firemen's Disability and Pension Fund, for their fiscal years ended December 31, 1994.

Account Groups

General Fixed Assets — The General Fixed Assets Account Group accounts for fixed assets acquired or constructed for the State's general governmental purposes. This group accounts for fixed assets not accounted for in the proprietary and trust funds.

General Long-Term Obligations — The General Long-Term Obligations Account Group accounts for the State's unmatured general obligation bonds and other long-term obligations not required to be accounted for in the proprietary and trust funds.

2. Component Units

Presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements. The component unit funds include the Ohio Water Development Authority for its fiscal year ended December 31, 1994.

The State presents a Statement of Current Funds Revenues, Expenditures and Other Changes in the General Purpose Financial Statements, in accordance with Section 2600.111 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting. The Current Funds, a college and university fund type, accounts for economic resources that are expendable for any purpose in performing the primary objectives of the higher education institutions.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, operating statements present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets, and unreserved fund balance is a measure of available expendable resources.

Proprietary and pension trust funds are accounted for using a flow of economic resources measurement focus, which emphasizes the determination of net income. Under this measurement focus, operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Fund equity (i.e., net assets) is segregated on the balance sheet into two components, contributed capital and retained earnings/fund balance.

Agency funds are custodial in nature, and therefore, do not present results of operations or have a measurement focus.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting has been applied to all governmental, expendable trust, and agency funds. Under the modified accrual basis of accounting, the State recognizes revenues when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction is determinable, and “available” means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State considers revenues as available when collected within 60 days after year end.

Under the modified accrual basis, expenditures are recorded when related fund liabilities are incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when due.

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

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Unemployment taxes
- Charges for goods and services

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, investment earnings, and other miscellaneous income.

Deferred revenue, as reported on the State's combined balance sheet, represents resources received before the State has a legal claim to them, such as the receipt of federal grant moneys prior to the incurrence of qualifying expenditures. When the State has a legal claim to the resources, revenue is recognized.

The accrual basis of accounting has been applied to the proprietary and pension trust funds. Under this method, revenues are recorded when earned, and expenses are recorded when incurred.

The State’s proprietary and pension trust funds apply all applicable GASB pronouncements and the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. The State Highway Patrol Retirement Pension Trust Fund has also elected to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

College and university funds apply the principles of accounting and reporting pursuant to the National Association of College and University Business Officers accounting and reporting model. The college and university funds are accounted for on the accrual basis of accounting, with the following exceptions: 1) depreciation expense is not calculated or reported, and 2) revenues and expenditures of an academic term encompassing more than one fiscal year are recognized in the period when the program is predominantly conducted.

D. Budgetary Process

As required by the Ohio Revised Code, the Governor submits biennial operating and capital budgets to the General Assembly. The particular budget, which includes those funds of the State subject to appropriation pursuant to State law, is comprised of all proposed expenditures for the State and of estimated revenues and borrowings for a biennium.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Biennially, the General Assembly approves operating and capital appropriations. Operating appropriations are provided in annual amounts while capital appropriations are provided in two-year amounts. Because capital projects funds' appropriations are not made on an annual basis, budgetary-basis financial statements for these funds are not presented.

The State's Controlling Board, comprised of six members of the General Assembly and the Director of the Office of Budget and Management (OBM) or a designee, can transfer or increase an appropriation within the limitations set under Chapter 127, Ohio Revised Code. The Board has delegated the authority to the Director of OBM to transfer appropriations between existing operating expense line-items within a state agency in amounts not to exceed a total of 10 percent of the appropriation from which the transfer is made or \$25,000, whichever is less, within a fiscal year.

All governmental funds are budgeted except the following activities within the fund types:

Special Revenue Fund:

Certain activities within the Community and Economic Development, Employment Services, and Student Aid Commission Special Revenue Funds, as discussed in NOTE 3

Debt Service Fund:

Economic Development Bond Service
Transportation Certificate Retirement
Vietnam Conflict Compensation Bond Retirement
Ohio Public Facilities Commission
Ohio Building Authority
Enterprise Bond Retirement

Capital Projects Fund:

Ohio Building Authority

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. A modified cash basis of accounting is used for budgetary purposes. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations, is employed as an extension of formal budgetary integration in the State's accounting system. Encumbrances outstanding in the General, special revenue, and capital projects funds at fiscal year end are reported as reservations of fund balance for expenditure in subsequent years. Operating encumbrances are generally canceled five months after fiscal year end while capital encumbrances are automatically reappropriated. Unencumbered appropriations lapse at the end of the biennium for which they were appropriated. A more comprehensive accounting of activity on the budgetary basis is provided in the separately published annual *Ohio Budgetary Financial Report*, which is available from the Ohio Office of Budget and Management upon request, and the "Detailed Appropriation Summary by Fund" report, which is available for public inspection.

In the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis), budgeted revenues for the General Fund represent periodically updated revenue budgets. For other budgeted funds, the original budgeted revenues, as submitted by the Governor, do not represent actual forecasts of revenues and are not amended to coincide with any legislative changes to the original expenditure budget. Accordingly, budgeted revenues and other financing sources and uses for budgeted funds other than the General Fund are reported at actual amounts, since the State does not have updated, budgeted revenue and other financing sources and uses amounts for use in the accompanying



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

budgetary-basis financial statements. In addition, budgetary expenditures include cash disbursements against fiscal year 1995 appropriations and outstanding encumbrances, as of June 30, 1995, that were committed during fiscal year 1995. Encumbrance reversions represent lapses of prior years' appropriations.

The Employment Services Expendable Trust Fund and the State Highway Patrol Pension Trust Fund are not legally required to adopt budgets. For budgeted proprietary and trust funds, the State is not legally required to report budgetary data and comparisons for these funds. Budgetary data for discretely presented component units are not presented.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting is presented in NOTE 3.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer, including the cash float, consists of pooled demand deposits and investments carried at cost, which approximates market. 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, cash on hand, and investments reported in the Bureau of Workers' Compensation and the Ohio Lottery Commission enterprise funds with original maturities of three months or less from the date of acquisition.

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

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. Investments are carried at cost or amortized cost (which does not exceed market) except those of the Bureau of Workers' Compensation Enterprise Fund and Deferred Compensation Agency Fund, which are reported at market. For the colleges and universities, investments received as gifts are reported at the fair market or appraised value at the donation date.

G. Intergovernmental Revenues/Receivables

Intergovernmental revenues primarily represent resources from reimbursement-type grants received from the federal government. Intergovernmental receivables and revenues are recorded when the related grant expenditures/expenses are incurred.

H. Inventories

For governmental funds, the costs of material inventories are recorded as expenditures when purchased. At year end, physical counts are taken of significant inventories for the governmental fund types and are generally reported on the balance sheet at moving-average cost. Proprietary and college and university funds' inventories are valued at cost, which approximates market; principal inventory cost methods applied include



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

first-in, first-out, average cost, moving-average, and retail. Inventories recorded in the governmental fund types do not reflect current appropriable resources, and therefore, an equivalent portion of fund balance is reserved.

I. Food Stamps

Food stamp coupons held in the State's and its agents' custody are stated at face value and are offset by deferred revenue, in conformity with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. The State recognizes revenue and expenditures in the Special Revenue Fund when the food stamp coupons are distributed to eligible recipients.

J. Restricted Assets

Assets restricted for payment of deferred prize awards (Ohio Lotto) and tuition benefits are reported in the enterprise funds for the Ohio Lottery Commission and the Ohio Tuition Trust Authority, respectively.

Covenants for the Ohio Building Authority's bonds require its pledged receipts be held and invested in a reserve account placed with a trustee financial institution. These restricted assets are reported in the internal service funds.

Generally, restricted assets reported for the college and university funds are assets held in trust that are legally restricted under bond covenants or other financing arrangements.

K. Fixed Assets

General Fixed Assets — Fixed assets purchased with governmental fund resources are recorded in the General Fixed Assets Account Group at historical cost, or at estimated historical cost in cases when no historical records exist. Donated fixed assets are valued at estimated fair market value at the donation date. The costs of normal maintenance and repairs that do not add to the asset value or materially extend an asset's useful life are not capitalized. The costs of major improvements are capitalized, while interest costs associated with the acquisition of general fixed assets are not capitalized.

Public domain (infrastructure) general fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, historical monuments, drainage systems, and lighting systems are not capitalized, since these assets are immovable and of value only to the government.

Assets in the General Fixed Assets Account Group are not depreciated.

Proprietary and Fiduciary Fund Fixed Assets — Fixed assets are stated at cost or, for donated assets, at estimated fair market value at the donation date. Fixed assets, excluding land, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-45 years
Machinery and Equipment	5-20 years
State Vehicles	5 years

Material interest is capitalized on proprietary fund fixed assets acquired through the issuance of debt.

College and University Fund Fixed Assets — All purchased fixed assets are valued at cost. Donated fixed assets are valued at estimated fair market value at the donation date. Generally, public domain (infrastructure) assets are not capitalized. College and university fund fixed assets are not depreciated.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Sureties

Sureties include various assets placed by their owners in safekeeping with the Treasurer of State, as required by applicable statutes.

M. Long-Term Obligations

Governmental funds recognize long-term obligations as liabilities when due. Only the portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Included among these liabilities are the noncurrent portions of liabilities resulting from debt issuances, certificate of participation financing arrangements, compensated absences, judgments, settlements, and claims, contingencies, leases, and workers' compensation benefits. Long-term liabilities expected to be financed from proprietary fund and college and university fund operations are accounted for in those funds.

As discussed in NOTES 11 and 12, bonds issued by the Ohio Building Authority (OBA) to finance the construction of State-related projects are reported as special obligation bonds in the General Long-Term Obligations Account Group, while OBA bonds issued to finance the construction of facilities leased to local government are reported as revenue bonds in the internal service funds.

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 five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, employees are paid at their full rate 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 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 governmental funds, the noncurrent portion of the liability for compensated absences is reported in the General Long-Term Obligations Account Group. For proprietary and college and university funds, the liability for compensated absences is reported as a current accrued liability.

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

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation, compensatory time, and personal leaves are accrued 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. 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.

Sick leave is accrued using the vesting method, whereby 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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 State's share of Medicare taxes.

O. Fund Equity

Reservations

Reservations of equity represent amounts that are not appropriable or are legally restricted for a specific purpose.

Designations

Designations of equity represent tentative management plans that are subject to change.

Contributed Capital

Contributed capital represents equity acquired through capital contributions from other funds.

P. Self-Insurance

The State's primary government is self-insured for claims covered under its traditional health care plan, vehicle liability, public fidelity blanket bonds, property losses, and tort liability. While not the predominant participant, the State's primary government participates in a public entity risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of its workers' compensation liability (See NOTE 15D). Estimates for significant incurred but not reported claims or contingent liabilities are included in accrued liabilities and in the General Long-Term Obligations Account Group.

Q. Interfund/Intra-Entity Transactions

The State of Ohio records the following types of interfund/intra-entity transactions within its reporting entity:

Operating Transfers — Legally required transfers are reported when incurred as "Operating Transfers-in" by the receiving fund and as "Operating Transfers-out" by the disbursing fund. Legally required transfers between the primary government and its component units are reported as "Operating Transfers from/to Primary Government" and "Operating Transfers from/to Component Units."

Transfers of Expenditures (Reimbursement) — Reimbursements of expenditures made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund.

Residual Equity Transfers — Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from fund equity.

Quasi-external Transactions — Charges or collections for services rendered by one fund to another are recorded as revenues of the receiving fund and expenditures/expenses of the disbursing fund.

Transactions between funds that are representative of non-current lending/borrowing arrangements outstanding, as of the end of the fiscal year, are reported as advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

A summary of interfund balances and interfund and intra-entity operating transfers is presented in NOTE 7.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Memorandum Only — Total Columns

Total columns on the general purpose financial statements are captioned “Memorandum Only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 RESTATEMENTS

Certain restatements of fund equity balances, as of June 30, 1994, are summarized in the following table (in thousands).

	June 30, 1994 Fund Balance/ Retained Earnings (Deficits) as Previously Reported	Increase/ (Decrease) for Restatement	July 1, 1994 Fund Balance/ Retained Earnings (Deficits) as Restated
<u>Primary Government Funds</u>			
General Fund	\$ 896,203	\$ 12,009	\$ 908,212
Special Revenue Funds:			
Community and Economic Development	\$ 411,150	\$(12,486)	\$ 398,664
Student Aid Commission	66,252	850	67,102
Other Special Revenue Funds	914,032	—	914,032
Total	<u>\$1,391,434</u>	<u>\$(11,636)</u>	<u>\$1,379,798</u>
<u>Component Unit Funds</u>			
College and University Funds:			
Columbus State Community College	\$ 90,343	\$ (624)	\$ 89,719
Cincinnati State Community College	—	48,135	48,135
Northwest State Community College	—	12,008	12,008
Owens State Community College	—	61,699	61,699
Terra State Community College	—	33,939	33,939
Other College and University Funds	7,652,478	—	7,652,478
Total	<u>\$7,742,821</u>	<u>\$155,157</u>	<u>\$7,897,978</u>

Primary Government

For the General Fund, fund balance was increased by approximately \$12 million to correct an error in the recording of the loans receivable balance for the Minority Development Direct and Mini-Loan Guarantee programs.

For the Special Revenue Fund, the net \$11.6 million reduction in fund balance was recorded to reflect the following:

- A \$12.5 million correction, which decreased the cash and cash equivalents, loans receivable, and other receivables balances in the Community and Economic Development Special Revenue Fund by approximately \$327 thousand, \$12 million, and \$152 thousand, respectively.



NOTE 2 RESTATEMENTS (Continued)

- An \$850 thousand correction to increase the loans receivable balance reported in the Student Aid Commission Special Revenue Fund.

Additionally, the July 1, 1994 beginning balance of general long-term obligations reported in the General Long-Term Obligations Account Group was increased by \$28.8 million (See NOTE 16). The increase resulted from the accretion of discount not recorded in prior years on general obligation bonds payable that were originally issued with deep discounts.

Component Units

For the college and university funds, the \$155.2 million net increase in fund balance is attributed to the following:

- Fund balance for the Columbus State Community College was decreased by \$624 thousand to reflect the cumulative effect of an accounting change implemented to conform with GASB Statement No. 16, *Accounting for Compensated Absences*.
- The remaining \$155.8 million increase in fund balance results from a change in reporting entity when the Cincinnati Technical College, Northwest Technical College, Owens Technical College, and Terra Technical College were converted in fiscal year 1995 to state community college status. State community colleges qualify for inclusion in the State's reporting entity under GASB Statement No. 14, *The Financial Reporting Entity* (See NOTE 1). In prior years, these institutions along with the other nine technical colleges discussed in NOTE 22 were reported as joint ventures for the State of Ohio.

NOTE 3 GAAP vs. NON-GAAP BUDGETARY BASIS

“Actual” revenues, operating transfers-in, expenditures, encumbrances, and operating transfers-out on the non-GAAP budgetary basis do not equal those reported on the GAAP-basis in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — All Governmental Fund Types and Expendable Trust Funds. This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, encumbrances are recognized as expenditures in the year encumbered, while on the modified accrual basis, expenditures are recognized when goods or services are received regardless of the year encumbered.

Budgetary expenditures in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) represent original appropriations modified by supplemental and amended appropriations made throughout the year, including \$614 million and \$86 million increases in the budgets of the Special Revenue and Debt Service funds, respectively. Supplemental and amended budgetary appropriations for the General Fund were not considered material.

A reconciliation of the fund balances recorded under the two bases for the General, special revenue, and debt service funds is presented in the following table.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1995

NOTE 3 GAAP vs. NON-GAAP BUDGETARY BASIS (Continued)

Reconciliation of GAAP-Basis Fund Balances to
 Non-GAAP Budgetary-Basis Fund Balances
 June 30, 1995
 (in thousands)

	General	Special Revenue	Debt Service
Total Fund Balances - GAAP Basis	\$1,656,135	\$1,499,754	\$452,465
Less: Unbudgeted Fund Balances	—	129,012 *	335,056
Total Budgeted Fund Balances - GAAP Basis	1,656,135	1,370,742	117,409
Less: Reserved Fund Balances	665,226	1,875,778	113,472
Less: Designated Fund Balances	858,019	—	—
Unreserved/Undesignated Fund Balances - GAAP Basis	132,890	(505,036)	3,937
BASIS DIFFERENCES			
Revenue Accruals/Adjustments:			
Taxes Receivable	(715,152)	(180,057)	—
Intergovernmental Receivable	(387,153)	(174,760)	—
Loans Receivable	(2,621)	(609)	—
Other Receivables	(11,632)	(31,320)	(10)
Due from Other Funds	(4,699)	(26,713)	(4)
Food Stamps	—	(318,641)	—
Deferred Revenues	—	355,924	—
Subtotal	(1,121,257)	(376,176)	(14)
Expenditure Accruals/Adjustments:			
Accounts Payable	75,438	177,679	—
Medicaid Claims Payable	517,023	—	—
Accrued Liabilities	99,389	49,438	—
Intergovernmental Payable	172,324	304,966	—
Due to Other Funds	16,732	19,637	—
Refund and Other Liabilities	407,370	53,176	549
Subtotal	1,288,276	604,896	549
Other Adjustments:			
Fund Balance Reclassifications:			
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:			
Debt Service	—	—	111,048
Budget Stabilization	293,093	—	—
Minority Contractors' Bonding Program	—	2,020	—
Loan Commitments	—	104,918	—
From Undesignated (Non-GAAP Budgetary Basis) to Designated			
Cash and Investments Held Outside of State Treasury	(7,844)	(11,059)	(1,199)
Other	1	1	(1)
Subtotal	1,143,269	95,880	109,848
Total Basis Differences	1,310,288	324,600	110,383
TIMING DIFFERENCES			
Encumbrances	(114,293)	(293,727)	—
Unreserved/Undesignated and Designated Balances (Deficits) — Non-GAAP Budgetary Basis	<u>\$1,328,885</u>	<u>\$ (474,163)</u>	<u>\$114,320</u>

*This amount includes certain unbudgeted activities within the Community and Economic Development, Employment Services, and Student Aid Commission Special Revenue Funds .



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 a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in one of the following: a commercial account that is payable or withdrawable, 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:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
- Repurchase agreements in the securities enumerated above;
- Interim deposits in the eligible institutions applying for interim moneys;
- Bonds and other obligations of the State of Ohio;
- The Treasurer of State's investment pool;
- Linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to small businesses, as authorized under Section 135.63, Ohio Revised Code;
- Agricultural linked deposits, reduced-rate deposits at financial institutions placed on or before June 30, 1987, that provide reduced-rate loans to farmers, as authorized under Section 135.74, Ohio Revised Code;
- Reverse repurchase 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;
- 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;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Commercial paper, rated in one of the two highest rating categories by two nationally recognized rating agencies and not exceeding five percent of the investment portfolio;
- Bankers' acceptances maturing in 270 days or less and not exceeding 10 percent of the investment portfolio;
- Debt of domestic corporations and foreign nations diplomatically recognized by the United States, rated investment grade by nationally recognized rating agencies and, in the aggregate, not exceeding five percent of the investment portfolio; and
- No-load money market funds consisting of U.S. government and agency obligations and repurchase agreements secured by such obligations.

The primary government's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized.

In some cases, 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 Pension Trust Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the state universities may also invest in common and preferred stocks, domestic and foreign corporate/government bonds and notes, mortgage loans, limited partnerships, real estate, and/or other investments. Short-term securities, which are reported for the retirement systems, principally consist of U.S. government obligations and commercial paper.

During the reporting period, the Public Employees Retirement System, Police and Firemen's Disability and Pension Fund, and the State Teachers Retirement System, the investments of which are held in the Treasurer of State's custody and are reported in the Retirement Systems Agency Fund, had investments in derivatives and similar debt and investment transactions. Specific information on the nature of the transactions and the reasons for entering into them can be found in each respective system's Comprehensive Annual Financial Report.

B. Deposits

1. Primary Government

As of June 30, 1995 (or December 31, 1994, for those entities/funds identified in NOTE 1) the carrying amount of deposits was (in thousands) \$416,028 and the bank balance was \$496,069. Of the bank balance, \$26,255 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name, \$463,206 was collateralized with securities held by the pledging financial institution's trust department or its agent in the primary government's name, and \$6,608, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized.

2. Component Units

As of June 30, 1995 (or December 31, 1994, for those component units identified in NOTE 1) the carrying amount of deposits was (in thousands) \$173,225 and the bank balance was \$191,458. Of the bank balance, \$76,812 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name, \$92,576 was collateralized with securities held by the pledging financial



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

institution's trust department or its agent in the respective component unit's name, and \$22,070, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized.

C. Investments

The State categorizes investments to give an indication of the level of credit risk associated with the State's custodial arrangements at year end. *Category 1* includes investments that are insured, registered, or held by the State or its agent in the State's name. *Category 2* includes uninsured and unregistered investments held by the counterparty's trust department or its agent in the State's name. *Category 3* includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the State's name.

Certain investments have not been categorized because the securities are not used as evidence of the investment. These uncategorized investments include ownership in real estate, mutual funds, limited partnerships and venture capital, direct mortgage loans, securities on loan, and the deposits with the federal government and the deferred compensation plan.

The following summaries identify the level of credit risk assumed by the primary government and its component units and the total carrying amount and market value of investments, as of June 30, 1995 (or December 31, 1994, for those entities/funds/component units identified in NOTE 1) (in thousands):

	Primary Government			Total	Market Value
	Carrying Amount				
	Category 1	Category 2	Category 3		
U.S. government & agency obligations	\$27,139,042	\$2,184,380	\$1,542,156	\$30,865,578	\$30,969,503
Common and preferred stock...	18,823,589	3,104,897	—	21,928,486	24,394,524
Corporate bonds and notes	4,951,782	2,836,863	—	7,788,645	7,757,887
Commercial paper	2,192,127	339,382	1,286	2,532,795	2,534,189
Foreign stocks and bonds	2,242,230	—	—	2,242,230	2,223,988
Repurchase agreements	183,036	—	1,556	184,592	184,607
Bankers' acceptances	67,266	—	—	67,266	67,432
Municipal obligations	1,400	—	—	1,400	1,539
Total	\$55,600,472	\$8,465,522	\$1,544,998	65,610,992	68,133,669
Real estate				4,532,567	4,690,586
Mutual funds				2,260,443	2,613,399
Limited partnerships and venture capital				82,763	95,236
Direct mortgage loans				1,591,786	1,591,786
Securities on loan contracts				14,922,747	14,597,510
Deposit with federal government				1,453,697	1,453,697
Deposit with deferred compensation plan				609,473	609,473
Total				\$91,064,468	\$93,785,356

The Treasurer of State, the Bureau of Workers' Compensation, and the retirement systems participate in securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts, the STAROhio program, and the retirement systems' assets. 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 equal to no less than 102 percent of the market value of the lent securities. Participants in securities lending activities have minimized the State's exposure to credit risk due to borrower default by requiring the custodial agent bank to determine daily that collateral requirements are met. During fiscal year 1995, the Treasurer, the Bureau of Workers' Compensation, and the retirement systems had not experienced any losses due to credit or market risk on securities lending activity. Securities on loan contracts are not required to be categorized according to their level of credit risk.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1995

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

	Component Units			Total	Market Value
	Carrying Amount				
	Category 1	Category 2	Category 3		
U.S. government & agency obligations	\$445,929	\$ 665,464	\$101,621	\$1,213,014	\$1,223,942
Common and preferred stock ...	135,967	302,747	2,837	441,551	572,033
Corporate bonds and notes	216,555	14,652	33,257	264,464	263,532
Repurchase agreements	11,595	155,558	26,811	193,964	194,195
Foreign bonds	32,055	—	—	32,055	35,515
Commercial paper	98	2,085	29,152	31,335	31,340
Senior unsecured debt obligations	—	—	2,940	2,940	2,940
Bankers Acceptances	—	3,580	1,002	4,582	4,585
Municipal obligations	500	—	—	500	475
Other Investments	198	—	2,107	2,305	2,542
Total	\$842,897	\$1,144,086	\$199,727	2,186,710	2,331,099
Real estate				28,644	54,055
Mutual funds				159,180	162,678
Limited partnerships				2,778	3,003
Life Insurance				6,394	6,394
Other Investments				3,998	5,369
Deposit with deferred compensation plan				4,021	4,021
Investment in Treasurer of State Investment Pool (STAROhio)				92,466	92,466
Total				\$2,484,191	\$2,659,085

The total carrying amount of deposits and investments, as of June 30, 1995, reported for the primary government and its component units is \$93.8 billion. The total carrying amount of deposits and investments categorized and disclosed in this note is \$94.1 billion. A reconciliation of the difference follows (in thousands):

	Deposits	Investments	Total
Cash equity with Treasurer (unrestricted and restricted)	\$ —	\$ 4,042,167	\$ 4,042,167
Cash and cash equivalents (unrestricted and restricted)	246,913	363,817	610,730
Investments	4,105	85,143,263	85,147,368
Deposit with federal government	—	1,453,697	1,453,697
Deposit with deferred compensation plan	—	613,494	613,494
Restricted Assets:			
Investments	—	514,289	514,289
Dedicated investments	—	1,394,068	1,394,068
Carrying amount per combined balance sheet	251,018	93,524,795	93,775,813
Outstanding warrants and other reconciling items	338,235	23,864	362,099
Total Reporting Entity	\$589,253	\$93,548,659	\$94,137,912

NOTE 5 TAXES

Taxes receivable, as of June 30, 1995, consisted of the following (in thousands):

	General	Special Revenue	Debt Service	Trust and Agency	Total
Income Taxes	\$310,933	\$ 36,756	\$ —	\$ —	\$ 347,689
Sales Taxes	404,219	21,266	—	—	425,485
Motor Vehicle Fuel Taxes	—	118,795	1,246	—	120,041
Unemployment Taxes	—	—	—	231,366	231,366
Other Taxes	—	3,240	—	—	3,240
Total	\$715,152	\$180,057	\$1,246	\$231,366	\$1,127,821



**STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 1995

NOTE 5 TAXES (Continued)

As of June 30, 1995, refund liabilities for income and corporation franchise taxes, totaling \$447.3 million, were reported as "Refunds and Other Liabilities," of which \$406 million was recorded in the General Fund and \$41.3 million was recorded in the Special Revenue Fund.

NOTE 6 LOANS AND OTHER RECEIVABLES

A. Loans Receivable

Loans receivable (net of uncollectible amounts) for the primary government and its component units, as of June 30, 1995 (or December 31, 1994 for the Ohio Water Development Authority), consisted of the following (in thousands):

	Primary Government				
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>	
Columbiana County Economic Stabilization	\$ 6,432	\$ —	\$ —	\$6,432	
Community and Economic Development:					
Economic Development	—	178,443	—	178,443	
Minority Business Development Direct and Mini-Loan Guarantee	9,648	—	—	9,648	
Ohio Housing Finance Agency	—	75,956	—	75,956	
Subtotal	<u>9,648</u>	<u>254,399</u>	<u>—</u>	<u>264,047</u>	
Primary, Secondary, and Other Education:					
Bankruptcy and Port Authority	—	969	—	969	
Public School Building	—	14,253	—	14,253	
Vocational School Assistance	—	9,412	—	9,412	
School Building	—	324	—	324	
Vocational Education	1,514	428	—	1,942	
Subtotal	<u>1,514</u>	<u>25,386</u>	<u>—</u>	<u>26,900</u>	
Higher Education:					
Central State University	1,500	—	—	1,500	
Student Loans	—	50,390	—	50,390	
Higher Education Research Investment Loans	—	—	5,924	5,924	
Subtotal	<u>1,500</u>	<u>50,390</u>	<u>5,924</u>	<u>57,814</u>	
Natural Resources	—	276	—	276	
Local Infrastructure Improvements	—	—	72,473	72,473	
Total	<u>\$19,094</u>	<u>\$330,451</u>	<u>\$78,397</u>	<u>\$427,942</u>	
	Component Units				
	<u>Ohio Water Development Authority</u>	<u>Ohio State University</u>	<u>University of Cincinnati</u>	<u>Other Component Units</u>	<u>Total</u>
Sewage Treatment Facilities	\$ 931,186	\$ —	\$ —	\$ —	\$ 931,186
Water Pollution Control	336,699	—	—	—	336,699
Student	—	45,995	26,929	85,327	158,251
Other	—	6,830	740	355	7,925
Total	<u>\$1,267,885</u>	<u>\$52,825</u>	<u>\$27,669</u>	<u>\$85,682</u>	<u>\$1,434,061</u>

B. Other Receivables

Other receivables for the primary government and its component units, as of June 30, 1995 (or December 31, 1994 for those entities/funds identified in NOTE 1), consisted of the following detail (in thousands):



**STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 1995

NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

Primary Government

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total
Unrestricted:								
Accounts Receivable	\$ 2,202	\$ 2,703	\$ —	\$ —	\$164,422	\$ 3,513	\$ —	\$172,840
Interest Receivable	9,430	8,080	8,155	1,621	123,923	208	2,965	154,382
Women, Infants and Children Program Rebate Receivable	—	15,342	—	—	—	—	—	15,342
Nursing Facility Bed Assessments Receivable	—	11,408	—	—	—	—	—	11,408
Loan Collection Surcharges Receivable	—	10,892	—	—	—	—	—	10,892
Leases Receivable	—	—	—	—	—	47,133	—	47,133
Receivables from Lottery Sales Agents	—	—	—	—	36,258	—	—	36,258
Claims and Settlements Receivable	—	—	—	—	—	—	23,286	23,286
Telecommunications Services Receivable	—	—	—	—	—	3,065	—	3,065
Miscellaneous Receivables	—	2,334	—	—	148	538	370	3,390
Total Unrestricted	11,632	50,759	8,155	1,621	324,751	54,457	26,621	477,996
Restricted:								
Interest Receivable	—	—	—	—	13,184	—	—	13,184
Total Unrestricted and Restricted	<u>\$11,632</u>	<u>\$50,759</u>	<u>\$8,155</u>	<u>\$1,621</u>	<u>\$337,935</u>	<u>\$54,457</u>	<u>\$26,621</u>	<u>\$491,180</u>

Under long-term direct financing leases with local governments for office space, the Ohio Building Authority charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied. A schedule of future lease amounts due the Ohio Building Authority Internal Service Fund, net of executory costs, is as follows (in thousands):

Year Ending June 30,	Lease Amounts Due
1996.....	\$ 6,224
1997.....	6,223
1998.....	6,216
1999.....	6,225
2000.....	6,220
Thereafter	52,514
Total minimum amounts due	83,622
Less: Amount representing interest	36,489
Present value of minimum lease amounts due.....	<u>\$47,133</u>

Component Units

	Ohio State University	University of Cincinnati	Bowling Green State University	Medical College of Ohio	Other Component Units	Total
Unrestricted:						
Accounts Receivable	\$109,059	\$30,912	\$ 1,598	\$15,827	\$57,346	\$214,742
Interest Receivable	8,169	7,509	12,248	754	3,703	32,383
Pledges Receivable	—	26,668	—	—	—	26,668
Miscellaneous Receivables	—	458	5,635	—	15,722	21,815
Total Unrestricted	<u>\$117,228</u>	<u>\$65,547</u>	<u>\$19,481</u>	<u>\$16,581</u>	<u>\$76,771</u>	<u>\$295,608</u>



**STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 1995

NOTE 7 INTERFUND BALANCES AND TRANSFERS

Interfund balances, as of June 30, 1995 (or December 31, 1994, for those entities/funds identified in NOTE 1), and operating transfers among the primary government's funds, for the year ended June 30, 1995, are summarized as follows (in thousands):

Fund Type/Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds	Operating Transfers-in	Operating Transfers-out
General	\$ 18,593	\$ 16,732	\$22,986	\$ —	\$ 144,114	\$ 660,799
Special Revenue:						
Community and Economic Development	2,458	1,151	—	74,577	31,316	39,953
Human Services	727	1,314	—	—	9,997	—
Health	309	589	—	—	7,066	—
Mental Health and Retardation	1,421	145	—	—	—	125
Employment Services	—	—	—	—	377	1,308
Education	328	59	—	—	656,505	28,235
Student Aid Commission	—	—	—	—	396	—
Highway Safety	3,066	4,353	—	—	125,336	1,170
Highway Operating	10,768	400	—	—	591,335	135,187
Natural Resources	632	266	—	—	339	3,371
Wildlife and Waterway Safety	428	33	—	—	509	—
Revenue Distribution	17,725	10,822	—	—	897	657,550
Local Transportation Improvements	103	1,349	—	—	56,375	—
Subtotal	37,965	20,481	—	74,577	1,480,448	866,899
Debt Service:						
Economic Development Bond Service	—	—	—	—	18,229	—
Coal Research/Development Bond Retirement	—	—	—	—	10,635	2
Improvements Bond Retirement	—	—	—	—	25	83
Highway Improvements Bond Retirement	4	—	—	—	—	—
Development Bond Retirement	—	—	—	—	15,169	37
Highway Obligations Bond Retirement	934	74	—	—	—	180
Public Improvements Bond Retirement	—	—	—	—	3,168	19
Local Infrastructure Improvements						
Bond Retirement	1	—	—	—	61,682	—
Ohio Public Facilities Commission	—	—	—	—	408,992	—
Ohio Building Authority	—	—	—	—	153,745	7,306
Enterprise Bond Retirement	—	—	—	—	25,318	22,415
State Projects Bond Service	74	—	—	—	536	28
Subtotal	1,013	74	—	—	697,499	30,070
Capital Projects:						
Arts Facilities Building Improvements	12	—	—	—	—	—
Higher Education Improvements	136	—	—	—	—	—
Highway Obligations Construction	51	—	—	—	—	—
Mental Health/Mental Retardation						
Facilities Improvements	31	—	—	—	—	—
Parks and Recreation Improvements	5	—	—	—	—	—
Local Infrastructure Improvements	122	238	—	—	—	350
Ohio Building Authority	—	—	—	—	—	263,008
Administrative Services Building Improvements	36	—	—	—	78,817	29,886
Youth Services Building Improvements	47	—	—	—	49,280	—
Transportation Building Improvements	24	—	—	—	24,734	—
Adult Correctional Building Improvements	102	—	—	—	98,221	—
Highway Safety Building Improvements	8	—	—	—	9,859	—
Ohio Parks and Natural Resources	24	—	—	—	—	161
Subtotal	598	238	—	—	260,911	293,405
Enterprise:						
Tuition Trust Authority	—	—	—	—	1,000	—
Liquor Control	280	32	—	—	—	78,269
Ohio Lottery Commission	—	—	—	—	—	656,391
Workers' Compensation	244	425	—	—	—	—
Underground Parking Garage	—	—	—	—	—	1,011
Subtotal	524	457	—	—	1,000	735,671

(Continued)



**STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 1995

NOTE 7 INTERFUND BALANCES AND TRANSFERS (Continued)

Fund Type/Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds	Operating Transfers-in	Operating Transfers-out
Internal Service:						
Ohio Building Authority	—	—	—	—	33,153	33,236
Ohio Data Network	13,322	35	—	22,986	—	—
Ohio Penal Industries	4,171	1,511	—	—	8,446	165
Support Services	4,208	71	—	—	—	—
Telecommunications	3,224	27	—	—	—	—
Subtotal	<u>24,925</u>	<u>1,644</u>	<u>—</u>	<u>22,986</u>	<u>41,599</u>	<u>33,401</u>
Expendable Trust:						
Unclaimed Funds	844	—	74,577	—	—	—
Pension Trust:						
State Highway Patrol	3,197	—	—	—	—	—
Agency:						
Holding and Distribution	—	17,690	—	—	—	—
Payroll Withholding and Fringe Benefits	88	41,888	—	—	—	—
Deferred Compensation	15	—	—	—	—	—
Other	35	—	—	—	—	—
Subtotal — Trust and Agency	<u>4,179</u>	<u>59,578</u>	<u>74,577</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total per Financial Statements - Primary Government	87,797	99,204	97,563	97,563	2,625,571	2,620,245
Reconciliation for Timing Differences for Funds with December 31, 1994 Year-Ends	11,593	186	—	—	1	5,327
Reconciled Total for the Primary Government	<u>99,390</u>	<u>99,390</u>	<u>\$97,563</u>	<u>\$97,563</u>	<u>\$2,625,572</u>	<u>\$2,625,572</u>
Component Units:						
Ohio State University	423,622	423,622				
University of Cincinnati	147,599	147,599				
Other Component Units	56,309	56,309				
Total per Financial Statements - Component Units	<u>627,530</u>	<u>627,530</u>				
Total Reporting Entity	<u>\$726,920</u>	<u>\$726,920</u>				

Operating transfers from the primary government's General Fund to its component units, for the year ended June 30, 1995, are summarized as follows (in thousands):

Component Units:	
Ohio State University	\$ 344,661
University of Cincinnati	158,470
Ohio University	104,290
Miami University	57,424
University of Akron	81,885
Bowling Green State University	63,844
Kent State University	87,170
University of Toledo	70,073
Cleveland State University	60,007
Youngstown State University	42,410
Wright State University	69,881
Central State University	17,102
Shawnee State University	13,127
Medical College of Ohio	31,640
Columbus State Community College	22,628
Clark State Community College	5,268
Edison State Community College	4,074
Southern State Community College	3,053
Washington State Community College	3,214
Cincinnati State Community College	12,519
Northwest State Community College	2,733
Owens State Community College	16,002
Terra State Community College	5,450
Total per Financial Statements	<u>\$1,276,925</u>



NOTE 8 FIXED ASSETS

A. Primary Government

A summary of fixed assets by category, as of June 30, 1995 (or December 31, 1994, for those entities/funds identified in NOTE 1), follows (in thousands):

	Enterprise	Internal Service	Pension Trust	General Fixed Assets	Total Primary Government
Land	\$ 22,360	\$ —	\$ 370	\$ 156,333	\$ 179,063
Buildings	337,422	14,114	2,418	1,999,485	2,353,439
Land Improvements	—	—	—	144,071	144,071
Machinery and Equipment	161,526	126,869	128	166,947	455,470
State Vehicles	3,814	709	—	202,267	206,790
Construction-in-Progress	—	71	—	341,712	341,783
Subtotal	525,122	141,763	2,916	3,010,815	3,680,616
Less: Accumulated Depreciation	142,824	95,787	243	—	238,854
Total	<u>\$382,298</u>	<u>\$45,976</u>	<u>\$2,673</u>	<u>\$3,010,815</u>	<u>\$3,441,762</u>

No projects were under construction, for the year ended June 30, 1995, that resulted in capitalized interest for the proprietary and fiduciary fund types.

Changes in general fixed assets for the year ended June 30, 1995 were as follows (in thousands):

	Balance July 1, 1994	Beginning Balance Adjustments	Additions	Deletions/ Net Transfers	Balance June 30, 1995
Land	\$ 149,809	\$ 596	\$ 6,119	\$ (191)	\$ 156,333
Buildings	1,929,732	(15,303)	116,432	(31,376)	1,999,485
Land Improvements	130,968	8,338	7,820	(3,055)	144,071
Machinery and Equipment	166,871	(5,079)	25,425	(20,270)	166,947
State Vehicles	193,758	881	28,170	(20,542)	202,267
Construction-in-Progress	305,253	(4,986)	442,539	(401,094)	341,712
Total	<u>\$2,876,391</u>	<u>\$(15,553)</u>	<u>\$626,505</u>	<u>\$(476,528)</u>	<u>\$3,010,815</u>

B. Component Units

A summary of fixed assets by category for the State's component units, as of June 30, 1995 (or December 31, 1994, for those component units identified in NOTE 1), follows (in thousands):

	Ohio State University	University of Cincinnati	Ohio University	Miami University	University of Akron
Land	\$ 28,419	\$ 11,316	\$ 9,124	\$ 2,143	\$ 16,678
Buildings	1,144,051	726,660	252,890	271,894	244,650
Land Improvements	120,753	17,106	50,968	25,399	26,720
Machinery and Equipment	486,324	276,103	95,325	71,411	81,040
Library Books and Publications	98,194	74,466	38,544	28,369	39,692
Vehicles	16,860	—	6,064	4,428	1,303
Construction-in-Progress	56,589	138,128	32,037	17,704	9,376
Subtotal	1,951,190	1,243,779	484,952	421,348	419,459
Less: Accumulated Depreciation	—	—	—	—	—
Total	<u>\$1,951,190</u>	<u>\$1,243,779</u>	<u>\$484,952</u>	<u>\$421,348</u>	<u>\$419,459</u>



NOTE 8 FIXED ASSETS (Continued)

	Kent State University	University of Toledo	Cleveland State University	Other Component Units	Total Component Units
Land.....	\$ 6,037	\$ 8,687	\$ 41,882	\$ 46,486	\$ 170,772
Buildings	211,326	238,633	225,672	984,334	4,300,110
Land Improvements	23,378	16,763	4,616	91,164	376,867
Machinery and Equipment	70,823	50,739	51,541	320,524	1,503,830
Library Books and Publications ...	39,914	14,716	31,077	77,246	442,218
Vehicles	6,755	—	—	3,662	39,072
Construction-in-Progress	4,864	19,325	1,699	50,035	329,757
Subtotal.....	363,097	348,863	356,487	1,573,451	7,162,626
Less: Accumulated Depreciation	—	—	—	264	264
Total.....	<u>\$363,097</u>	<u>\$348,863</u>	<u>\$356,487</u>	<u>\$1,573,187</u>	<u>\$7,162,362</u>

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including its component units, are eligible to be covered by one of the following retirement plans:

- Public Employees Retirement System
- State Teachers Retirement System
- State Highway Patrol Retirement System

A. Public Employees Retirement System (PERS)

Pension Benefits

PERS is a cost-sharing, multiple-employer public employee retirement system.

Participants in PERS, who retire at age 60 with five or more years of service credit or at any age with 30 or more years of service credit, are eligible to receive annual retirement benefits. Persons may retire with a reduced benefit as early as age 55 with 25 years of service. Retirement benefits vest after five years of credited service. Law enforcement personnel can retire under the PERS plan at age 52 with 25 years of service credit or as early as age 48 under qualifying circumstances.

PERS benefit payments vary in amount depending on length of public service, final average salary, and plan of payment selection. For non-law enforcement personnel, final salary is determined by taking the average of the three highest years of earnable salary and multiplying by 2.1 percent for every year of service up to 30 years and by 2.5 percent for every year of service exceeding 30 years. For law enforcement officers, the benefit is calculated by multiplying 2.5 percent of final average salary by the actual years of service for the first 20 years of service and 2.1 percent of final average salary for each year of service over 20 years. After retirement, benefits are increased by three percent annually if the cost of living, as measured by the Consumer Price Index, increases by at least three percent on a cumulative basis.

PERS also provides survivor and disability benefits. PERS benefits are established under Chapter 145, Ohio Revised Code.

Employer and employee required contributions to PERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for calendar year 1994 were as follows:



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	Contribution Rates — Calendar Year 1994	
	Employee Share	Employer Share
Regular Employees	8.50%	13.31%
Law Enforcement Employees	9.00%	16.70%

For law enforcement employees, 10.81 percent of the employer rate is used to fund pension obligations. For regular employees, 9.02 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the PERS health care program.

For the primary government, the payroll for its employees covered under PERS, for the year ended December 31, 1994, was \$2 billion; total payroll for this period was \$2.12 billion. For the State's component units, covered and total payroll, for the year ended June 30, 1995, was \$1.05 billion and \$2.21 billion, respectively.

The contribution requirement for the PERS pension obligation is summarized below (in thousands):

	Actuarially Determined and Actual Contributions			
	Employer		Employee	
	Dollar Amount	Percent of Active Member Payroll	Dollar Amount	Percent of Active Member Payroll
Primary Government: (for the year ended December 31, 1994)				
Regular Employees	\$178,344	9.02%	\$168,062	8.50%
Law Enforcement Employees	2,454	10.81	2,043	9.00
Total	<u>\$180,798</u>		<u>\$170,105</u>	
Component Units: (for the year ended June 30, 1995)	<u>\$ 94,465</u>	9.02%	<u>\$ 89,019</u>	8.50%

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to assist financial statement users in assessing a pension plan's funding status on a going-concern basis and progress made in accumulating sufficient assets to pay benefits when due and in making comparisons among public employee retirement systems and employers. The PERS does not make a separate measurement of assets and pension benefit obligation for individual employers.

Therefore, the pension benefit obligation determined through the most recent actuarial valuation, the net assets available for benefits, and the unfunded pension benefit obligation for PERS, as a whole, are presented below (in thousands):

		PERS, as of December 31, 1993
	Pension benefit obligation	\$23,239,400
Less:	Net assets available for benefits (valued at cost)	<u>22,888,800</u>
	Unfunded pension benefit obligation*	<u>\$ 350,600</u>

*Excludes health care benefits

The market value of net assets available for pension benefits was approximately \$24 billion at December 31, 1993. Actuarial valuations are calculated annually by the retirement system's actuary.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Occasionally, the General Assembly increases benefit payments to the current PERS retirees. In certain instances, concurrent with the passage of such legislation, a provision for payment of these benefits through State appropriations is made. During the year ended June 30, 1995, the State paid \$1.8 million to PERS for benefit increases. Funding for these benefit increases is on a pay-as-you-go basis by the State.

The primary government and its component units' actuarially determined contributions requirements for PERS represented approximately 26.7 percent and 13.9 percent, respectively, of total PERS actuarially determined contribution requirements during calendar year 1994 for all participating entities.

Eight-year historical trend information showing PERS's progress in accumulating sufficient assets to pay benefits when due is presented in the PERS Comprehensive Annual Financial Report, for the year ended December 31, 1994, the most recent data available.

Other Postemployment Benefits

All age and service retirees with 10 or more years of service credit qualify for health care coverage under PERS. Health care coverage for disability recipients and primary survivor recipients is also available. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. The portion of the employer rate that is used to fund health care is 5.89 percent of covered payroll for law enforcement employees, and 4.29 percent of covered payroll for regular employees for calendar year 1994. Employees do not fund any portion of health care costs.

PERS health care benefits are advance-funded on an actuarially determined basis. An entry-age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. The investment assumption rate for 1993 was 7.75 percent, while health care premiums were assumed to increase by 5.25 percent annually. An annual increase of 5.25 percent, compounded annually, is the base portion of the individual pay increase assumption. Additionally, annual pay increases over and above the base portion are assumed to range from zero to 5.1 percent.

With regard to asset valuation for the PERS health care plan, short-term securities consisting of commercial paper and U.S. Treasury obligations are carried at cost; equity securities, fixed income investments, and investments in real estate are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing plan participants for the multiple-employer plan was 64 thousand for the primary government, as of June 30, 1995. The employer contribution requirement is summarized below (in thousands):

	<u>Actuarially Determined and Actual Contributions</u>
Primary Government:	
(for the year ended December 31, 1994)	
Regular Employees	\$84,822
Law Enforcement Employees	<u>1,337</u>
Total.....	<u>\$86,159</u>
Component Units:	
(for the year ended June 30, 1995)	<u>\$44,928</u>



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

PERS had \$6.2 billion in net assets available for health care benefits at December 31, 1993. The actuarial accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used were \$7.7 billion and \$1.5 billion, respectively.

B. State Teachers Retirement System (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system.

Participants in STRS, may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the "formula benefit" or the "money-purchase benefit" calculation.

Under the "formula benefit" calculation, the maximum annual retirement allowance is equal to 2.1 percent of an average of a member's three highest years' salary multiplied by the member's number of years of credited service (up to 30 years and 2.5 percent a year for earned Ohio service over 30 years, up to a maximum allowance of 100 percent of final average salary). Under the "money-purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Annually, after retirement, STRS benefits are increased three percent if the cost of living, as measured by the Consumer Price Index, increases at least three percent on a cumulative basis since the latest adjustment.

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. Contributions are made by the member and employer during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money purchase benefit or a lump-sum payment in addition to the original retirement allowance.

STRS also provides death, survivors', disability, health care, and supplemental benefits. STRS benefits are established under Chapter 3307, Ohio Revised Code.

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 10 percent, respectively, 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 1995 were 14 percent for employers and 9.3 percent for employees. For STRS, 12 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the STRS health care program.

For the primary government, the payroll for its employees covered under STRS, for the year ended June 30, 1995, was \$40 million; total payroll for this period was \$2.2 billion. For the State's component units, covered and total payroll, for the same period, was \$893 million and \$2.21 billion, respectively.

The contribution requirement for the STRS pension obligation, for the year ended June 30, 1995 is summarized below (in thousands):



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	Actuarially Determined and Actual Contributions			
	Employer		Employee	
	Dollar Amount	Percent of Active Member Payroll	Dollar Amount	Percent of Active Member Payroll
Primary Government	<u>\$ 4,795</u>	12.0%	<u>\$ 3,716</u>	9.3%
Component Units	<u>\$107,210</u>	12.0%	<u>\$83,087</u>	9.3%

Effective July 1, 1994, the employee contribution rate was increased .05 percent from 9.25 to 9.3 percent to fund survivor benefit changes adopted during fiscal year 1993. These benefit changes had no effect on the employer's contribution rate in the aggregate; however, the employer's normal cost contribution rate increased from 5.4 percent to 5.45 percent, with the difference being applied to the amortization of the unfunded actuarial liability.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to assist financial statement users in assessing a pension plan's funding status on a going-concern basis and progress made in accumulating sufficient assets to pay benefits when due and in making comparisons among public employee retirement systems and employers. The STRS does not make a separate measurement of assets and pension benefit obligation for individual employers.

Therefore, the pension benefit obligation determined through the most recent actuarial valuation, the net assets available for benefits, and the unfunded pension benefit obligation for STRS, as a whole, are presented below (in thousands):

		STRS, as of July 1, 1994
	Pension benefit obligation	<u>\$34,481,460</u>
Less:	Net assets available for benefits (valued at cost)	<u>26,438,248</u>
	Unfunded pension benefit obligation*	<u>\$ 8,043,212</u>

*Excludes health care benefits

The market value of net assets available for pension benefits for STRS at July 1, 1994 was \$27 billion. Actuarial valuations are calculated annually by the retirement system's actuary.

During the year ended June 30, 1995, the State paid \$3.4 million to STRS for benefit increases. Funding for benefit increases is on a pay-as-you-go basis by the State.

Information from STRS to determine the State's actuarially determined contribution requirement as a percentage of total STRS actuarially determined contribution requirements of all participating entities for its fiscal year ended June 30, 1995 was not available at the time of publication of this report; during fiscal year 1994, the State's required contribution to STRS represented less than one percent of total STRS contributions of all participating entities while the component units' required contributions to STRS, in the aggregate for fiscal year 1994, represented 11.7 percent of total STRS contributions of all participating entities.

Ten-year historical trend information for STRS is presented in the STRS Comprehensive Annual Financial Report, as of June 30, 1994, the most recent data available.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other Postemployment Benefits

The STRS plan provides comprehensive health care benefits to retirees and their dependents. Retirees are required to make health care premium payments at amounts that vary according to each retiree's years of credited service and choice of health care provider. Additional premiums are required to be paid by retirees for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated health care costs are absorbed by the plan. Currently, employer contributions equal to two percent of covered payroll are allocated to pay for health care benefits.

The employer contribution is advance-funded, but not on an actuarially determined basis. Net health care costs paid by the primary government and its component units, for the year ended June 30, 1995, totaled \$799 thousand, and \$17.9 million, respectively. Eligible benefit recipients for the primary government, for the same period, totaled 1,004. Net assets available to fund future health care benefits totaled \$830 million, as of June 30, 1994.

C. State Highway Patrol Retirement System (SHPRS)

SHPRS, a component unit of the State, was established in 1944 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State. 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.

SHPRS's general administration and management is vested in a seven-member retirement board, which consists of four elected members, one elected retiree, and two statutory members. The board appoints an executive director, actuary, investment advisor, investment monitor, and other employees.

SHPRS's membership consisted of the following, as of December 31, 1994:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	777
Current Employees:	
Vested	385
Nonvested	<u>1,080</u>
Total	<u><u>2,242</u></u>

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The employer contribution rate is established by the SHPRS Retirement Board and certified to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate. Active members and the Ohio State Highway Patrol are required to contribute 10.5 percent and 24.53 percent, respectively, of active member payroll.

For SHPRS, 19.29 and 19.03 percent of the employer rate were used to fund pension obligations from January 1 to June 30, 1994 and July 1 to December 31, 1994, respectively. The difference between the total employer contribution rate of 24.53 percent and the respective percentage used to fund pension obligations during each six-month period was the rate used to fund the SHPRS health care program.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions may be refunded to a member who terminates employment with the Ohio State Highway Patrol or to the member's beneficiary following the member's death, if no survivor benefits are payable.

Members are eligible for normal retirement benefits upon reaching age 52 and accumulating at least 20 years of Ohio State Highway Patrol service credit. The benefits are a percentage of the member's final average salary, the average of the member's three highest salaried years. The percentage is determined by multiplying 2.5 percent times the first 20 years of service plus two percent times the next five years plus 1.5 percent for each year in excess of 25 years of service. A member's pension cannot exceed 72 percent of the final average salary. Early retirement with reduced benefits is available upon reaching age 48 with 20 years of service credit. Early retirement with normal benefits is available upon reaching age 48 with 25 years of service credit. The basic benefit for all retirants is increased by three percent each year after age 60, provided the change in the Consumer Price Index equals or exceeds three percent.

In addition to the retirement benefits, SHPRS also provides for disability, survivors', and health care benefits. Qualified dependents of a deceased member are eligible for monthly survivors' benefits. All members receiving a benefit from SHPRS are eligible to receive medical insurance.

Members with credited service from prior Ohio State Highway Patrol service, military service time prior to employment, military service interrupting Ohio State Highway Patrol service, and full-time police or fire service are eligible to purchase SHPRS service credit accumulated in one or all of the retirement plans related to the above services. Members of the SHPRS with prior participation in Ohio's State Teachers Retirement System, School Employees Retirement System, Public Employees Retirement System, or Cincinnati Retirement System are eligible to purchase service credit for one or all of the related retirement plans.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to assist financial statement users in assessing a pension plan's funding status on a going-concern basis and progress made in accumulating sufficient assets to pay benefits when due and in making comparisons among public employee retirement systems and employers. The measure is independent of the actuarial funding method used to determine contributions to SHPRS.

The pension benefit obligation was determined as part of an actuarial valuation, as of December 31, 1994. Actuarial valuations are calculated annually by SHPRS's actuaries. Significant actuarial assumptions used in the valuation include the following:

- Rate of return on the SHPRS investments of 7.75 percent, compounded annually, net of administration expenses;
- Projected salary increases of five percent, compounded annually, attributable to inflation;
- Additional projected salary increases ranging from zero to 4.2 percent a year attributable to seniority and merit;
- Post-retirement mortality life expectancies of members based on the 1971 Group Annuity Mortality Male and Female Tables, projected to 1984;
- Rates of withdrawal from active service before retirement for reasons other than death and rates of disability and expected retirement ages developed on the basis of actual plan experience.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Significant actuarial assumptions used to compute actuarially determined contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

The total unfunded pension benefit obligation at December 31, 1994 was \$51.2 million as follows (in thousands):

Pension Benefit Obligation			
Retirees and beneficiaries currently receiving benefits and terminated employees not receiving benefits		\$156,364	
Current employees			
Accumulated employee contributions, including allocated investment income		47,948	
Employer-financed vested		97,464	
Employer-financed nonvested		58,856	
Total pension benefit obligation			\$360,632
Less: Net Assets Available for Pension Benefits			
Net assets available for pension benefits at cost (estimated market value is \$320 million)			309,431
			<u>\$ 51,201</u>

SHPRS's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry-age normal cost actuarial funding method. SHPRS also uses the level percentage of payroll method to amortize the unfunded liability over a 23-year amortization period.

During calendar year 1994, contributions were made in accordance with actuarially determined contribution requirements determined through actuarial valuations performed at December 31, 1994. Total employer and employee actuarially determined and actual contributions, excluding health care benefits, for the year ended December 31, 1994, consisted of the following (in thousands):

	Employer		Employee	
	Dollar Amount	Percent of Active Member Payroll	Dollar Amount	Percent of Active Member Payroll
<i>For the period, January 1 through June 30, 1994:</i>				
Normal costs.....	\$3,483	12.11%	\$3,020	10.50%
Amortization of the unfunded actuarial accrued liability ...	2,065	7.18	—	—
Total actuarially determined contributions	<u>\$5,548</u>	<u>19.29%</u>	<u>\$3,020</u>	<u>10.50%</u>
	Employer		Employee	
<i>For the period, July 1 through December 31, 1994:</i>				
Normal costs.....	\$3,589	12.11%	\$3,112	10.50%
Amortization of the unfunded actuarial accrued liability ...	2,051	6.92	—	—
Total actuarially determined contributions	<u>\$5,640</u>	<u>19.03%</u>	<u>\$3,112</u>	<u>10.50%</u>

The payroll for employees of the primary government covered by SHPRS, for the year ended December 31, 1994, was \$58.4 million; the primary government's total payroll for this period was \$2.12 billion.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Trend information gives an indication of the progress made in accumulating sufficient assets to pay pension benefits when due. Three-year trend information for SHPRS follows:

	1994	1993	1992
Net assets available for benefits as a percentage of pension benefit obligation	85.8%	74.0%	75.5%
Unfunded pension benefit obligation as a percentage of annual covered payroll.....	87.7%	163.6%	145.4%
Employer contributions* as a percentage of annual covered payroll	19.2%	19.4%	19.5%

*All made in accordance with actuarially determined requirements.

SHPRS maintains its own accounting system separately from the State's and publishes a separate publicly available financial report. The available required 10-year historical trend information showing the fund's progress in accumulating sufficient assets to pay benefits when due is presented in that report, as of December 31, 1994. SHPRS's financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned. All investments are carried at cost net of amortization and are subject to adjustment for market declines judged to be other than temporary.

Other Postemployment Benefits

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basis premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 1994, was 1,465. The cost of retiree health care benefits is recognized as claims are incurred and premiums are paid. The calendar year 1994 expense was \$1.7 million.

Health care benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition, the assumption that projected health care premiums would increase at a rate of five percent, compounded annually, due to inflation was also used in the valuation. The net assets available for benefits allocated to health care costs at December 31, 1994 was \$54.9 million, and include investments, which are carried at cost net of amortization and are subject to adjustment for market declines judged to be other than temporary.

As of December 31, 1994, the actuarial accrued liability for health care benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$71.1 million; the unfunded actuarial accrued liability for health care benefits was \$16.2 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately \$1.5 million or 5.24 percent of active member payroll for the period, January 1 to June 30, 1994, and \$1.6 million or 5.5 percent of active member payroll for the period, July 1 to December 31, 1994.



NOTE 10 GENERAL OBLIGATION BONDS

The State has pledged its faith and credit for the payment of principal and interest on general obligation bonds accounted for and included with obligations in the General Long-Term Obligations Account Group.

At various times since 1921, Ohio voters, by 13 constitutional amendments (the last adopted in 1993), have authorized the incurrence of general obligation debt for the construction and improvement of State facilities, highways, research and development of coal technology, parks, recreation, and natural resources, and local infrastructure improvements. In practice, general obligation bonds are retired over periods of 10 to 35 years.

As of June 30, 1995, \$2.89 billion in general obligation debt (excluding Highway Obligations and Infrastructure Bonds discussed below) had been authorized by constitutional amendment of which \$2.54 billion had been issued and \$88.9 million was outstanding; the authorization to issue \$232.5 million had expired.

Coal Research and Development and Parks and Natural Resources bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively.

Highway Obligations may be issued as long as the outstanding principal amount does not exceed \$500 million. The aggregate of General Assembly authorizations, as of June 30, 1995, for Highway Obligations, was \$1.85 billion, of which \$1.55 billion had been issued and \$357.7 million was outstanding. Additional Highway Obligations may be issued from time to time, as authorized by the General Assembly, as outstanding Highway Obligations are retired.

A 1987 constitutional amendment authorized the issuance of \$1.2 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds), of which no more than \$120 million may be issued in any year. As of June 30, 1995, the General Assembly had authorized \$960 million of these bonds to be sold, of which \$840 million had been issued and \$769.6 million (net of unaccrued discount of \$174.3 million on deep-discount bonds issued) was outstanding; the authorization to issue \$120 million had expired.

General obligation bonds outstanding, and bonds authorized but unissued, as of June 30, 1995, were as follows (in thousands):

Purpose	Fiscal Years Issued	Average Net Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Highway Obligations	1986-94	4.5%-6.8%	2004	\$ 357,725	\$309,695
Development	1970	5.7%	1996	4,170	—
Coal Research and Development	1987-93	5.0%-6.2%	2003	34,700	70,000
Parks, Recreation, and Natural Resources	1995	4.5%-5.6%	2010	50,000	50,000
Infrastructure Improvements	1990-95	4.8%-8.2%	2015	769,601	—
Total.....				<u>\$1,216,196</u>	<u>\$429,695</u>

Changes in general obligation bonds during the year ended June 30, 1995 are summarized in NOTE 16.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future general obligation debt service requirements, as of June 30, 1995, were as follows (in thousands):

Year Ending June 30,	Principal	Interest	Total
1996	\$ 149,480	\$ 51,209	\$ 200,689
1997	134,730	43,640	178,370
1998	114,525	37,279	151,804
1999	92,040	31,968	124,008
2000	79,870	28,233	108,103
Thereafter	819,880	154,599	974,479
Subtotal.....	1,390,525	346,928	1,737,453
Less: Unamortized Discount .	174,329	—	174,329
Total.....	<u>\$1,216,196</u>	<u>\$346,928</u>	<u>\$1,563,124</u>

In fiscal year 1993, the Treasurer of State defeased the Infrastructure Improvement Bonds, Series 1988 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 1995, \$85.7 million of the Infrastructure Bonds outstanding are considered defeased.

NOTE 11 SPECIAL OBLIGATION BONDS

Special obligation bonds reported in the General Long-Term Obligations Account Group have been authorized and issued by the Ohio Building Authority (OBA), the Ohio Public Facilities Commission (OPFC), and the Treasurer of State for the Department of Education. OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for State departments and agencies and, in some cases, related facilities for local governments. OPFC bonds finance the cost of capital facilities for the state-supported institutions of higher education, mental hygiene and retardation, and parks and recreation. Elementary and Secondary Education Bonds issued by the Treasurer of State for the Department of Education finance the cost of capital facilities for local school districts.

OBA bonds issued for State agencies are reflected as special obligation bonds, and OBA bonds issued for related local government facilities are shown as revenue bonds (See NOTE 12).

OBA, OPFC, and the Elementary and Secondary Education bonds are secured by pledges of lease rental payments from appropriations made to the General 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.

Special obligation bonds outstanding, and bonds authorized but unissued, as of June 30, 1995, were as follows (in thousands):

Organization	Fiscal Years Issued	Average Net Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1985-95	2.0%-9.8%	2015	\$1,638,527	\$ 542,820
Ohio Public Facilities Commission	1975-95	4.4%-9.7%	2010	2,623,430	985,210
Elementary and Secondary Education	1995	5.8%	2003	60,510	70,000
Total				<u>\$4,322,467</u>	<u>\$1,598,030</u>



NOTE 11 SPECIAL OBLIGATION BONDS (Continued)

Changes in special obligation bonds during the year ended June 30, 1995 are summarized in NOTE 16.

Future special obligation debt service requirements, as of June 30, 1995, were as follows (in thousands):

Year Ending June 30,	Principal	Interest	Total
1996	\$ 373,462	\$ 234,874	\$ 608,336
1997	384,821	213,133	597,954
1998	381,462	196,165	577,627
1999	358,034	180,146	538,180
2000	341,544	161,602	503,146
Thereafter	2,483,144	684,940	3,168,084
Total	<u>\$4,322,467</u>	<u>\$1,670,860</u>	<u>\$5,993,327</u>

During fiscal year 1995, the OPFC issued \$26.6 million of special obligation refunding bonds to defease \$27 million of special obligation bonds. The net proceeds of \$26.2 million from the refunding issue, plus an additional \$1.8 million of existing debt service moneys, were used to purchase U.S. government securities, which were placed in an irrevocable trust with an agent to provide for all future debt service payments on the refunded principal. Consequently, the refunded bonds are no longer considered to be outstanding, and the corresponding principal amounts have been removed from the General Long-Term Obligation Account Group.

The OPFC advance refunded the special obligation bonds to reduce its debt service payments over the next 10 years by approximately \$2.6 million and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$1.4 million.

In prior years, the OBA and OPFC defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust 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. As of June 30, 1995, \$708.3 million and \$229.3 million of OBA and OPFC bonds outstanding, respectively, are considered defeased.

NOTE 12 REVENUE BONDS AND NOTES

The State Constitution permits State agencies and authorities to issue bonds that are not supported by the faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Treasurer of State for the Ohio Department of Development's Economic Development Financing Division (EDFD) and the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation. Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, and the University of Cincinnati.

A. Primary Government

Revenue bonds accounted for in the Enterprise Fund finance the costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus.

OBA revenue bonds reported in the Internal Service Fund finance the costs of office buildings and related facilities for shared use by local governments. The principal and interest requirements on these bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 6.



NOTE 12 REVENUE BONDS AND NOTES (Continued)

Economic development bonds, issued by the Treasurer of State for the EDFD's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State, which cannot obtain conventional financing for economic development projects that create or retain jobs in the State. The bonds are secured with profits derived from the sale of spirituous liquor by the Ohio Department of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution.

Additionally, taxable economic development bonds in the amount of \$6.3 million, issued by the Treasurer of State in connection with the Ohio Enterprise Bond Program, were outstanding, as of June 30, 1995. Proceeds from this bond issuance in fiscal year 1988 were placed in a reserve with trustee and are pledged to secure, in part, the payment of principal and interest on other economic development bonds issued under this program.

During fiscal year 1995, \$8.6 million of Ohio Enterprise Bonds were issued under the authority of Section 166.09, Ohio Revised Code, to provide private entities with capital financing for economic development projects. The Ohio Enterprise Bonds, which are reported as "no commitment" debt in NOTE 13, are primarily secured by the property financed, and payments by the borrowing entities are used to retire the debt and to service interest payments.

Revenue bonds outstanding for the primary government, as of June 30, 1995 (December 31, 1994 for the Bureau of Workers' Compensation), were as follows (in thousands):

Organization	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Enterprise:				
Ohio Building Authority/ Bureau of Workers' Compensation	1993	3.3%-5.1%	2014	\$210,016
Internal Service:				
Ohio Building Authority	1986	5.5%-9.8%	2008	46,256
General Long-Term Obligations:				
Treasurer of State/Economic Development .	1988-89	7.5%-9.7%	2001	82,730
Total				<u>\$339,002</u>

Changes in revenue bonds reported in the General Long-Term Obligations Account Group, for the year ended June 30, 1995, are summarized in NOTE 16.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 1995 (December 31, 1994 for the Bureau of Workers' Compensation), were as follows (in thousands):

Year Ending December 31 or June 30,	Enterprise Fund			Internal Service Fund			General Long-Term Obligations Account Group		
	Principal	Interest	Total	Principa l	Interest	Total	Principa l	Interest	Total
1995	\$ 2,000	\$ 9,947	\$ 11,947						
1996	3,000	9,861	12,861	\$ 2,768	\$ 3,490	\$ 6,258	\$15,240	\$ 4,428	\$ 19,668
1997	4,000	9,731	13,731	2,704	3,514	6,218	14,817	4,835	19,652
1998	5,000	9,555	14,555	2,675	3,545	6,220	13,869	5,769	19,638
1999	6,000	9,332	15,332	2,913	3,312	6,225	13,740	5,364	19,104
2000				3,168	3,054	6,222	15,615	4,036	19,651
Thereafter	194,255	79,316	273,571	34,380	15,022	49,402	9,449	3,089	12,538
Subtotal	214,255	127,742	341,997	48,608	31,937	80,545	82,730	27,521	110,251
Less: Unamortized Discount	4,239	—	4,239	2,352	—	2,352	—	—	—
Total	<u>\$210,016</u>	<u>\$127,742</u>	<u>\$337,758</u>	<u>\$46,256</u>	<u>\$31,937</u>	<u>\$78,193</u>	<u>\$82,730</u>	<u>\$27,521</u>	<u>\$110,251</u>



NOTE 12 REVENUE BONDS AND NOTES (Continued)

B. Component Units

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds have been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs as reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 1994, approximately \$85 million in bonds were outstanding for this program. Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 1994, were as follows (in thousands):

Year Ending December 31,	Principal	Interest	Total
1995	\$ 5,485	\$ 4,240	\$ 9,725
1996	6,615	3,977	10,592
1997	6,510	3,675	10,185
1998	6,385	3,370	9,755
1999	6,240	3,064	9,304
Thereafter	54,360	15,925	70,285
Subtotal	85,595	34,251	119,846
Less: Unamortized Discount	547	—	547
Total	<u>\$85,048</u>	<u>\$34,251</u>	<u>\$119,299</u>

Generally, bonds and notes issued by 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 proceedings, for the construction of residence and dining halls and auxiliary facilities such as hospitals, parking facilities, bookstores, and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program bonds, the State is not obligated in any manner for the debt of its component units.

Future bond service requirements for revenue bonds and notes of the following major component units, as of June 30, 1995 (December 31, 1994 for OWDA), were as follows (in thousands):

Year Ending December 31 or June 30,	Ohio Water Development Authority			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1995	\$ 55,940	\$ 51,923	\$ 107,863						
1996	59,700	48,298	107,998	\$ 21,565	\$ 11,413	\$ 32,978	\$ 99,747	\$ 16,772	\$ 116,519
1997	60,055	44,950	105,005	22,775	9,766	32,541	14,020	11,892	25,912
1998	61,970	41,974	103,944	19,540	8,746	28,286	14,692	11,204	25,896
1999	63,100	38,852	101,952	19,715	7,835	27,550	13,092	10,461	23,553
2000				18,209	6,949	25,158	12,358	9,761	22,119
Thereafter	688,740	242,641	931,381	127,200	31,805	159,005	150,960	56,515	207,475
Subtotal	989,505	468,638	1,458,143	229,004	76,514	305,518	304,869	116,605	421,474
Less: Unamortized Discount	39,171	—	39,171	—	—	—	—	—	—
Total	<u>\$950,334</u>	<u>\$468,638</u>	<u>\$1,418,972</u>	<u>\$229,004</u>	<u>\$76,514</u>	<u>\$305,518</u>	<u>\$304,869</u>	<u>\$116,605</u>	<u>\$421,474</u>



NOTE 13 NO COMMITMENT 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 limited obligations 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 pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 1995, revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (in thousands):

<u>Organization</u>	<u>Outstanding Amount</u>
Ohio Department of Development:	
Ohio Housing Finance Agency.....	\$1,700,671
Ohio Enterprise Bond Program.....	144,134
Hospital Facilities Bonds.....	4,284
Total.....	\$1,849,089

NOTE 14 CERTIFICATES OF PARTICIPATION

As of June 30, 1995, approximately \$8 million in certificate of participation obligations were reported in the General Long-Term Obligations Account Group for the Ohio Department of Transportation's acquisition of the Panhandle Rail Line Project.

Under this kind of financing arrangement, the State is required to make payments subject to biennial appropriations that approximate the interest and principal payments made by a trustee to certificate holders.

The primary government's future commitments, as of June 30, 1995, were as follows (in thousands):

Year Ending June 30,	<u>General Long-Term Obligations Account Group</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996.....	\$ 255	\$ 505	\$ 760
1997.....	265	492	757
1998.....	280	477	757
1999.....	300	462	762
2000.....	315	444	759
Thereafter	6,580	3,332	9,912
Total.....	\$7,995	\$5,712	\$13,707

Changes in certificate of participation obligations reported in the General Long-Term Obligations Account Group, for the year ended June 30, 1995, are summarized in NOTE 16.



NOTE 15 OTHER LONG-TERM OBLIGATIONS

As of June 30, 1995, other general long-term obligations of the State reported in the General Long-Term Obligations Account Group were as follows (in thousands):

Compensated Absences (A.)	\$ 263,542
Lease Agreements (B.)	15,242
Judgments, Settlements, and Claims (C.)	201,809
Litigation Liabilities (C.)	20,525
Workers' Compensation Obligation (D.).....	<u>532,900</u>
Total Other General Long-Term Obligations.....	<u>\$1,034,018</u>

Changes in other general long-term obligations reported in the General Long-Term Obligations Account Group, for the year ended June 30, 1995, are summarized in NOTE 16.

A. Compensated Absences

To lessen the impact of terminal leave pay on a given State agency's budget, an accrued leave funding program was instituted by law in 1982. State agencies must contribute a percentage of gross payroll to a common pool of resources from which terminal leave expenditures/expenses are paid. The amount of cash equity with Treasurer and related interest receivable available to satisfy terminal pay claims at June 30, 1995 was approximately \$30.9 million. These and related assets are reported as part of the Payroll Withholding and Fringe Benefits Agency Fund.

The compensated absence liability for the primary government's proprietary funds is reported net of the funds' portion of accrued leave funding and is reflected in accrued liabilities. The compensated absence liability for the primary government's governmental funds is also reported net of the funds' portion of the accrued leave funding and is reported as part of the General Long-Term Obligations Account Group.

For the primary government, the gross compensated absences liability, as of June 30, 1995, was \$322.9 million, of which \$31.4 million is allocable to the proprietary funds and \$291.5 million is allocable to the General Long-Term Obligations Account Group. The net (after reduction of the \$30.9 million) compensated absence liability, as of June 30, 1995, was \$292 million, of which \$28.5 million is reported in the proprietary funds and \$263.5 million is reported in the General Long-Term Obligations Account Group.

For the State's component units, the compensated absences liability, as of June 30, 1995, in the amount of \$186.5 million is included in "Accrued Liabilities."

B. Lease Agreements

The State's primary government leases office buildings and office and computer 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 in the General Long-Term Obligations Account Group or appropriate proprietary fund types for capital leases.

Assets acquired through capital leasing are valued at the lower of fair market value or the present value of the future minimum lease payments at the lease's inception. The noncurrent portion of capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital lease obligations for the



NOTE 15 OTHER LONG-TERM OBLIGATIONS (Continued)

governmental fund types are reported in the General Long-Term Obligations Account Group and the related assets are reported in the General Fixed Assets Account Group.

Operating leases (leases on assets not recorded in the combined balance sheet) contain various renewal 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 1995 were approximately \$95 million. Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 1995, were as follows (in thousands):

Year Ending June 30,	OPERATING LEASES	CAPITAL LEASES		Total
		General Long-Term Obligations	Internal Service Funds	
1996	\$ 9,517	\$ 5,726	\$1,007	\$ 6,733
1997	3,837	4,991	299	5,290
1998	493	3,598	27	3,625
1999	386	2,680	—	2,680
2000	61	292	—	292
Thereafter	—	—	—	—
Total Minimum Lease Payments	<u>\$14,294</u>	17,287	1,333	18,620
Less: Amount representing interest		<u>2,045</u>	<u>51</u>	<u>2,096</u>
Present value of net minimum lease payments		<u>\$15,242</u>	<u>\$1,282</u>	<u>\$16,524</u>

As of June 30, 1995, the primary government had the following fixed assets (net of accumulated depreciation for proprietary funds) under capital leases, which are reported under "Accrued Liabilities" in the proprietary funds (in thousands):

	General Fixed Assets	Internal Service	Total
Equipment.....	<u>\$22,512</u>	<u>\$2,058</u>	<u>\$24,570</u>

Amortization expense for the proprietary funds is included with depreciation expense.

C. Judgments, Settlements, and Claims/Litigation Liabilities

The Ohio Department of Education has been involved with several school desegregation court cases filed against the State by various local boards of education. In cases when the judgment went against the State, the courts decided that the State was responsible for sharing in all past and future desegregation costs. As of June 30, 1995, the State was responsible for an estimated \$200.2 million liability for past desegregation costs, which is recorded in the General Long-Term Obligations Account Group until such time that it becomes payable from the General Fund.

Additionally, the State has accrued approximately \$1.6 million for claims payable under the General Medical Assistance and Disability Assistance programs administered by the Ohio Department of Human Services.

For information on the State's loss contingencies arising from pending litigation, see NOTE 23.



NOTE 15 OTHER LONG-TERM OBLIGATIONS (Continued)

D. Workers' Compensation Obligation

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 an unbilled premium receivable for the State's portion of its actuarially determined liability for compensation, which is recorded in the General Long-Term Obligations Account Group, in the amount of \$532.9 million.

E. Liabilities Payable from Restricted Assets

Deferred Prize Awards

Deferred prize awards payable in installments over future years totaling approximately \$1.24 billion, as of June 30, 1995, are recorded as "Liabilities Payable from Restricted Assets" at present value based upon interest rates the Treasurer of State provides the Ohio Lottery Commission Enterprise Fund. The interest rates represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred 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 present value of future payments of unpaid prize awards, as of June 30, 1995, is summarized as follows (in thousands):

Year Ending June 30,	
1996	\$ 140,655
1997	140,566
1998	140,340
1999	140,199
2000	140,049
Thereafter	<u>1,474,281</u>
Subtotal	2,176,090
Less: Unamortized Discount	<u>939,682</u>
Net Prize Liability	<u><u>\$1,236,408</u></u>

Prizes can be claimed within six months of the drawing date for on-line games and within six months of the closing date for instant games. After the expiration of the statutory six-month period, the prize liability is reduced for the unclaimed prizes.

Tuition Benefits

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund totaling \$132 million, as of June 30, 1995, are recorded as "Liabilities Payable from Restricted Assets." 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 at state universities and state community colleges and termination of plan participation.



NOTE 15 OTHER LONG-TERM OBLIGATIONS (Continued)

F. Reserve for Compensation

The Workers' 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 December 31, 1994, in the amount of \$12.62 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is reported as "Workers' Compensation Benefits Payable."

NOTE 16 CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations, for the year ended June 30, 1995, are summarized as follows (in thousands):

	General Obligation Bonds (NOTE 10)	Special Obligation Bonds (NOTE 11)	Revenue Bonds (NOTE 12)	Certificates of Participation (NOTE 14)	Other General Long-Term Obligations (NOTE 15)	Total
Balance, as of July 1, 1994 (as restated - See NOTE 2)	\$1,185,152	\$4,012,909	\$96,985	\$8,235	\$1,079,083	\$6,382,364
Additions:						
Debt Issues	170,000	680,040	—	—	—	850,040
Deep-Discount Accretions	12,584	3,817	—	—	—	16,401
Increase in Compensated Absences	—	—	—	—	19,884	19,884
Increase in Lease Obligations	—	—	—	—	2,445	2,445
Increase in Judgments, Settlements, and Claims	—	—	—	—	9,540	9,540
Increase in Workers' Compensation Obligation	—	—	—	—	30,100	30,100
Increase in Contingent Liabilities	—	—	—	—	14,525	14,525
Total Additions	182,584	683,857	—	—	76,494	942,935
Deductions:						
Debt Retirements, Terminations, and Defeasances	151,540	374,299	14,255	240	—	540,334
Decrease in Lease Obligations	—	—	—	—	3,753	3,753
Decrease in Judgments, Settlements, and Claims	—	—	—	—	81,806	81,806
Decrease in Contingent Liabilities	—	—	—	—	36,000	36,000
Total Deductions	151,540	374,299	14,255	240	121,559	661,893
Balance, as of June 30, 1995	\$1,216,196	\$4,322,467	\$82,730	\$7,995	\$1,034,018	\$6,663,406

Fiscal year 1995 additions to the general obligation bonds and special obligation bonds do not include discounts and bond issuance costs of approximately \$2 million and \$10 million, respectively, which are netted with bond proceeds reported on the operating statement. The \$1.7 million and \$736 thousand increases in lease obligations for the General Fund and the Special Revenue Fund, respectively, are considered to be immaterial, and therefore, are not reflected in the "Other Financing Sources (Uses)" section of each respective fund's operating statement.

NOTE 17 DEFERRED COMPENSATION PLAN

The State of Ohio offers its employees and elected officials a deferred compensation plan created in accordance with Internal Revenue Code Section 457 that is reported in the Deferred Compensation Agency



NOTE 17 DEFERRED COMPENSATION PLAN (Continued)

Fund. The plan, available to any public employee, permits participants to defer a portion of their salary and the related tax liability until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claim of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. The Plan Agreement states that the State and the Ohio Public Employees Deferred Compensation Board, the plan administrator, have no liability for losses under the plan with exception of fraud or wrongful taking.

The State believes that it is unlikely that the assets will be used to satisfy the claims of general creditors in the future, and no assets have been used in the past to satisfy such claims.

The \$609.5 million and \$4 million asset balances reported for the primary government and its component units, respectively, on the Combined Balance Sheet — All Fund Types and Account Groups and Discretely Presented Component Units as “Deposit with Deferred Compensation Plan” represents the State of Ohio's assets actually held by the plan administrator. Plan assets are carried at market value.

NOTE 18 ENTERPRISE FUNDS

A. Segment Information

The State has five enterprise funds, which provide for the tuition guarantee program, liquor sales, lottery sales, workers' compensation insurance services, and underground state parking facilities.

Segment information, for the fiscal year ended June 30, 1995, unless otherwise previously noted, was as follows (in thousands):

	Tuition Trust Authority	Liquor Control	Ohio Lottery Commission	Workers' Compensation (12/31/94)	Underground Parking Garage	Total Enterprise Funds
Operating revenues	\$ 12,934	\$346,942	\$2,268,389	\$ 3,161,387	\$ 2,296	\$ 5,791,948
Depreciation	53	819	8,532	21,822	406	31,632
Amortization of Premiums and Discounts	(1,392)	—	92,502	(55,991)	—	35,119
Operating income	3,474	78,578	711,344	2,473,711	826	3,267,933
Operating transfers-in	1,000	—	—	—	—	1,000
Operating transfers-out	—	78,269	656,391	—	1,011	735,671
Net income (loss)	11,537	346	54,810	2,473,711	(101)	2,540,303
Fixed asset additions	64	917	1,168	31,221	—	33,370
Fixed asset disposals	10	735	4,823	1,888	—	7,456
Net working capital	12,463	9,953	79,672	1,425,107	3,029	1,530,224
Increase (decrease) in cash and cash equivalents	4,013	446	50,791	(450,885)	299	(395,336)
Total assets	152,813	34,133	1,461,098	14,020,786	11,589	15,680,419
Bonds and other noncurrent liabilities payable from operating revenues	—	—	25,951	12,825,692	—	12,851,643
Total equity (deficits)	20,611	11,801	154,229	(456,541)	11,485	(258,415)



NOTE 18 ENTERPRISE FUNDS (Continued)

B. Workers' Compensation Fund

For the Workers' Compensation Enterprise Fund, the reserve for compensation (see NOTE 15F.) is based on historical claims experience data and assumptions and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claim reserves. The reserve for compensation adjustment expenses, which is included in "Refund and Other Liabilities" in the amount of \$911.4 million, is based, in part, on the reserve for compensation. The management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the liability recorded is adequate; however, the ultimate liability may vary from amounts provided. The assumptions used in estimating and establishing the reserves are reviewed and updated quarterly based upon current circumstances, and any adjustments resulting therefrom are reflected in operations in the current period. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended December 31, 1994.

NOTE 19 FUND EQUITY — DESIGNATIONS AND OTHER RESERVES

As of June 30, 1995, the General Fund's unreserved fund balance was designated as follows (in thousands):

Budget Stabilization.....	\$535,214
SchoolNet Plus Program	125,000
Human Services Stabilization	100,000
Local School District	
Aid and Reimbursements	77,805
Local Government Support.....	12,000
Ohio Public Library Information Network.....	8,000
Total	<u>\$858,019</u>

Details of the "Reserved for Other" account reported for the governmental and expendable trust funds in the primary government's combined balance sheet, as of June 30, 1995, follow (in thousands):

Reserved for Other:	General	Special Revenue	Capital Projects	Expendable Trust	Total
Intergovernmental Receivable:					
Advance Payments to Local Government	\$ 3,661	\$ —	\$ —	\$ —	\$ 3,661
Inventories	5,948	38,246	—	—	44,194
Other Assets - Prepaids	1,242	110	—	—	1,352
Minority Contractors' Bonding Program	—	2,020	—	—	2,020
Loan Commitments	—	104,918	41,695	—	146,613
Teacher Scholarship Program	—	48	—	—	48
Health Care Benefits	13,894	11,252	7	—	25,153
Advances to Other Funds	22,986	—	—	74,577	97,563
Total	<u>\$47,731</u>	<u>\$156,594</u>	<u>\$41,702</u>	<u>\$74,577</u>	<u>\$320,604</u>

Reserved retained earnings for the Enterprise Fund, as of June 30, 1995 (December 31, 1994 for the Bureau of Workers' Compensation), are provided for future health care benefits funding from the Liquor Control Fund, the payment of deferred lottery prizes from the Ohio Lottery Commission, and insurance claims payable from the Workers' Compensation Fund in the amounts of \$275 thousand, \$55.9 million, and \$82.7 million, respectively.

Reserved retained earnings for the Internal Service Fund, as of June 30, 1995, are provided for the funding of future health care benefits in the amount of \$525 thousand.



NOTE 20 RETAINED EARNINGS DEFICITS

A retained earnings deficit of \$129.2 million is reported for the Workers' Compensation Enterprise Fund, as of December 31, 1994. This represents approximately a 95 percent decrease in the deficit since December 31, 1993. The management of the Bureau of Workers' Compensation attributes the improvement to changes in estimates of insured events of prior years, which are primarily due to changes in claims management, medical cost containment programs, and increased fraud detection and prosecution.

The deficit is a result of recording reserves for compensation adjustment expenses (see NOTE 18B.) in conformity with generally accepted accounting principles, while such expenses are funded on a terminal funding basis in accordance with statutory requirements. Consequently, incurred compensation adjustment expenses are not fully funded.

NOTE 21 COMPONENT UNIT FUNDS

Condensed financial statements for the component unit funds for the fiscal year ended June 30, 1995 (December 31, 1994 for the Ohio Water Development Authority) are as follows (in thousands):

Condensed Balance Sheet — Component Units

	Ohio Water Development Authority	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Assets					
Cash Equity with Treasurer	\$ 408	\$ —	\$ —	\$ —	\$ 408
Cash and Cash Equivalents	952	46,031	45,183	97,182	189,348
Investments	386,200	887,634	155,802	557,639	1,987,275
Receivables	1,271,562	176,921	93,216	216,991	1,758,690
Due from Other Funds	727	423,622	147,599	55,582	627,530
Inventories	—	16,925	4,474	21,295	42,694
Deposit with Deferred Compensation Plan	552	—	—	3,469	4,021
Restricted Assets	—	3,823	435,217	37,732	476,772
Fixed Assets (net of accumulated depreciation)	220	1,951,190	1,243,779	3,967,173	7,162,362
Other Assets	12,502	19,423	379,099	26,191	437,215
Total Assets	\$1,673,123	\$3,525,569	\$2,504,369	\$4,983,254	\$12,686,315
Liabilities					
Accounts Payable	\$ 17,088	\$ 49,655	\$ 31,069	\$ 62,618	\$ 160,430
Accrued Liabilities	4,386	178,549	32,723	243,467	459,125
Due to Other Funds	727	423,622	147,599	55,582	627,530
Deferred Revenues	—	54,166	27,014	76,734	157,914
Refund and Other Liabilities	2,868	20,021	298,466	35,873	357,228
Liability for Deferred Compensation	552	—	—	3,469	4,021
Revenue Bonds and Notes	950,334	229,004	304,869	312,394	1,796,601
Certificates of Participation	—	5,115	3,630	9,645	18,390
Total Liabilities	975,955	960,132	845,370	799,782	3,581,239
Fund Equity and Other Credits					
Investment in General Fixed Assets	—	1,731,505	961,098	3,640,053	6,332,656
Total Unreserved Retained Earnings	697,168	—	—	—	697,168
Total Fund Balance	—	833,932	697,901	543,419	2,075,252
Total Fund Equity and Other Credits	697,168	2,565,437	1,658,999	4,183,472	9,105,076
Total Liabilities, Fund Equity, & Other Credits	\$1,673,123	\$3,525,569	\$2,504,369	\$4,983,254	\$12,686,315



NOTE 21 COMPONENT UNIT FUNDS (Continued)

Condensed Statement of Changes in Fund Balances — Colleges and Universities

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues and Other Additions	\$1,433,432	\$ 750,082	\$1,989,689	\$4,173,203
Total Expenditures and Other Deductions	(1,600,550)	(769,880)	(2,569,768)	(4,940,198)
Transfers from Primary Government	344,661	158,470	773,794	1,276,925
Net Increase for the Year	177,543	138,672	193,715	509,930
Fund Balance and Other Credits, Beginning (as restated - See NOTE 2)	2,387,894	1,520,327	3,989,757	7,897,978
Fund Balance and Other Credits, Ending	<u>\$2,565,437</u>	<u>\$1,658,999</u>	<u>\$4,183,472</u>	<u>\$8,407,908</u>

**Condensed Statement of Current Funds Revenues, Expenditures and Other Changes —
Colleges and Universities**

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues	\$1,193,220	\$574,379	\$1,629,283	\$3,396,882
Expenditures:				
Educational and General	961,161	478,436	1,896,758	3,336,355
Auxiliary Enterprises	104,082	48,404	301,217	453,703
Hospitals	375,986	145,982	131,885	653,853
Total Expenditures	1,441,229	672,822	2,329,860	4,443,911
Mandatory Transfers (net)	30,754	29,054	34,031	93,839
Total Expenditures and Mandatory Transfers	1,471,983	701,876	2,363,891	4,537,750
Other Transfers and Additions (Deductions)	345,963	155,762	774,320	1,276,045
Nonmandatory Transfers (net)	(40,851)	86,245	(37,887)	7,507
Additions (Deductions)	588	18,000	4,058	22,646
Total Other Transfers and Additions (Deductions)	305,700	260,007	740,491	1,306,198
Net Increase in Fund Balances	<u>\$ 26,937</u>	<u>\$132,510</u>	<u>\$ 5,883</u>	<u>\$ 165,330</u>

NOTE 22 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois nonprofit 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 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 Quality Agreement.



NOTE 22 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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 restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' 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 has applied its distribution (\$232 thousand for the fiscal year ended December 31, 1994) to the establishment of its own protection fund modeled after the GLPF.

Required contributions and contributions received from the eight member states, which border the Great Lakes, as of December 31, 1994 (the GLPF's year end), are as follows (in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	\$25,000	\$25,000	32.6%
Indiana	16,000	—	—
Illinois	15,000	10,800	14.0
Ohio	14,000	14,000	18.2
New York	12,000	12,000	15.6
Wisconsin	12,000	12,000	15.6
Minnesota	1,500	1,500	2.0
Pennsylvania	1,500	1,500	2.0
Total	\$97,000	\$76,800	100.0%

Summary financial information for the GLPF for the fiscal year ended December 31, 1994 is as follows (in thousands):

Cash and Investments	\$81,868
Other Assets	968
Total Assets	\$82,836
Total Liabilities	\$ 1,188
Total Fund Equity	81,648
Total Liabilities and Fund Equity	\$82,836
Total Revenues and Other Additions	\$ 5,748
Total Expenditures	4,258
Net Increase in Fund Equity	\$ 1,490

In the event of the Fund's dissolution, the State of Ohio would receive a 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 five local community colleges and nine 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; the remaining six



NOTE 22 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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

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. These expenditures are included in the "Higher Education Support" expenditure function reported in the General Fund. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Higher Education Facilities bonds issued by the Ohio Public Facilities Commission (OPFC) for these purposes. The capital outlay expenditures for the projects financed by the OPFC bond issuances are included in the Higher Education Improvements Capital Projects Fund.

During fiscal year 1995, expenditures were recorded in the General Fund and the Higher Education Improvements Capital Projects Fund in support of the local community and technical colleges as follows (in thousands):

	Higher Education Support Expenditures	Capital Outlay Expenditures	Total
Local Community Colleges:			
Cuyahoga Community College	\$ 33,413	\$ 2,883	\$ 36,296
Lakeland Community College	10,934	4,997	15,931
Lorain County Community College	13,751	1,775	15,526
Rio Grande Community College	3,152	688	3,840
Sinclair Community College	27,013	3,381	30,394
Subtotal	<u>88,263</u>	<u>13,724</u>	<u>101,987</u>
Technical Colleges:			
Belmont Technical College	3,816	—	3,816
Central Ohio Technical College	3,418	346	3,764
Hocking Technical College	12,908	4,138	17,046
Jefferson Technical College	3,114	366	3,480
Lima Technical College	5,214	3,567	8,781
Marion Technical College	2,731	112	2,843
Muskingum Technical College	4,419	305	4,724
North Central Technical College	5,549	3,685	9,234
Stark Technical College	7,171	2,168	9,339
Subtotal	<u>48,340</u>	<u>14,687</u>	<u>63,027</u>
Total	<u>\$136,603</u>	<u>\$28,411</u>	<u>\$165,014</u>

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 Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, 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 22 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 1995,

- The primary government distributed \$2.1 million in motor vehicle fuel excise tax collections from the Special Revenue Fund to the Ohio Turnpike Commission.
- Three separate funds, established for the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting System. The primary purpose of the funds is to streamline payroll processing for these organizations. The financial activities of the three funds, which do not receive any funding support from the primary government, have been included in the Other Agency Fund.
- The Public Defender's Office compensated the Ohio Legal Assistance Foundation approximately \$329 thousand from the Special Revenue Fund for administrative services performed under contract for the distribution of State funding to nonprofit legal aid societies.

NOTE 23 CONTINGENCIES AND COMMITMENTS

A. Contingencies

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. All legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of any of the State's fund types and account groups.

In instances when the unfavorable outcome of pending litigation has been assessed to be likely, liabilities are recorded in the financial statements. As of June 30, 1995, \$20.5 million in liabilities ultimately payable from various governmental funds has been recorded in the General Long-Term Obligations Account Group for this purpose.

The State of Ohio receives significant financial assistance from the federal government in the form of grants and entitlements, including non-cash programs (which are not included in the General Purpose Financial Statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure 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 of the applicable funds or the General Long-Term Obligations Account Group.

As a result of the 1994 State of Ohio Single Audit (completed in June 1995), the allowability of approximately \$517.9 million of federal expenditures for the Department of Human Services is in question due to inadequate documentation to support the allowability of the expenditures. This amount will be contested with the federal agencies involved. The amount of expenditures, which may be ultimately disallowed by the grantor, cannot be determined at this time, and consequently, no provision for any liability or adjustments for this matter has been recognized in the State's financial statements for the fiscal year ended June 30, 1995. Management believes the likelihood of a material loss for the State as a result of this matter is remote.



NOTE 23 CONTINGENCIES AND COMMITMENTS (Continued)

B. Construction Commitments

As of June 30, 1995, the Department of Transportation had contractual commitments of approximately \$918.9 million for highway construction projects. Funding for future expenditures is expected to be provided from federal, primary government, general obligation bonds, and local government sources in the amounts of \$599.4 million, \$175.8 million, \$121.3 million, and \$22.4 million, respectively.

As of June 30, 1995, major construction (non-highway) commitments for the primary government's budgeted capital projects funds were as follows (in thousands):

Capital Projects Fund	Amount
Arts Facilities Building Improvements	\$ 5,905
Higher Education Improvements.....	237,845
Mental Health/Mental Retardation Facilities Improvements	37,133
Parks and Recreation Improvements.....	9,450
Local Infrastructure Improvements	255
Administrative Services Building Improvements.....	56,315
Youth Services Building Improvements.....	21,995
Transportation Building Improvements.....	27,732
Adult Correctional Building Improvements	81,879
Highway Safety Building Improvements.....	5,685
Ohio Parks and Natural Resources.....	3,141
Total	\$487,335

NOTE 24 RISK FINANCING

A. OhioMed Health Plan

Employees of the primary government have the option of participating in the OhioMed Health Plan, which was established July 1, 1989 as a fully self-insured health benefits plan. The plan is administered by Blue Cross and Blue Shield of Ohio under a claims administration contract with the primary government.

Liabilities for the governmental and proprietary funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Estimated claims liabilities are calculated by the plan's actuary based on prior claims data and employee enrollment figures. IBNR liabilities are also actuarially determined considering medical trends, enrollment, and experience.

Governmental and proprietary funds are charged 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. Amounts so charged are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the accumulated resources are paid to Blue Cross and Blue Shield for claims settlement.

For governmental funds, claims are recognized as expenditures to the extent that the amounts are payable with expendable available financial resources; any remaining accrued unfunded liabilities are reported in the General Long-Term Obligations Account Group. For proprietary funds, claims are recognized as expenses when incurred.



NOTE 24 RISK FINANCING (Continued)

Consequently, claims liabilities that exceed financial resources accounted for in the Payroll Withholding and Fringe Benefits Agency Fund are reported as unfunded liabilities in the proprietary funds and in the General Long-Term Obligations Account Group. As of June 30, 1995, the amount of resources available in the Agency Fund for the payment of claims was approximately \$42.9 million.

Changes in the balance of claims liabilities during the past two fiscal years are as follows (in thousands):

	Fiscal Year 1995	Fiscal Year 1994
Claims Liabilities, as of July 1	\$17,600	\$24,710
Add: Incurred Claims	62,682	53,691
Less: Claims Payments	(66,338)	(60,801)
Claims Liabilities, as of June 30	<u>\$13,944</u>	<u>\$17,600</u>

As of June 30, 1995, resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims exceeded the estimated claims liability amount by \$29 million, thereby, resulting in a funding surplus. The surplus is offset with a "Due to Other Funds" balance reported in the Agency Fund with corresponding "Due from Other Funds" balances reported in the paying funds.

B. 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 25 SUBSEQUENT EVENTS

Subsequent to June 30, 1995, the State issued the following major debt (in thousands):

Organization/Issue	Delivery Date of Issue	Net Interest Cost	Amount	Type of Debt
Treasurer of State:				
Ohio School Districts 1995 Cash Flow Borrowing Program	August 10, 1995	4.52%	\$ 13,819	Certificates of Participation
Commissioners of the Sinking Fund:				
Highway Obligations, Series U	September 15, 1995	4.5%	100,000	General Obligation
Coal Development, Series D	September 15, 1995	4.5%	15,000	General Obligation
Ohio Public Facilities Commission:				
Higher Education Capital Facilities, Series II-1995B	October 1, 1995	5.1%	140,000	Special Obligation
Parks and Recreation Capital Facilities, Series II-1995A	October 1, 1995	5.1%	<u>31,100</u>	Special Obligation
Total			<u>\$299,919</u>	

On October 19, 1995, the Ohio Student Aid Commission unanimously approved a resolution for the agency's dissolution because of declining student loan market share. Under the resolution, the Commission decided it



NOTE 25 SUBSEQUENT EVENTS (Continued)

must approve a final plan for the eventual dissolution of the agency, which guarantees student loans through the federal Guaranteed Student Loan Program. It is expected that the Commission and the U.S. Department of Education must agree to a “memorandum of understanding” on terms of the dissolution and the designation of a successor grantor agency to takeover the Commission’s loan portfolio.

On November 7, 1995, Ohio voters approved a constitutional amendment (Article VIII, Section 2m) that authorizes the State of Ohio to issue an additional \$1.2 billion in Infrastructure Bonds to finance public infrastructure capital improvements. The amendment states that \$120 million of Infrastructure Bonds can be issued in a fiscal year. Furthermore, the amendment authorizes the issuance of up to \$220 million a fiscal year in Highway Obligation Bonds, with no more than \$1.2 billion that can be outstanding at any time.