Ohio Office of Budget and Management

State of Ohio

George V. Voinovich

Governor

OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 1996

ACKNOWLEDGMENTS

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State Accounting

OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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ENDED JUNE 30, 1996

STATE OF OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

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JUNE 30, 1996
(amounts expressed in thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS				
Cash Equity with Treasurer	$ 2,277,694	$ 1,707,596	$ 115,338	$ 483,339
Cash and Cash Equivalents	8,137	13,738	2,207	—
Investments	—	129,498	294,249	30,873
Deposit with Federal Government	—	—	—	—
Receivables:				
Taxes	759,104	259,075	4,159	—
Intergovernmental	354,897	281,011	—	—
Premiums and Assessments	—	—	—	—
Loans, Net	12,833	352,983	6,799	93,741
Other	23,574	58,902	1,518	2,783
Due from Other Funds	12,159	20,176	103	453
Inventories	5,059	30,634	—	—
Food Stamps	—	302,460	—	—
Deposit with Deferred Compensation Plan	—	—	—	—
Advances to Other Funds	—	—	—	—
Restricted Assets:				
Cash Equity with Treasurer	—	—	—	—
Cash and Cash Equivalents	2,995	—	—	—
Investments	—	—	—	—
Dedicated Investments	—	—	—	—
Other Receivables	—	—	—	—
Fixed Assets (net of accumulated depreciation)	—	—	—	—
Other Assets	991	6,552	—	—
Sureties	—	—	—	—
Amount Available in Debt Service Fund	—	—	—	—
Amount to be Provided for the Retirement of General Long-Term Obligations	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	**$ 3,457,443**	**$ 3,162,625**	**$ 424,373**	**$ 611,189**
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$ 87,426	$ 212,633	$ —	$ 72,192
Medicaid Claims Payable	454,599	—	—	—
Accrued Liabilities	96,224	56,120	677	28
Intergovernmental Payable	178,649	403,957	—	—
Due to Other Funds	33,366	7,158	—	86
Deferred Revenues	158	326,528	111	—
Workers' Compensation Benefits Payable	—	—	—	—
Refund and Other Liabilities	426,815	63,615	1,297	—
Liability for Escheat Property	—	—	—	—
Liability for Deferred Compensation	—	—	—	—
Liabilities Payable from Restricted Assets	—	—	—	—
Advances from Other Funds	—	72,248	—	—
General Obligation Bonds	—	—	—	—
Revenue Bonds and Notes	—	—	—	—
Special Obligation Bonds	—	—	—	—
Certificates of Participation	—	—	—	—
Other General Long-Term Obligations	—	—	—	—
Total Liabilities	1,277,237	1,142,259	2,085	72,306
Fund Equity and Other Credits:				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Net Unrealized Losses on Investments	—	—	—	—
Retained Earnings:				
Reserved	—	—	—	—
Unreserved	—	—	—	—
Fund Balances:				
Reserved for:				
Debt Service	—	—	414,846	—
Encumbrances	349,083	1,847,681	—	684,651
Budget Stabilization	828,307	—	—	—
Noncurrent Portion of Loans Receivable	12,688	286,646	6,799	93,007
Pension and Other Postemployment Benefits	—	—	—	—
Unemployment Benefits	—	—	—	—
Restricted Fund Balances	—	—	—	—
Other	158,295	192,803	—	40,866
Unreserved/Designated	530,800	—	—	—
Unreserved/Undesignated (Deficits)	301,033	(306,764)	643	(279,641)
Total Fund Equity and Other Credits	2,180,206	2,020,366	422,288	538,883
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	**$ 3,457,443**	**$ 3,162,625**	**$ 424,373**	**$ 611,189**

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS				
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL PRIMARY GOVERNMENT (memorandum only)	COMPONENT UNITS	TOTAL REPORTING ENTITY (memorandum only)
$ 124,873	$ 40,935	$ 297,834	$ —	$ —	$ 5,047,609	$ 808	$ 5,048,417
244,974	266	105,605	—	—	374,927	112,651	487,578
14,472,219	1,705	80,493,295	—	—	95,421,839	2,471,836	97,893,675
—	—	1,688,357	—	—	1,688,357	—	1,688,357
—	—	200,155	—	—	1,222,493	—	1,222,493
—	1,805	17	—	—	637,730	30,413	668,143
2,310,699	—	—	—	—	2,310,699	—	2,310,699
—	—	—	—	—	466,356	1,646,229	2,112,585
342,960	46,806	25,894	—	—	502,437	354,348	856,785
399	38,563	4,787	—	—	76,640	346,177	422,817
21,551	20,104	—	—	—	77,348	41,067	118,415
—	—	—	—	—	302,460	—	302,460
—	—	714,129	—	—	714,129	5,664	719,793
—	—	72,248	—	—	72,248	—	72,248
7,311	—	—	—	—	7,311	—	7,311
36	1	—	—	—	3,032	62,853	65,885
—	42,307	—	—	—	42,307	637,233	679,540
1,460,437	—	—	—	—	1,460,437	—	1,460,437
15,681	—	—	—	—	15,681	—	15,681
368,891	34,430	2,917	3,267,207	—	3,673,445	7,608,610	11,282,055
30,432	398	67	—	—	38,440	433,917	472,357
—	—	374,295	—	—	374,295	—	374,295
—	—	—	—	414,846	414,846	—	414,846
—	—	—	—	6,398,746	6,398,746	—	6,398,746
$ 19,400,463	**$ 227,320**	**$ 83,979,600**	**$ 3,267,207**	**$ 6,813,592**	**$ 121,343,812**	**$ 13,751,806**	**$ 135,095,618**
$ 71,370	$ 22,165	$ 333	$ —	$ —	$ 466,119	$ 164,241	$ 630,360
—	—	—	—	—	454,599	—	454,599
46,059	10,458	269	—	—	209,835	567,014	776,849
357	—	3,433,236	—	—	4,016,199	—	4,016,199
50	1,927	41,667	—	—	84,254	346,177	430,431
447,014	920	—	—	—	774,731	159,203	933,934
12,836,888	—	—	—	—	12,836,888	—	12,836,888
1,207,588	—	77,182,751	—	—	78,882,066	294,919	79,176,985
—	—	59,146	—	—	59,146	—	59,146
—	—	714,149	—	—	714,149	5,664	719,813
1,439,242	—	—	—	—	1,439,242	—	1,439,242
—	—	—	—	—	72,248	—	72,248
—	—	—	—	1,304,564	1,304,564	—	1,304,564
208,428	41,340	—	—	67,490	317,258	2,157,776	2,475,034
—	—	—	—	4,448,836	4,448,836	—	4,448,836
—	—	—	—	17,740	17,740	17,030	34,770
—	—	—	—	974,962	974,962	—	974,962
16,256,996	76,810	81,431,551	—	6,813,592	107,072,836	3,712,024	110,784,860
—	—	—	3,267,207	—	3,267,207	6,774,372	10,041,579
—	35,230	—	—	—	35,230	—	35,230
1,953,039	—	—	—	—	1,953,039	—	1,953,039
130,188	294	—	—	—	130,482	—	130,482
1,060,240	114,986	—	—	—	1,175,226	909,833	2,085,059
—	—	—	—	—	414,846	—	414,846
—	—	—	—	—	2,881,415	—	2,881,415
—	—	—	—	—	828,307	—	828,307
—	—	—	—	—	399,140	—	399,140
—	—	447,675	—	—	447,675	—	447,675
—	—	1,934,061	—	—	1,934,061	—	1,934,061
—	—	—	—	—	—	1,513,000	1,513,000
—	—	72,248	—	—	464,212	—	464,212
—	—	—	—	—	530,800	767,263	1,298,063
—	—	94,065	—	—	(190,664)	75,314	(115,350)
3,143,467	150,510	2,548,049	3,267,207	—	14,270,976	10,039,782	24,310,758
$ 19,400,463	**$ 227,320**	**$ 83,979,600**	**$ 3,267,207**	**$ 6,813,592**	**$ 121,343,812**	**$ 13,751,806**	**$ 135,095,618**

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, 1996

(amounts expressed in thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
Income Taxes	$ 5,268,111	$ 622,476	$ —
Sales Taxes	4,750,430	252,594	—
Corporate and Public Utility Taxes	1,731,956	99,344	—
Motor Vehicle Fuel Taxes	—	1,259,659	72,635
Unemployment Taxes	—	—	—
Other Taxes	802,912	39,776	—
Licenses, Permits and Fees	89,249	670,211	46,145
Sales, Services and Charges	64,693	41,824	—
Federal Government	3,672,610	4,762,877	404
Other	302,772	284,014	26,805
TOTAL REVENUES	**16,682,733**	**8,032,775**	**145,989**
EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	3,835,016	1,416,789	—
Higher Education Support	304,752	118,721	—
Public Assistance and Medicaid	6,393,001	1,543,577	—
Health and Human Services	908,717	1,424,866	—
Justice and Public Protection	1,211,139	376,887	—
Environmental Protection and Natural Resources	98,571	188,416	—
Transportation	35,303	1,283,817	—
General Government	281,664	90,332	—
Community and Economic Development	102,044	220,432	—
INTERGOVERNMENTAL	898,190	1,568,947	—
CAPITAL OUTLAY	1,969	87,057	—
DEBT SERVICE	1,428	—	907,706
TOTAL EXPENDITURES	**14,071,794**	**8,319,841**	**907,706**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**2,610,939**	**(287,066)**	**(761,717)**
OTHER FINANCING SOURCES (USES):			
Bond and Certificates of Participation Proceeds	10,159	15,000	—
Current Refunding Bond Proceeds	—	—	10,994
Payment to Refunded Bond Escrow Agents	—	—	(10,994)
Capital Leases	335	1,890	—
Operating Transfers-in	93,457	1,686,192	761,098
Operating Transfers-out	(807,457)	(885,832)	(29,558)
Operating Transfers to Component Units	(1,359,487)	(1,961)	—
TOTAL OTHER FINANCING SOURCES (USES)	**(2,062,993)**	**815,289**	**731,540**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**547,946**	**528,223**	**(30,177)**
FUND BALANCES, JULY 1	1,656,135	1,499,754	452,465
Decrease for Changes in Inventories	(889)	(7,611)	—
Residual Equity Transfers-out	(22,986)	—	—
FUND BALANCES, JUNE 30	**$ 2,180,206**	**$ 2,020,366**	**$ 422,288**

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

	FIDUCIARY FUND TYPE	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTAL (memorandum only)
$ —	$ —	$ 5,890,587
—	—	5,003,024
—	—	1,831,300
—	—	1,332,294
—	943,083	943,083
—	—	842,688
—	—	805,605
—	—	106,517
—	12,924	8,448,815
40,866	171,431	825,888
40,866	**1,127,438**	**26,029,801**
—	—	5,251,805
—	—	423,473
—	—	7,936,578
—	787,838	3,121,421
—	—	1,588,026
—	—	286,987
—	—	1,319,120
—	18,166	390,162
801	—	323,277
—	—	2,467,137
795,430	—	884,456
—	—	909,134
796,231	**806,004**	**24,901,576**
(755,365)	**321,434**	**1,128,225**
765,345	—	790,504
—	—	10,994
—	—	(10,994)
—	—	2,225
199,713	—	2,740,460
(209,614)	—	(1,932,461)
—	—	(1,361,448)
755,444	**—**	**239,280**
79	**321,434**	**1,367,505**
545,064	1,778,940	5,932,358
—	—	(8,500)
(6,260)	—	(29,246)
$ 538,883	**$ 2,100,374**	**$ 7,262,117**

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, 1996

(amounts expressed in thousands)

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Income Taxes	$ 5,185,603	$ 5,262,838	$ 77,235
Sales Taxes	4,709,901	4,739,476	29,575
Corporate and Public Utility Taxes	1,687,302	1,735,622	48,320
Motor Vehicle Fuel Taxes	—	—	—
Other Taxes	783,306	802,913	19,607
Licenses, Permits and Fees	96,437	96,490	53
Sales, Services and Charges	54,156	56,096	1,940
Federal Government	3,700,832	3,703,936	3,104
Other	417,443	442,147	24,704
TOTAL REVENUES	16,634,980	16,839,518	204,538
BUDGETARY EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	3,927,243	3,913,217	14,026
Higher Education Support	1,680,974	1,671,144	9,830
Public Assistance and Medicaid	6,624,249	6,443,795	180,454
Health and Human Services	949,380	930,150	19,230
Justice and Public Protection	1,218,694	1,193,236	25,458
Environmental Protection and Natural Resources	119,380	114,360	5,020
Transportation	35,827	35,723	104
General Government	418,116	368,555	49,561
Community and Economic Development	126,402	121,780	4,622
INTERGOVERNMENTAL	890,752	884,645	6,107
CAPITAL OUTLAY	10,763	881	9,882
DEBT SERVICE	739,928	688,806	51,122
TOTAL BUDGETARY EXPENDITURES	16,741,708	16,366,292	375,416
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	(106,728)	473,226	579,954
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	—	—	—
Operating Transfers-in	51,400	99,349	47,949
Operating Transfers-out	(54,055)	(119,473)	(65,418)
Encumbrance Reversions	—	71,858	71,858
TOTAL OTHER FINANCING SOURCES (USES)	(2,655)	51,734	54,389
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) BUDGETARY EXPENDITURES AND OTHER FINANCING USES	(109,383)	524,960	634,343
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JULY 1	177,773	177,773	—
Increase in Budgetary Designations	(321,577)	(321,577)	—
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	(253,187)	381,156	634,343
Budgetary Designations, June 30	1,472,688	1,472,688	—
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	$ 1,219,501	$ 1,853,844	$ 634,343

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)
$ 621,896	$ 621,896	$ —	$ —	$ —	$ —
251,888	251,888	—	—	—	—
99,528	99,528	—	—	—	—
1,183,904	1,183,904	—	69,720	69,720	—
40,140	40,140	—	—	—	—
835,308	835,308	—	46,742	46,742	—
29,073	29,073	—	—	—	—
4,187,841	4,187,841	—	—	—	—
452,495	452,495	—	102,876	102,876	—
7,702,073	**7,702,073**	**—**	**219,338**	**219,338**	**—**
1,600,373	1,581,836	18,537	—	—	—
44,294	41,602	2,692	—	—	—
2,076,008	1,327,948	748,060	—	—	—
1,759,396	1,558,994	200,402	—	—	—
460,397	398,898	61,499	—	—	—
245,759	200,087	45,672	—	—	—
1,636,928	1,455,655	181,273	—	—	—
109,679	95,265	14,414	—	—	—
416,638	329,067	87,571	—	—	—
1,793,859	1,737,888	55,971	—	—	—
250,546	131,055	119,491	—	—	—
20,199	13,435	6,764	221,859	215,429	6,430
10,414,076	**8,871,730**	**1,542,346**	**221,859**	**215,429**	**6,430**
(2,712,003)	**(1,169,657)**	**1,542,346**	**(2,521)**	**3,909**	**6,430**
15,000	15,000	—	609	609	—
1,752,636	1,752,636	—	71,402	71,402	—
(940,796)	(940,796)	—	(74,902)	(74,902)	—
267,119	267,119	—	—	—	—
1,093,959	**1,093,959**	**—**	**(2,891)**	**(2,891)**	**—**
$ (1,618,044)	**(75,698)**	**$ 1,542,346**	**$ (5,412)**	**1,018**	**$ 6,430**
	(474,163)			114,320	
	—			—	
	(549,861)			115,338	
	—			—	
	$ (549,861)			**$ 115,338**	

STATE OF OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(amounts expressed in thousands)

	PROPRIETARY FUND TYPES		
	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
OPERATING REVENUES:			
Charges for Sales and Services	$ 2,736,060	$ 291,551	$ 3,027,611
Premium and Assessment Income	2,300,888	—	2,300,888
Investment Income	1,128,877	—	1,128,877
Other	36,844	6,329	43,173
TOTAL OPERATING REVENUES	6,202,669	297,880	6,500,549
OPERATING EXPENSES:			
Costs of Sales and Services	216,852	158,409	375,261
Administration	202,453	97,225	299,678
Bonuses and Commissions	145,592	—	145,592
Prizes	1,363,071	—	1,363,071
Benefits and Claims	2,142,083	—	2,142,083
Depreciation	33,641	20,484	54,125
Other	165,441	9,633	175,074
TOTAL OPERATING EXPENSES	4,269,133	285,751	4,554,884
OPERATING INCOME	1,933,536	12,129	1,945,665
NONOPERATING REVENUES (EXPENSES):			
Investment Income	263	1,820	2,083
Interest Expense	—	(3,649)	(3,649)
Federal Grants	—	—	—
Other	(2,096)	(621)	(2,717)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,833)	(2,450)	(4,283)
INCOME BEFORE OPERATING TRANSFERS	1,931,703	9,679	1,941,382
OPERATING TRANSFERS:			
Operating Transfers-in	—	40,817	40,817
Operating Transfers-out	(810,223)	(34,213)	(844,436)
Operating Transfers from Primary Government	—	—	—
TOTAL OPERATING TRANSFERS	(810,223)	6,604	(803,619)
NET INCOME	1,121,480	16,283	1,137,763
RETAINED EARNINGS, JULY 1	68,948	98,997	167,945
RETAINED EARNINGS, JUNE 30	$ 1,190,428	$ 115,280	$ 1,305,708

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

COMPONENT UNIT OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 91,717	$ 3,119,328
—	2,300,888
32,503	1,161,380
1,451	44,624
125,671	**6,626,220**
65,775	441,036
5,372	305,050
—	145,592
—	1,363,071
—	2,142,083
82	54,207
—	175,074
71,229	**4,626,113**
54,442	**2,000,107**
—	2,083
—	(3,649)
155,681	155,681
581	(2,136)
156,262	**151,979**
210,704	**2,152,086**
—	40,817
—	(844,436)
1,961	1,961
1,961	**(801,658)**
212,665	**1,350,428**
697,168	865,113
$ 909,833	**$ 2,215,541**

STATE OF OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(amounts expressed in thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)	COMPONENT UNIT: OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income	$ 1,933,536	$ 12,129	$ 1,945,665	$ 54,442	$ 2,000,107
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Investment Income	(1,128,877)	—	(1,128,877)	(32,503)	(1,161,380)
Depreciation	33,641	20,484	54,125	82	54,207
Provision for Uncollectible Accounts	43,602	—	43,602	—	43,602
Amortization of Premiums and Discounts	(7,658)	—	(7,658)	887	(6,771)
Interest on Bonds, Notes and Capital Leases	9,947	—	9,947	64,888	74,835
Other	—	—	—	1,341	1,341
Decrease (Increase) in Assets:					
Intergovernmental Receivables	—	(125)	(125)	—	(125)
Premiums and Assessments Receivable	110,441	—	110,441	—	110,441
Loans, Net	—	—	—	(204,892)	(204,892)
Other Receivables	(82,188)	2,328	(79,860)	172	(79,688)
Due from Other Funds	130	(13,638)	(13,508)	(203)	(13,711)
Inventories	489	694	1,183	—	1,183
Other Assets	1,049	(58)	991	—	991
Increase (Decrease) in Liabilities:					
Accounts Payable	(22,618)	(6,404)	(29,022)	9,236	(19,786)
Accrued Liabilities	(2,384)	140	(2,244)	—	(2,244)
Intergovernmental Payable	(28)	(1,800)	(1,828)	—	(1,828)
Due to Other Funds	(407)	283	(124)	203	79
Deferred Revenues	(135)	(38)	(173)	—	(173)
Workers' Compensation Benefits Payable	219,212	—	219,212	—	219,212
Refund and Other Liabilities	63,415	—	63,415	(674)	62,741
Liabilities Payable from Restricted Assets	(25,479)	—	(25,479)	—	(25,479)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**1,145,688**	**13,995**	**1,159,683**	**(107,021)**	**1,052,662**

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating Transfers-in	—	40,817	40,817	—	40,817
Operating Transfers-out	(810,223)	(34,213)	(844,436)	—	(844,436)
Operating Transfers from the Primary Government	—	—	—	366	366
Bond Proceeds	—	—	—	432,382	432,382
Federal Grants	—	—	—	156,265	156,265
Retirement of Revenue Bond Principal	—	—	—	(65,940)	(65,940)
Interest Paid	—	—	—	(58,202)	(58,202)
Other	—	—	—	(4,876)	(4,876)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(810,223)**	**6,604**	**(803,619)**	**459,995**	**(343,624)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Payment on Bonds	(2,000)	(2,602)	(4,602)	—	(4,602)
Interest Paid	(9,947)	(3,279)	(13,226)	—	(13,226)
Principal Receipts on Capital Leases	—	2,547	2,547	—	2,547
Acquisition and Construction of Capital Assets	(22,393)	(3,303)	(25,696)	(150)	(25,846)
Proceeds from Sales of Fixed Assets	62	6	68	—	68
Principal Payments on Capital Leases	(8,141)	(964)	(9,105)	—	(9,105)
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(42,419)**	**(7,595)**	**(50,014)**	**(150)**	**(50,164)**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from the Sales and Maturities of Investments	8,270,381	—	8,270,381	7,318,021	15,588,402
Purchase of Investments	(9,773,740)	(748)	(9,774,488)	(7,701,115)	(17,475,603)
Investment Income Received	1,135,857	1,806	1,137,663	30,676	1,168,339
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**(367,502)**	**1,058**	**(366,444)**	**(352,418)**	**(718,862)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(74,456)**	**14,062**	**(60,394)**	**406**	**(59,988)**
CASH AND CASH EQUIVALENTS, JULY 1	451,650	27,140	478,790	1,360	480,150
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 377,194**	**$ 41,202**	**$ 418,396**	**$ 1,766** [(a)]	**$ 420,162**

(a) Cash and cash equivalents (included in the $176,312 reported for discretely presented component units) $1,766

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	$ —	$ 6,260	$ 6,260	$ —	$ 6,260
Forgiveness of Interfund Advances	—	22,986	22,986	—	22,986
INCREASE IN CONTRIBUTED CAPITAL	**$ —**	**$ 29,246**	**$ 29,246**	**$ —**	**$ 29,246**

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

STATE OF OHIO
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(amounts expressed in thousands)

	STATE HIGHWAY PATROL RETIREMENT SYSTEM		
	PENSION	POST-EMPLOYMENT	TOTAL
ADDITIONS:			
Contributions:			
Employer	$ 10,775	$ 3,114	$ 13,889
Employees	7,304	—	7,304
Other Contributions	198	8	206
Total Contributions	18,277	3,122	21,399
Investment Income:			
Net Appreciation in Fair Value of Investments	55,373	9,733	65,106
Interest	10,787	1,896	12,683
Dividends	3,093	544	3,637
Other Investment Income	447	78	525
Total Investment Income	69,700	12,251	81,951
Other Income	20	3	23
TOTAL ADDITIONS	**87,997**	**15,376**	**103,373**
DEDUCTIONS:			
Benefits and Claims	13,607	1,959	15,566
Refunds of Employee Contributions	208	—	208
Administrative Expenses	1,657	291	1,948
TOTAL DEDUCTIONS	**15,472**	**2,250**	**17,722**
NET INCREASE	**72,525**	**13,126**	**85,651**
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
JULY 1 (as restated)	307,428	54,596	362,024
JUNE 30	**$ 379,953**	**$ 67,722**	**$ 447,675**

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, 1996

(amounts expressed in thousands)

	TOTAL COMPONENT UNITS
REVENUES AND OTHER ADDITIONS:	
Unrestricted Current Fund Revenues	$ 2,603,319
Local Appropriations-Restricted	50,470
Federal Grants and Contracts-Restricted	416,608
State Grants and Contracts-Restricted	82,275
Local Grants and Contracts-Restricted	4,612
Private Gifts, Grants and Contracts-Restricted	305,456
Endowment Income-Restricted	21,447
Investment Income-Restricted	25,525
Realized Gain on Investments-Restricted (net)	91,530
Interest on Loans Receivable	4,475
Investment in Plant-Additions	542,355
Matured Annuity & Life Income Restricted to Endowment	2,230
Other	61,500
TOTAL REVENUES AND OTHER ADDITIONS	**4,211,802**
EXPENDITURES AND OTHER DEDUCTIONS:	
Educational and General Expenditures	3,466,648
Auxiliary Enterprises Expenditures	467,934
Hospital Expenditures	505,105
Indirect Costs Recovered	66,274
Grant Refunds and Adjustments	2,542
Loan Cancellations and Write-offs	2,992
Administrative and Collection Costs	2,824
Expended for Plant Facilities	128,007
Retirement of Indebtedness	63,440
Interest on Indebtedness	42,862
Investment in Plant-Deductions	90,676
Matured Annuity & Life Income Restricted to Endowment	2,247
Other	10,270
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**4,851,821**
TRANSFERS:	
Operating Transfers from Primary Government	1,362,787
NET INCREASE FOR THE YEAR	**722,768**
FUND BALANCE AND OTHER CREDITS, JULY 1	8,407,181
FUND BALANCE AND OTHER CREDITS, JUNE 30	**$ 9,129,949**

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, 1996

(amounts expressed in thousands)

	TOTAL COMPONENT UNITS
REVENUES:	
Tuition, Fees and Other Student Charges	$ 1,261,652
Local Appropriations	49,993
Federal Grants and Contracts	413,625
State Grants and Contracts	81,679
Local Grants and Contracts	6,198
Private Gifts, Grants and Contracts	217,756
Endowment Income	46,844
Sales and Services	1,082,208
Temporary Investment Income	48,722
Other Sources	113,614
TOTAL REVENUES	**3,322,291**
EXPENDITURES AND MANDATORY TRANSFERS:	
EDUCATIONAL AND GENERAL:	
Instruction and Departmental Research	1,482,442
Separately Budgeted Research	321,741
Public Service	219,221
Academic Support	324,401
Student Services	188,640
Institutional Support	328,373
Operation and Maintenance of Plant	264,711
Scholarships and Fellowships	321,974
Other Educational and General	12,340
TOTAL EDUCATIONAL AND GENERAL	3,463,843
AUXILIARY ENTERPRISES	467,978
HOSPITALS	504,761
TOTAL EXPENDITURES	**4,436,582**
MANDATORY TRANSFERS, NET:	
Principal and Interest	89,876
Renewals and Replacements	4,336
Student Loan Matching Grants	1,086
Other	1
TOTAL MANDATORY TRANSFERS, NET	**95,299**
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	**4,531,881**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	1,357,675
NONMANDATORY TRANSFERS, NET:	
Capital Improvements	(71,615)
Other	13,980
ADDITIONS/(DEDUCTIONS):	
Excess of Restricted Receipts over Transfers to Revenue	93,004
Indirect Costs Recovered	(66,226)
Other	13,686
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	**1,340,504**
NET INCREASE IN FUND BALANCE	**$ 130,914**

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

INDEX TO THE NOTES

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, 1996, 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 <u>Codification of Governmental Accounting and Financial Reporting Standards</u> (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 Water
Development Authority

Colleges and Universities:

State Universities:
Bowling Green State University
Central State University
Cleveland State University
Kent State University
Miami University
Ohio State University
Ohio University
Shawnee State University
University of Akron
University of Cincinnati
University of Toledo
Wright State University
Youngstown State University

Medical Colleges:
Medical College
of Ohio at Toledo

State Community Colleges:
Cincinnati State Community College
Clark State Community College
Columbus State Community College
Edison State Community College
Northwest State Community College
Owens State Community College
Southern State Community College
Terra State Community College
Washington State Community College

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, 1995.

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, 1995.

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, 1995.

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, 1995.

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 <u>Codification of Governmental Accounting and Financial Reporting</u>. 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.

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 expenditure/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

Capital Projects Fund:
Ohio Building Authority

Debt Service Fund:
Economic Development Bond Service
Transportation Certificate Retirement
Ohio Public Facilities Commission
Ohio Building Authority
Enterprise Bond Retirement
School Building Program Bond Service

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 budgetary-basis

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial statements. In addition, budgetary expenditures include cash disbursements against fiscal year 1996 appropriations and outstanding encumbrances, as of June 30, 1996, that were committed during fiscal year 1996. 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 and cash on hand. Also included in cash and cash equivalents are investments with original maturities of three months or less from the date of acquisition, which are reported in the Bureau of Workers' Compensation and Ohio Lottery Commission enterprise funds, the State Highway Patrol Retirement System Pension Trust Fund, and the University of Cincinnati and University of Toledo component unit funds.

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 and those of the State Highway Patrol Retirement System Pension Trust Fund, which are reported at fair value. 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 first-in, first-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds, the liability for compensated absences is reported as a noncurrent 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 on

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 healthcare 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 14D). 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

For the calendar year ended December 31, 1995, the State Highway Patrol Retirement System Pension Trust Fund adopted Governmental Accounting Standard Board (GASB) Statement No. 25*, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*.

GASB Statements Nos. 25 and 26 call for changes in the Pension Trust Fund’s financial statement format. Specifically, these reporting standards require that a Statement of Plan Net Assets and a Statement of Changes in Plan Net Assets be presented for pension plans (GASB No. 25) and postemployment healthcare plans (GASB No. 26). GASB Statement No. 25 also requires the Pension Trust Fund to report its investments at fair value.

Accordingly, the July 1, 1995, fund balance for the Pension Trust Fund was decreased by approximately $2.2 million to reflect the cumulative effect of the accounting changes implemented to conform with the new reporting standards.

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 $294.2 million and $814.6 million increases in the budgets of the General and Special Revenue funds, respectively. Supplemental and amended budgetary appropriations for the Debt Service 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.

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

Reconciliation of GAAP-Basis Fund Balances to
Non-GAAP Budgetary-Basis Fund Balances
June 30, 1996
(in thousands)

	General	Special Revenue	Debt Service
Total Fund Balances - GAAP Basis	$2,180,206	$2,020,366	$422,288
Less: Unbudgeted Fund Balances	—	152,092 *	301,777
Total Budgeted Fund Balances - GAAP Basis	2,180,206	1,868,274	120,511
Less: Reserved Fund Balances	1,348,373	2,258,212	119,868
Less: Designated Fund Balances	530,800	—	—
Unreserved/Undesignated Fund Balances - GAAP Basis	301,033	(389,938)	643
BASIS DIFFERENCES			
Revenue Accruals/Adjustments:			
Taxes Receivable	(759,104)	(259,075)	(4,159)
Intergovernmental Receivable	(354,897)	(272,564)	—
Loans Receivable	(12,833)	(223,814)	—
Other Receivables	(23,574)	(34,645)	(614)
Due from Other Funds	(12,159)	(20,176)	(103)
Inventories	(5,059)	(29,770)	—
Food Stamps	—	(302,460)	—
Other Assets	(991)	(115)	—
Deferred Revenues	158	326,528	—
Subtotal	(1,168,459)	(816,091)	(4,876)
Expenditure Accruals/Adjustments:			
Accounts Payable	87,426	191,928	—
Medicaid Claims Payable	454,599	—	—
Accrued Liabilities	96,224	50,282	351
Intergovernmental Payable	178,649	356,504	—
Due to Other Funds	33,366	5,811	—
Refund and Other Liabilities	426,815	57,003	1,160
Subtotal	1,277,079	661,528	1,511
Other Adjustments:			
Fund Balance Reclassifications:			
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:			
Debt Service	—	—	119,868
Budget Stabilization	828,307	—	—
Noncurrent Portion of Loans Receivable	12,688	223,045	—
Other (See NOTE 20)	158,295	191,939	—
From Undesignated (Non-GAAP Budgetary Basis) to Designated	530,800	—	—
Cash and Investments Held Outside of State Treasury	(11,132)	(11,454)	(1,808)
Other	—	(1)	—
Subtotal	1,518,958	403,529	118,060
Total Basis Differences	1,627,578	248,966	114,695
TIMING DIFFERENCES			
Encumbrances	(74,767)	(408,889)	—
Unreserved/Undesignated and Designated Fund Balances (Deficits) — Non-GAAP Budgetary Basis	$1,853,844	$ (549,861)	$115,338

*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 that provide reduced-rate loans to agricultural businesses, 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, venture capital, real estate, and/or other investments.

During the reporting period, the Public Employees Retirement System, Police and Firemen's Disability and Pension Fund, School Employees Retirement System, 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, 1996 (or December 31, 1995, for those entities/funds identified in NOTE 1) the carrying amount of deposits was (in thousands) $532,794 and the bank balance was $551,162. Of the bank balance, $40,650 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), $452,427 was collateralized with securities held by the pledging financial institution's trust department or its agent in the primary government's name (Category 2), and $58,085, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units

As of June 30, 1996 (or December 31, 1995, for those component units identified in NOTE 1) the carrying amount of deposits was (in thousands) $114,363 and the bank balance was $187,839. Of the bank balance, $47,276 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), $108,953 was collateralized with securities held by the pledging financial institution's trust department or its agent in the respective component unit's name (Category 2), and $31,610, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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, 1996 (or December 31, 1995, for those entities/funds/component units identified in NOTE 1) (in thousands):

Primary Government

	Carrying Amount				
	Category 1	Category 2	Category 3	Total	Market Value
U.S. government & agency obligations	$28,521,347	$ 6,030,991	$473,775	$ 35,026,113	$ 36,226,013
Common and preferred stock	23,109,602	5,228,117	—	28,337,719	31,879,641
Corporate bonds and notes	5,524,806	2,108,456	—	7,633,262	7,712,609
Foreign stocks and bonds	4,540,769	—	—	4,540,769	4,821,784
Commercial paper	4,082,151	238,070	2,231	4,322,452	4,323,296
Repurchase agreements	221,553	115	1,873	223,541	223,541
Bankers' acceptances	16,470	—	—	16,470	16,543
Municipal obligations	1,217	—	—	1,217	1,289
Total	$66,017,915	$13,605,749	$477,879	80,101,543	85,204,716
Securities on loan contracts				13,854,741	14,369,441
Mutual funds				2,305,026	3,128,933
Real estate				5,756,847	5,832,045
Venture capital				114,613	123,044
Direct mortgage loans				38,459	38,459
Deposit with federal government				1,688,357	1,688,357
Deposit with deferred compensation plan				714,129	714,129
Total				$104,573,715	$111,099,124

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 1996, 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units

	Carrying Amount				
	Category 1	Category 2	Category 3	Total	Market Value
U.S. government & agency obligations	$651,725	$ 700,273	$111,854	$1,463,852	$1,469,103
Common and preferred stock	160,990	377,358	3,124	541,472	726,656
Corporate bonds and notes	150,384	23,387	7,131	180,902	178,323
Foreign stocks and bonds	25,060	—	—	25,060	28,883
Commercial paper	—	13,352	27,678	41,030	41,171
Repurchase agreements	—	429,732	23,342	453,074	453,074
Negotiable Certificates of Deposit	173	—	6,543	6,716	6,716
Bankers Acceptances	—	498	1,002	1,500	1,488
Municipal obligations	382	569	25	976	972
Other Investments	169	—	2,364	2,533	2,934
Total	$988,883	$1,545,169	$183,063	2,717,115	2,909,320
Mutual funds				277,113	287,107
Investment in Treasurer of State Investment Pool (STAROhio)				120,830	120,830
Real estate				40,390	70,666
Life Insurance				7,064	7,064
Limited partnerships				2,257	2,802
Other Investments				205	205
Deposit with deferred compensation plan				5,664	5,664
Total				$3,170,638	$3,403,658

The total carrying amount of deposits and investments, as of June 30, 1996, reported for the primary government and its component units is $108.05 billion. The total carrying amount of deposits and investments categorized and disclosed in this note is $108.39 billion. A reconciliation of the difference follows (in thousands):

	Deposits	Investments	Total
Cash equity with Treasurer (unrestricted and restricted)	$191,189	$ 4,864,539	$ 5,055,728
Cash and cash equivalents (unrestricted and restricted)	231,741	321,722	553,463
Investments	1,307	97,892,368	97,893,675
Deposit with federal government	—	1,688,357	1,688,357
Deposit with deferred compensation plan	—	719,793	719,793
Restricted Assets:			
Investments	—	679,540	679,540
Dedicated investments	—	1,460,437	1,460,437
Carrying amount per combined balance sheet	424,237	107,626,756	108,050,993
Outstanding warrants and other reconciling items	222,920	117,597	340,517
Total Reporting Entity	$647,157	$107,744,353	$108,391,510

NOTE 5 TAXES

Taxes receivable, as of June 30, 1996, consisted of the following (in thousands):

	General	Special Revenue	Debt Service	Trust and Agency	Total
Income Taxes	$332,250	$ 39,220	$ —	$ —	$ 371,470
Sales Taxes	426,854	22,430	—	—	449,284
Motor Vehicle Fuel Taxes	—	194,551	4,159	—	198,710
Unemployment Taxes	—	—	—	200,155	200,155
Other Taxes	—	2,874	—	—	2,874
Total	$759,104	$259,075	$4,159	$200,155	$1,222,493

NOTE 5 TAXES (Continued)

As of June 30, 1996, refund liabilities for income and corporation franchise taxes, totaling $469.2 million, were reported as "Refunds and Other Liabilities," of which $425.8 million was recorded in the General Fund and $43.4 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, 1996, consisted of the following (in thousands):

Primary Government

Loan Type	General	Special Revenue	Debt Service	Capital Projects	Total
Columbiana County Economic Stabilization	$ 3,714	$ —	$ —	$ —	$ 3,714
Community and Economic Development:					
Office of Minority Business Incentives	6,209	—	—	—	6,209
Office of Financial Incentives	—	197,960	—	—	197,960
Ohio Housing Finance Agency	—	78,539	—	—	78,539
Subtotal	6,209	276,499	—	—	282,708
Primary , Secondary, and Other Education:					
Vocational Education	1,410	398	—	—	1,808
Bankruptcy and Port Authority	—	646	—	—	646
Public School Building	—	16,484	—	—	16,484
Vocational School Assistance	—	8,534	—	—	8,534
School Building	—	4,652	—		4,652
Subtotal	1,410	30,714	—	—	32,124
Higher Education:					
Central State University	1,500	—	—	—	1,500
Student Loans	—	45,551	—	—	45,551
Higher Education Research Investment Loans	—	—	6,799	—	6,799
Subtotal	1,500	45,551	6,799	—	53,850
Natural Resources	—	219	—	—	219
Local Infrastructure Improvements	—	—	—	93,741	93,741
Total	$12,833	$352,983	$6,799	$93,741	$466,356

Component Units

Loan Type	Ohio Water Development Authority (12/31/95)	Ohio State University	University of Cincinnati	Kent State University	Other Component Units	Total
Water and Wastewater Treatment	$1,472,777	$ —	$ —	$ —	$ —	$1,472,777
Student	—	54,896	27,985	16,968	71,862	171,711
Other	—	21	805	—	915	1,741
Total	$1,472,777	$54,917	$28,790	$16,968	$72,777	$1,646,229

NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

B. Other Receivables

Other receivables for the primary government and its component units, as of June 30, 1996 (or December 31, 1995 for those entities/funds identified in NOTE 1), consisted of the following detail (in thousands):

Primary Government

Unrestricted:	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total
Accounts Receivable	$ 2,912	$ 1,736	$ —	$ —	$182,391	$ 2,866	$ 8	$189,913
Interest Receivable..........................	20,662	13,006	1,518	2,783	103,547	416	2,321	144,253
Women, Infants and Children Program Rebate Receivable	—	13,712	—	—	—	—	—	13,712
Nursing Facility Bed Assessments Receivable	—	12,080	—	—	—	—	—	12,080
Student Loan Collection Surcharges Receivable................	—	9,125	—	—	—	—	—	9,125
Leases Receivable	—	—	—	—	—	41,796	—	41,796
Receivables from Lottery Sales Agents....................	—	—	—	—	56,949	—	—	56,949
Claims & Settlements Receivable ...	—	—	—	—	—	—	22,970	22,970
Employer Interest and Penalties on Unemployment Taxes	—	7,825	—	—	—		—	7,825
Miscellaneous Receivables	—	1,418	—	—	73	1,728	595	3,814
Total Unrestricted	23,574	58,902	1,518	2,783	342,960	46,806	25,894	502,437
Restricted:								
Interest Receivable..........................	—	—	—	—	15,681	—	—	15,681
Total Unrestricted and Restricted ...	$23,574	$58,902	$1,518	$2,783	$358,641	$46,806	$25,894	$518,118

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,	Leases Receivable
1997..	$ 5,844
1998..	5,838
1999..	5,846
2000..	5,841
2001..	5,843
Thereafter..	43,904
Total minimum amounts due..	73,116
Less: Amount representing interest..	31,320
Present value of minimum lease amounts due.........................	$41,796

Component Units

	Ohio State University	University of Cincinnati	Bowling Green State University	Medical College of Ohio	Other Component Units	Total
Accounts Receivable........................	$152,198	$35,873	$ 8,212	$19,490	$72,236	$288,009
Interest Receivable..........................	11,742	—	12,281	707	4,195	28,925
Pledges Receivable.........................	—	27,515	—	—	—	27,515
Miscellaneous Receivables..............	—	5,289	134	—	4,476	9,899
Total	$163,940	$68,677	$20,627	$20,197	$80,907	$354,348

NOTE 7 INTERFUND BALANCES AND TRANSFERS

Interfund balances, as of June 30, 1996 (or December 31, 1995, for those entities/funds identified in NOTE 1), and operating transfers among the primary government's funds, for the year ended June 30, 1996, 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	$ 12,159	$ 33,366	$ —	$ —	$ 93,457	$ 807,457
Special Revenue:						
Community and Economic Development	2,786	1,586	—	72,248	38,286	32,770
Human Services	552	263	—	—	14,332	5,943
Health	204	427	—	—	11,820	266
Mental Health and Retardation	898	123	—	—	5,150	—
Employment Services	—	—	—	—	3,949	—
Education	266	31	—	—	796,803	10,000
Student Aid Commission	—	—	—	—	5,634	—
Highway Safety	2,337	3,471	—	—	128,968	5,085
Highway Operating	4,378	352	—	—	610,102	153,744
Natural Resources	554	243	—	—	307	2,926
Wildlife and Waterway Safety	267	7	—	—	1,000	—
Revenue Distribution	7,863	86	—	—	12,000	675,098
Local Transportation Improvements	71	569	—	—	57,841	—
Subtotal	20,176	7,158	—	72,248	1,686,192	885,832
Debt Service:						
Economic Development Bond Service	—	—	—	—	18,200	—
Coal Research/Development Bond Retirement	—	—	—	—	12,062	30
Highway Improvements Bond Retirement	—	—	—	—	—	3,502
Development Bond Retirement	—	—	—	—	4,271	40
Highway Obligations Bond Retirement	102	—	—	—	—	200
Public Improvements Bond Retirement	—	—	—	—	—	21
Vietnam Conflict Compensation Bond Retirement	—	—	—	—	—	1
Local Infrastructure Improvements Bond Retirement	1	—	—	—	73,994	—
Ohio Public Facilities Commission	—	—	—	—	436,549	—
Ohio Building Authority	—	—	—	—	176,825	6,654
Enterprise Bond Retirement	—	—	—	—	24,350	19,079
State Projects Bond Service	—	—	—	—	4,848	31
School Building Program Bond Service	—	—	—	—	9,999	—
Subtotal	103	—	—	—	761,098	29,558
Capital Projects:						
Arts Facilities Building Improvements	12	—	—	—	9,899	—
Higher Education Improvements	103	—	—	—	—	7,773
Highway Obligations Construction	42	—	—	—	—	—
Mental Health/Mental Retardation Facilities Improvements	20	—	—	—	—	—
Parks and Recreation Improvements	13	—	—	—	—	—
Local Infrastructure Improvements	76	72	—	—	—	307
Ohio Building Authority	—	—	—	—	—	200,863
Administrative Services Building Improvements	25	—	—	—	60,189	—
Youth Services Building Improvements	22	—	—	—	—	—
Transportation Building Improvements	23	14	—	—	26,802	—
Adult Correctional Building Improvements	65	—	—	—	84,742	—
Highway Safety Building Improvements	21	—	—	—	18,081	—
Ohio Parks and Natural Resources	31	—	—	—	—	671
Subtotal	453	86	—	—	199,713	209,614
Enterprise:						
Liquor Control	112	50	—	—	—	81,587
Ohio Lottery Commission	—	—	—	—	—	726,548
Workers' Compensation	287	—	—	—	—	—
Underground Parking Garage	—	—	—	—	—	2,088
Subtotal	399	50	—	—	—	810,223

(Continued)

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	—	—	—	—	32,166	34,213
Ohio Data Network	7,526	65	—	—	—	—
Ohio Penal Industries	22,942	1,725	—	—	8,651	—
Support Services	4,135	82	—	—	—	—
Telecommunications	3,960	55	—	—	—	—
Subtotal	38,563	1,927	—	—	40,817	34,213
Expendable Trust:						
Unclaimed Funds	1,347	—	72,248	—	—	—
Pension Trust:						
State Highway Patrol	3,321	—	—	—	—	—
Agency:						
Holding and Distribution	—	14,093	—	—	—	—
Payroll Withholding and Fringe Benefits	68	27,574	—	—	—	—
Deferred Compensation	20	—	—	—	—	—
Other	31	—	—	—	—	—
Subtotal — Trust and Agency	4,787	41,667	72,248	—	—	—
Total per Financial Statements - Primary Government	76,640	84,254	72,248	72,248	2,781,277	2,776,897
Reconciliation for Timing Differences for Funds with December 31, 1995 Year-Ends	8,348	734	—	—	—	4,380
Reconciled Total for the Primary Government	84,988	84,988	$72,248	$72,248	$2,781,277	$2,781,277
Component Units:						
Ohio State University	277,078	277,078				
University of Cincinnati	11,204	11,204				
Other Component Units	57,895	57,895				
Total per Financial Statements - Component Units	346,177	346,177				
Total Reporting Entity	$431,165	$431,165				

For the fiscal year ended June 30, 1996, approximately $23 million and $6.3 million in residual equity transfers-out are reported for the General and Capital Projects funds, respectively. The transfers represent contributions of capital to the Internal Service Fund, as discussed in more detail in NOTE 19.

Operating transfers between the primary government's funds and its component units, for the year ended June 30, 1996, are summarized as follows (in thousands):

	Operating Transfers from Primary Government	Operating Transfers to Component Units
Primary Government:		
General Fund	$ —	$1,359,487
Special Revenue Fund		
Natural Resources	—	1,961
Component Units:		
Proprietary		
Ohio Water Development Authority	1,961	—
College and University		
Ohio State University	358,391	—
University of Cincinnati	167,719	—

NOTE 7 INTERFUND BALANCES AND TRANSFERS (Continued)

	Operating Transfers from Primary Government	Operating Transfers to Component Units
Colleges and University (Continued)		
Ohio University	114,669	—
Miami University	63,690	—
University of Akron	90,164	—
Bowling Green State University	69,843	—
Kent State University	94,335	—
University of Toledo	75,710	—
Cleveland State University	62,035	—
Youngstown State University	43,682	—
Wright State University	76,344	—
Central State University	17,102	—
Shawnee State University	13,697	—
Medical College of Ohio	32,152	—
Columbus State Community College	25,394	—
Clark State Community College	5,666	—
Edison State Community College	4,249	—
Southern State Community College	3,302	—
Washington State Community College	4,144	—
Cincinnati State Community College	13,960	—
Northwest State Community College	2,909	—
Owens State Community College	17,966	—
Terra State Community College	5,664	—
Total per Financial Statements	1,364,748	1,361,448
Reconciliation for Component Unit Fund with June 30, 1995 Year-End (See NOTE 21)	(3,300)	—
Total Reporting Entity	$1,361,448	$1,361,448

NOTE 8 FIXED ASSETS

A. Primary Government

A summary of fixed assets by category, as of June 30, 1996 (or December 31, 1995, 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	$ 178,597	$ 201,327
Buildings	337,535	6,324	2,743	2,052,579	2,399,181
Land Improvements	—	—	—	149,076	149,076
Machinery and Equipment	171,143	127,985	205	190,204	489,537
State Vehicles	2,812	728	16	217,554	221,110
Construction-in-Progress	—	137	—	479,197	479,334
Subtotal	533,850	135,174	3,334	3,267,207	3,939,565
Less: Accumulated Depreciation	164,959	100,744	417	—	266,120
Total	$368,891	$ 34,430	$2,917	$3,267,207	$3,673,445

No projects were under construction, for the year ended June 30, 1996, that resulted in capitalized interest for the proprietary and fiduciary fund types.

NOTE 8 FIXED ASSETS (Continued)

Changes in general fixed assets for the year ended June 30, 1996 were as follows (in thousands):

	Balance July 1, 1995	Beginning Balance Adjustments	Additions	Deletions/ Net Transfers	Balance June 30, 1996
Land	$ 156,333	$12,208	$10,075	$ (19)	$ 178,597
Buildings	1,999,485	13,182	53,247	(13,335)	2,052,579
Land Improvements	144,071	353	5,030	(378)	149,076
Machinery and Equipment	166,947	11,244	20,074	(8,061)	190,204
State Vehicles	202,267	2,414	29,085	(16,212)	217,554
Construction-in-Progress	341,712	(21,265)	469,259	(310,509)	479,197
Total	$3,010,815	$18,136	$586,770	$(348,514)	$3,267,207

B. Component Units

A summary of fixed assets by category for the State's component units, as of June 30, 1996 (or December 31, 1995, 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	$ 30,514	$ 14,822	$ 9,493	$ 2,143	$ 16,968
Buildings	1,159,112	812,391	298,319	286,986	256,034
Land Improvements	128,813	17,201	51,657	27,741	27,878
Machinery, Equipment, and Vehicles	546,751	283,677	107,002	81,323	86,892
Library Books and Publications	107,195	78,866	41,620	31,207	42,384
Construction-in-Progress	89,668	105,287	2,420	24,574	11,133
Subtotal	2,062,053	1,312,244	510,511	453,974	441,289
Less: Accumulated Depreciation	—	—	—	—	—
Total	$2,062,053	$1,312,244	$510,511	$453,974	$441,289

	Kent State University	University of Toledo	Cleveland State University	Other Component Units	Total Component Units
Land	$ 6,037	$ 17,448	$ 46,460	$ 50,855	$ 194,740
Buildings	214,345	257,136	237,861	1,073,654	4,595,838
Land Improvements	23,955	23,546	4,933	64,984	370,708
Machinery, Equipment, and Vehicles	85,008	55,389	48,390	348,642	1,643,074
Library Books and Publications	42,350	15,790	40,294	79,622	479,328
Construction-in-Progress	16,136	11,130	6,397	58,523	325,268
Subtotal	387,831	380,439	384,335	1,676,280	7,608,956
Less: Accumulated Depreciation	—	—	—	346	346
Total	$387,831	$380,439	$384,335	$1,675,934	$7,608,610

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. PERS early-implemented Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 26*, Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, for the fiscal year ended December 31, 1994. The State early-implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 1996.

PERS benefits are established under Chapter 145, Ohio Revised Code. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

PERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

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 1995 were as follows:

	Contribution Rates — Calendar Year 1995	
	Employee Share	Employer Share
Regular Employees	8.50%	13.31%
Law Enforcement Employees	9.00%	16.70%

Employer contributions required and made for the last three years were as follows (in thousands):

Primary Government			Component Units	
For the Year Ended December 31,	Employer's Contribution for Regular Employees	Employer's Contribution for Law Enforcement Employees	For the Year Ended June 30,	Employer's Contribution for Regular Employees
1995	$188,913	$2,480	1996	$98,615
1994	178,344	2,454	1995	94,465
1993	165,926	2,322	1994	90,233

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The pension liability, as calculated in accordance with GASB Statement No. 27, is zero both before and after the transition.

Other Postemployment Benefits

All age and service retirees with 10 or more years of service credit qualify for healthcare coverage under PERS. Healthcare 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 healthcare is 5.89 percent of covered payroll for law enforcement employees, and 4.29 percent of covered payroll for regular employees for calendar year 1995. Employees do not fund any portion of healthcare costs.

PERS healthcare 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 1994 was 7.75 percent, while healthcare costs 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 healthcare 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 61 thousand for the primary government, as of June 30, 1996. The employer contribution requirement is summarized below (in thousands):

	Actuarially Determined and Actual Contributions
Primary Government:	
(for the year ended December 31, 1995)	
Regular Employees	$89,849
Law Enforcement Employees	1,351
Total	$91,200
Component Units:	
(for the year ended June 30, 1996)	$46,902

PERS had $6.8 billion in net assets available for healthcare benefits at December 31, 1994. The actuarial accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used were $7.9 billion and $1.1 billion, respectively.

B. State Teachers Retirement System (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system. STRS has not early-implemented GASB Statement Nos. 25 or 26, for the fiscal year ended June 30, 1995.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, healthcare, 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 1996 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 healthcare program.

For the primary government, the payroll for its employees covered under STRS, for the year ended June 30, 1996, was $39.8 million; total payroll for this period was $2.3 billion. For the State's component units, covered and total payroll, for the same period, was $937 million and $2 billion, respectively.

The contribution requirement for the STRS pension obligation, for the year ended June 30, 1996 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....................	$4,780	12%	$3,704	9.3%
Component Units.........................	$112,449	12%	$87,148	9.3%

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 1995
	Pension benefit obligation	$36,112,351
Less:	Net assets available for benefits (valued at cost)	28,108,592
	Unfunded pension benefit obligation*.........................	$ 8,003,759

*Excludes healthcare benefits

The market value of net assets available for pension benefits for STRS at July 1, 1995 was $30.9 billion. Actuarial valuations are calculated annually by the retirement system's actuary.

During the year ended June 30, 1995, the State paid $3 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, 1996 was not available at the time of publication of this report; during fiscal year 1995, 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 1995, represented 12.1 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, 1995, the most recent data available.

Other Postemployment Benefits

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents. Retirees are required to make healthcare premium payments at amounts that vary according to each retiree's years of credited service and choice of healthcare 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 healthcare costs are absorbed by the plan. Currently, employer contributions equal to two percent of covered payroll are allocated to pay for healthcare benefits.

The employer contribution is advance-funded, but not on an actuarially determined basis. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 1996, totaled $797 thousand and $18.7 million, respectively. Eligible benefit recipients for the primary government, for the same period, totaled 929. Net assets available to fund future healthcare benefits was $1.5 billion, as of June 30, 1995.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 early-implemented GASB Statement Nos. 25 and 26 for the fiscal year ended December 31, 1995, and the State early-implemented GASB Statement No. 27 for the fiscal year ended June 30, 1996.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the plan is also reported as a pension trust fund by the State. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Boulevard, Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 466-2268.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. Chapter 5505, Ohio Revised Code, also 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, of which all of the employee's contribution and 19.03 percent of the employer's contribution are used to fund pension benefits. The remainder is used to fund postemployment healthcare benefits.

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 reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller- that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms. Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments are based on the estimated current value and on independent appraisals.

The assets were valued with a method that amortizes each year's investment gain or loss over a closed, four-year period.

Annual pension cost for the State totaled $11.8 million for the year, 100 percent of which was contributed during the year.

SHPRS used the entry-age normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 1995. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a 7.75 percent rate of return on investments; projected salary increase of five percent attributable to inflation and additional projected salary increases ranging from zero to 3.5 percent per year attributable to seniority and merit; and postretirement increases of three percent each year that the consumer price index increases by at least three percent.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 23 years.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The pension liability, as calculated in accordance with GASB Statement No. 27, is zero both before and after the transition.

In addition to retirement and healthcare benefits, SHPRS also provides for disability and survivors' benefits. Qualified dependents of a deceased member are eligible for monthly survivors' benefits.

The Schedule of Funding Progress, for the year ended December 31, 1995, follows (in thousands):

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
1993 [(a)]	$351,456	$297,051	$54,405	84.5%	$55,782	97.5%
1994 [(b)]	374,007	330,787	43,220	88.4	58,117	74.4
1995	402,450	370,425	32,025	92.0	59,825	53.5
1995 [(a)]	427,757	370,425	57,332	86.6	59,825	95.8
1995 [(a)&(b)]	424,351	370,425	53,926	87.3	59,825	90.1

[(a)] Plan amended
[(b)] Revised actuarial assumptions or methods

Amounts reported in the schedule do not include assets or liabilities for postemployment healthcare benefits.

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 basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 1995, was 1,455. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 1995 expense was $2 million.

Healthcare 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 healthcare 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 healthcare costs at December 31, 1995 was $67.7 million, and include investments, which are carried at fair value, as described above.

As of December 31, 1995, the actuarial accrued liability for healthcare 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 $68.6 million; the unfunded actuarial accrued liability for healthcare benefits at that date was $900 thousand.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately $3.4 million or 5.5 percent of active member payroll for the period January 1 to December 31, 1995.

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 14 constitutional amendments (the last adopted in November 1995), 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.

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, 1996, the General Assembly had authorized $960 million of these bonds to be sold, of which approximately $960 million had been issued and $858.5 million (net of unaccreted discount of $172.1 million on deep-discount bonds issued) was outstanding. In November 1995, voters approved another constitutional amendment to authorize the issuance of an additional $1.2 billion of Infrastructure Bonds, of which no more than $120 million (plus any prior years' principal amounts not issued under the new authorization) may be sold in any one year. As of June 30, 1996, the General Assembly had not authorized any Infrastructure Bonds to be issued under the provisions of the recent constitutional amendment.

A constitutional amendment approved by voters in 1968 authorized the issuance of Highway Obligations in amounts up to $100 million in any calendar year, with no more than $500 million in principal amount outstanding at any one time. The aggregate of General Assembly authorizations, as of June 30, 1996, for Highway Obligations, was $1.85 billion, of which $1.65 billion had been issued and $359.3 million was outstanding. In November 1995, voters approved another constitutional amendment to authorize the issuance of Highway Obligations in amounts up to $220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than $1.2 billion outstanding at any time. As of June 30, 1996, the General Assembly had not authorized any Highway Obligations to be issued under the provisions of the recent constitutional amendment.

Coal Research and Development Bonds and Parks and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed $100 and $200 million, respectively. As of June 30, 1996, the General Assembly had authorized the issuance of $150 million in Coal Research and Development Bonds, of which $95 million had been issued and $39.6 million was outstanding. Legislative authorizations for the issuance of Parks and Natural Resources Bonds totaled $100 million, as of June 30, 1996, of which $50 million had been issued and $47.2 million was outstanding.

General obligation bonds outstanding, and bonds authorized but unissued, as of June 30, 1996, were as follows (in thousands):

Purpose	Fiscal Years Issued	Average Net Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Infrastructure Improvements	1990-96	4.8%-8.2%	2016	$ 858,504	$ —
Highway Obligations	1988-96	4.5%-6.5%	2005	359,260	209,695
Coal Research and Development	1987-96	4.5%-6.2%	2005	39,600	55,000
Parks, Recreation, and Natural Resources	1995	4.5%-5.6%	2009	47,200	50,000
Total				$1,304,564	$314,695

Changes in general obligation bonds during the year ended June 30, 1996 are summarized in NOTE 15.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future general obligation debt service requirements, as of June 30, 1996, were as follows (in thousands):

Year Ending June 30,	Principal	Interest	Total
1997	$ 148,340	$ 53,922	$ 202,262
1998	130,470	46,500	176,970
1999	108,210	40,511	148,721
2000	96,275	36,084	132,359
2001	98,475	32,686	131,161
Thereafter	894,925	169,768	1,064,693
Subtotal	1,476,695	379,471	1,856,166
Less: Unaccreted Discount	172,131	—	172,131
Total	$1,304,564	$379,471	$1,684,035

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, 1996, $78.7 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 Fund and the Highway Safety and Highway Operating Special Revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents.

Special obligation bonds outstanding, and bonds authorized but unissued, as of June 30, 1996, 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	1985-96	4.6%-9.6%	2016	$1,762,396	$ 582,075
Ohio Public Facilities Commission	1974-96	4.5%-8.1%	2011	2,632,615	635,170
Elementary and Secondary Education	1995	5.8%	2003	53,825	70,000
Total				$4,448,836	$1,287,245

NOTE 11 SPECIAL OBLIGATION BONDS (Continued)

Changes in special obligation bonds during the year ended June 30, 1996 are summarized in NOTE 15.

Future special obligation debt service requirements, as of June 30, 1996, were as follows (in thousands):

Year Ending June 30,	Principal	Interest	Total
1997	$ 407,825	$ 236,241	$ 644,066
1998	405,885	218,384	624,269
1999	383,241	201,295	584,536
2000	367,472	181,642	549,114
2001	349,086	158,077	507,163
Thereafter	2,535,327	673,059	3,208,386
Total	$4,448,836	$1,668,698	$6,117,534

On October 1, 1995, the OPFC issued $11.1 million of special obligation current refunding bonds to defease $13.6 million of special obligation bonds. The net proceeds of approximately $11 million from the current refunding issue, plus an additional $2.8 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 through the December 1, 1995 call date. Consequently, the refunded bonds are no longer considered to be outstanding, and the corresponding principal amounts have been removed from the General Long-Term Obligations Account Group.

The OPFC refunded the special obligation bonds to reduce its debt service over the next five years by approximately $4.1 million to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately $1.2 million.

In prior years, the OBA and OPFC defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 1996, $586.2 million and $128.3 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 Office of Financial Incentives, 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, the University of Cincinnati, and the University of Toledo.

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.

NOTE 12 REVENUE BONDS AND NOTES (Continued)

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.

Economic development bonds, issued by the Treasurer of State for the Office of Financial Incentives' 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 backed 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. As of June 30, 1996, approximately $62 million in economic development bonds payable from liquor profits were outstanding.

Additionally, taxable economic development bonds in the amount of $5.5 million, issued by the Treasurer of State in connection with the Ohio Enterprise Bond Program, were outstanding, as of June 30, 1996. Proceeds from this bond issuance in fiscal year 1988 were placed in a reserve with trustee and are pledged to support, in part, the payment of principal and interest on other economic development bonds issued under this program.

During fiscal year 1996, $7.8 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 16, 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, 1996 (December 31, 1995 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	1994	3.3%-5.1%	2014	$208,428
Internal Service:				
Ohio Building Authority	1986	5.5%-9.8%	2008	41,340
General Long-Term Obligations:				
Treasurer of State/Economic Development	1988-89	7.5%-9.7%*	2001	67,490
Total				$317,258

*Average net interest rates

Changes in revenue bonds reported in the General Long-Term Obligations Account Group, for the year ended June 30, 1996, are summarized in NOTE 15.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 1996 (December 31, 1995 for the Bureau of Workers' Compensation), were as follows (in thousands):

NOTE 12 REVENUE BONDS AND NOTES (Continued)

Year Ending December 31 or June 30,	Enterprise Fund Principal	Enterprise Fund Interest	Enterprise Fund Total	Internal Service Fund Principal	Internal Service Fund Interest	Internal Service Fund Total	General Long-Term Obligations Account Group Principal	General Long-Term Obligations Account Group Interest	General Long-Term Obligations Account Group Total
1996	$ 3,000	$ 9,861	$12,861						
1997	4,000	9,731	13,731	$2,540,	$ 3,300	$ 5,840	$14,817	$ 4,835	$19,652
1998	5,000	9,555	14,555	2,512	3,330	5,842	13,869	5,769	19,638
1999	6,000	9,332	15,332	2,735	3,110	5,845	14,256	5,364	19,620
2000	7,000	9,062	16,062	2,975	2,868	5,843	14,731	4,877	19,608
2001				3,243	2,601	5,844	9,817	2,248	12,065
Thereafter	187,255	70,254	257,509	29,474	11,507	40,981	—	—	—
Subtotal	212,255	117,795	330,050	43,479	26,716	70,195	67,490	23,093	90,583
Less: Unamortized Discount	3,827	—	3,827	2,139	—	2,139	—	—	—
Total	$208,428	$117,795	$326,223	$41,340	$26,716	$68,056	$67,490	$23,093	$90,583

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, 1995, approximately $386.2 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, 1995, were as follows (in thousands):

Year Ending December 31,	Principal	Interest	Total
1996	$ 9,385	$ 22,158	$ 31,543
1997	13,150	19,773	32,923
1998	15,880	19,145	35,025
1999	16,900	18,392	35,292
2000	17,275	17,588	34,863
Thereafter	310,890	132,087	442,977
Subtotal	383,480	229,143	612,623
Add: Unamortized Premium	2,810	—	2,810
Total	$386,290	$229,143	$615,433

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.

NOTE 12 REVENUE BONDS AND NOTES (Continued)

Future bond service requirements for revenue bonds and notes reported in the component unit funds, as of June 30, 1996 (December 31, 1995 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
1996	$ 63,205	$ 73,102	$ 136,307						
1997	69,650	67,599	137,249	$ 21,483	$ 9,298	$ 30,781	$111,316	$ 16,947	$128,263
1998	74,570	64,154	138,724	18,173	8,330	26,503	15,337	12,439	27,776
1999	77,020	60,431	137,451	18,633	7,470	26,103	13,671	11,667	25,338
2000	71,045	56,497	127,542	17,042	6,637	23,679	12,873	10,944	23,817
2001				15,942	5,856	21,798	12,344	10,243	22,587
Thereafter	997,670	392,401	1,390,071	105,877	25,171	131,048	159,806	59,705	219,511
Subtotal	1,353,160	714,184	2,067,344	197,150	62,762	259,912	325,347	121,945	447,292
Less: Unamortized Discount	33,201	—	33,201	—	—	—	—	—	—
Total	$1,319,959	$714,184	$2,034,143	$197,150	$62,762	$259,912	$325,347	$121,945	$447,292

Year Ending December 31 or June 30,	University of Toledo			Other Component Units			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1996				$ 198	$ 217	$ 415	$ 63,403	$ 73,319	$ 136,722
1997	$ 3,390	$ 4,955	$ 8,345	15,346	11,574	26,920	221,185	110,373	331,558
1998	3,220	4,765	7,985	13,463	10,884	24,347	124,763	100,572	225,335
1999	2,925	4,559	7,484	13,717	10,259	23,976	125,966	94,386	220,352
2000	3,080	4,409	7,489	13,554	9,424	22,978	117,594	87,911	205,505
2001	3,225	4,251	7,476	13,262	8,791	22,053	44,773	29,141	73,914
Thereafter	72,755	46,669	119,424	157,185	64,324	221,509	1,493,293	588,270	2,081,563
Subtotal	88,595	69,608	158,203	226,725	115,473	342,198	2,190,977	1,083,972	3,274,949
Less: Unamortized Discount	—	—	—	—	—	—	33,201	—	33,201
Total	$88,595	$69,608	$158,203	$226,725	$115,473	$342,198	$2,157,776	$1,083,972	$3,241,748

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 1996, approximately $17.7 million in certificate of participation obligations were reported in the General Long-Term Obligations Account Group. In fiscal year 1992, $8.7 million of certificates of participation obligations were issued to finance the Ohio Department of Transportation's acquisition of the Panhandle Rail Line Project. During fiscal year 1996, an additional $10 million in obligations were sold to finance State assistance to the Greater Cleveland Regional Transit Authority for a share of the Cleveland Waterfront Transit Line Project's construction costs.

Under a certificate of participation financing arrangement, the State is required to make payments from the General Fund and the Transportation Certificate Debt Service Fund subject to biennial appropriations that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under certificate of participation financing arrangements, as of June 30, 1996, were as follows (in thousands):

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Project	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
General Long-Term Obligations:				
Department of Transportation:				
Panhandle Rail Line Project	1992	5.4%-6.7%	2012	$ 7,740
Waterfront Transit Line Project	1996	4.8%-9.1%	2003	10,000
Total				$17,740

As of June 30, 1996, the primary government's future commitments under the certificate of participation financing arrangements were as follows (in thousands):

	General Long-Term Obligations Account Group		
Year Ending June 30,	Principal	Interest	Total
1997	$1,265	$ 1,022	$ 2,287
1998	1,570	921	2,491
1999	1,670	809	2,479
2000	1,795	703	2,498
2001	1,880	616	2,496
Thereafter	9,560	3,066	12,626
Total	$17,740	$7,137	$24,877

Changes in certificate of participation obligations reported in the General Long-Term Obligations Account Group, for the year ended June 30, 1996, are summarized in NOTE 15.

For the State's component units, approximately $17 million in certificate of participation obligations are reported in the College and University Funds. The obligations finance building construction costs at the Ohio State University, University of Cincinnati, and University of Akron.

As of June 30, 1996, future commitments under the certificate of participation financing arrangements for the State's component units were as follows (in thousands):

	Ohio State University			University of Cincinnati		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
1997	$ 455	$179	$ 634	$ 565	$146	$ 711
1998	480	163	643	320	123	443
1999	490	146	636	250	109	359
2000	515	128	643	250	98	348
2001	530	109	639	250	87	337
Thereafter	2200	200	2,400	1,430	422	1,852
Total	$4,670	$925	$5,595	$3,065	$985	$4,050

	University of Akron			Total Component Units		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
1997	$ 360	$ 524	$ 884	$ 1,380	$ 849	$ 2,229
1998	380	507	887	1,180	793	1,973
1999	390	488	878	1,130	743	1,873
2000	415	468	883	1,180	694	1,874
2001	440	445	885	1,220	641	1,861
Thereafter	7,310	2,841	10,151	10,940	3,463	14,403
Total	$9,295	$5,273	$14,568	$17,030	$7,183	$24,213

NOTE 14 OTHER LONG-TERM OBLIGATIONS

As of June 30, 1996, 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.)	$275,452
Lease Agreements (B.)	13,042
Judgments, Settlements, and Claims (C.)	137,893
Litigation Liabilities (C.)	8,375
Workers' Compensation Obligation (D.)	540,200
Total Other General Long-Term Obligations	$974,962

Changes in other general long-term obligations reported in the General Long-Term Obligations Account Group, for the year ended June 30, 1996, are summarized in NOTE 15.

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, 1996 was approximately $30.5 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, 1996, was $332.2 million, of which $28.8 million is allocable to the proprietary funds and $303.4 million is allocable to the General Long-Term Obligations Account Group. The net (after reduction of the $30.5 million) compensated absence liability, as of June 30, 1996, was $301.7 million, of which $26.2 million is reported in the proprietary funds and $275.5 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, 1996, in the amount of $183.7 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 governmental

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

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 1996 were approximately $88.2 million. Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 1996, were as follows (in thousands):

		CAPITAL LEASES			
Year Ending June 30,	Operating Leases	Enterprise Funds	Internal Service Funds	General Long-Term Obligations	Total
1997	$8,152	$ 9,863	$299	$ 6,203	$16,365
1998	171	9,862	27	4,406	14,295
1999	139	6,575	—	3,127	9,702
2000	14	—	—	517	517
2001	—	—	—	222	222
Thereafter	—	—	—	—	—
Total Minimum Lease Payments	$8,476	26,300	326	14,475	41,101
Less: Amount Representing Interest		2,052	8	1,433	3,493
Present Value of Net Minimum Lease Payments		$24,248	$318	$13,042	$37,608

As of June 30, 1996, 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):

	Enterprise Fund	Internal Service Fund	General Fixed Assets	Total
Equipment	$32,388	$479	$24,855	$57,722
Vehicles	—	—	37	37
Total	$32,388	$479	$24,892	$57,759

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, 1996, the State was responsible for an estimated $137.6 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 $223 thousand for claims payable under the Disability Assistance Program that the Ohio Department of Human Services administers.

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

NOTE 14 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 $540.2 million.

E. Liabilities Payable from Restricted Assets

Deferred Prize Awards

Deferred prize awards payable in installments over future years totaling approximately $1.27 billion, as of June 30, 1996, 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, ranging from four to 11.7 percent, 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, 1996, is summarized as follows (in thousands):

	Year Ending June 30,	
	1997	$ 148,177
	1998	148,131
	1999	147,821
	2000	147,671
	2001	147,634
	Thereafter	1,480,837
	Subtotal	2,220,271
Less:	Unamortized Discount	943,730
	Net Prize Liability	$1,276,541

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 by the amount estimated for unclaimed prizes.

Tuition Benefits

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund totaling $162.7 million, as of June 30, 1996, 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. The following assumptions were used in the actuarial determination of tuition benefits payable: 8.1 percent rate of return, compounded annually, on the investment of current and future assets; projected tuition increases at 6.7 percent, compounded annually; and a 4.0 percent Consumer Price Index inflation rate.

NOTE 14 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, 1995, in the amount of $12.84 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is reported as "Workers' Compensation Benefits Payable."

NOTE 15 CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations, for the year ended June 30, 1996, are summarized as follows (in thousands):

	General Obligation Bonds (NOTE 10)	Special Obligation Bonds (NOTE 11)	Revenue Bonds (NOTE 12)	Certificates of Participation (NOTE 13)	Other General Long-Term Obligations (NOTE 14)	Total
Balance, as of July 1, 1995	$1,216,196	$4,322,467	$82,730	$ 7,995	$1,034,018	$6,663,406
Additions:						
Debt Issues	234,999	561,100	—	10,000	—	806,099
Deep-Discount Accretions	14,049	4,377	—	—	—	18,426
Reclassification of Revenue Bonds from the Internal Service Fund	—	2,790	—	—	—	2,790
Increase in Compensated Absences	—	—	—	—	11,910	11,910
Increase in Lease Obligations	—	—	—	—	5,036	5,036
Increase in Judgments, Settlements, and Claims	—	—	—	—	10,727	10,727
Increase in Workers' Compensation Obligation	—	—	—	—	7,300	7,300
Increase in Contingent Liabilities	—	—	—	—	4,225	4,225
Total Additions	249,048	568,267	—	10,000	39,198	866,513
Deductions:						
Debt Retirements, Terminations, and Defeasances	160,680	441,898	15,240	255	—	618,073
Decrease in Lease Obligations	—	—	—	—	7,236	7,236
Decrease in Judgments, Settlements, and Claims	—	—	—	—	74,643	74,643
Decrease in Contingent Liabilities	—	—	—	—	16,375	16,375
Total Deductions	160,680	441,898	15,240	255	98,254	716,327
Balance, as of June 30, 1996	$1,304,564	$4,448,836	$67,490	$17,740	$974,962	$6,813,592

Fiscal year 1996 additions to the general obligation bonds, special obligation bonds, and certificates of participation do not include discounts and bond issuance costs of approximately $7 thousand, $4.8 million, and $159 thousand, respectively, which are netted with bond proceeds reported on the operating statement.

NOTE 16 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

NOTE 16 NO COMMITMENT DEBT (Continued)

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, 1996, revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (in thousands):

Organization	Outstanding Amount
Ohio Department of Development:	
Ohio Housing Finance Agency	$1,734,581
Ohio Enterprise Bond Program	133,925
Hospital Facilities Bonds	4,170
Total	$1,872,676

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 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 $714.1 million and $5.7 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.

NOTE 18 ENTERPRISE FUNDS (Continued)

Segment information, for the fiscal year ended June 30, 1996, was as follows (in thousands):

	Tuition Trust Authority	Liquor Control	Ohio Lottery Commission	Workers' Compensation (12/31/95)	Underground Parking Garage	Total Enterprise Funds
Operating Revenues	$ 12,557	$350,744	$2,471,124	$ 3,365,892	$ 2,352	$ 6,202,669
Depreciation	58	536	8,417	24,224	406	33,641
Amortization of Premiums/ (Accretion of Discounts)	(639)	—	96,313	(103,332)	—	(7,658)
Operating Income	(1,278)	84,388	772,222	1,077,571	633	1,933,536
Operating Transfers-out	—	81,587	726,548	—	2,088	810,223
Net Income (Loss)	(1,162)	1,953	44,426	1,077,571	(1,308)	1,121,480
Fixed Asset Additions	42	358	1,264	20,866	—	22,530
Fixed Asset Disposals	—	1,918	2,584	9,302	—	13,804
Net Working Capital	14,875	14,911	140,083	1,189,840	2,200	1,361,909
Increase (Decrease) in Cash & Cash Equivalents	(5,891)	(929)	31,781	(98,567)	(850)	(74,456)
Total Assets	182,321	31,399	1,540,129	17,636,282	10,332	19,400,463
Bonds and Other Non-current Liabilities Payable from Operating Revenues	81	1,916	17,316	13,059,129	74	13,078,516
Total Equity (Deficits)	19,449	13,754	198,655	2,901,432	10,177	3,143,467

B. Workers' Compensation Fund

For the Workers' Compensation Enterprise Fund, the reserve for compensation (see NOTE 14F.) 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 $949.3 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, 1995.

NOTE 19 CHANGES IN CONTRIBUTED CAPITAL

For the fiscal year ended June 30, 1996, changes in contributed capital reported in the primary government's Internal Service Funds were as follows (in thousands):

	Internal Service Funds			
	Ohio Data Network	Ohio Penal Industries	Support Services	Total
Contributed Capital Balance, July 1, 1995	$ —	$1,015	$4,969	$ 5,984
Additions:				
Capital Contributions from Other Funds (reported as Residual Equity Transfers-out):				
General Fund	22,986	—	—	22,986
Capital Projects Funds:				
Administrative Services Building Improvements	5,490	—	—	5,490
Adult Correctional Building Improvements	—	482	—	482
Mental Health/Mental Retardation Facilities Improvements	—	—	288	288
Total Additions	28,476	482	288	29,246
Contributed Capital Balance, June 30, 1996	$28,476	$1,497	$5,257	$35,230

NOTE 20 FUND EQUITY — OTHER RESERVES AND DESIGNATIONS

A. Primary Government

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, 1996, follow (in thousands):

Reserved for Other:	General	Special Revenue	Capital Projects	Expendable Trust	Total
Intergovernmental Receivable:					
Advance Payments to Local Government	$ 6,882	$ —	$ —	$ —	$ 6,882
Inventories	5,059	30,634	—	—	35,693
Other Assets — Prepaids	991	42	—	—	1,033
Human Services Stabilization	105,510	—	—	—	105,510
SchoolNet Plus Program	22,838	—	—	—	22,838
Ohio Public Library Information Network	6,654	—	—	—	6,654
Local School District Reimbursements:					
1987 Reimbursement	1,198	—	—	—	1,198
Stored Gas Reimbursement	850	—	—	—	850
Minority Contractors' Bonding Program	—	2,017	—	—	2,017
Loan Commitments	—	153,407	40,863	—	194,270
Health Care Benefits	8,313	6,703	3	—	15,019
Advances to Other Funds	—	—	—	72,248	72,248
Total	$158,295	$192,803	$40,866	$72,248	$464,212

Reserved retained earnings for the Enterprise Fund, as of June 30, 1996 (December 31, 1995 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 $76 thousand, $39.7 million, and $90.4 million, respectively.

Reserved retained earnings for the Internal Service Fund, as of June 30, 1996, are provided for the funding of future health care benefits in the amount of $294 thousand.

As of June 30, 1996, the General Fund's unreserved fund balance was designated as follows (in thousands):

General Fund	Unreserved, Designated Fund Balance
Income Tax Reduction Program	$400,800
SchoolNet Plus Program	100,000
State Infrastructure Bank Program	30,000
Total	$530,800

B. Component Units

Detail on reserved fund balance for the component unit funds, as of June 30, 1996, is as follows (in thousands):

Restricted for:	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
General Operations	$ 92,760	$ 69,927	$ 57,484	$ 220,171
Loan Programs	59,977	29,339	75,919	165,235
Endowment and Quasi-Endowment Activities	479,899	451,953	115,250	1,047,102
Plant Operations	11,280	6,966	20,884	39,130
Annuity and Life Income	3,784	3,444	—	7,228
University Foundations	—	34,134	—	34,134
Total	$647,700	$595,763	$269,537	$1,513,000

NOTE 20 FUND EQUITY — OTHER RESERVES AND DESIGNATIONS (Continued)

As of June 30, 1996, unreserved fund balance reported in the component unit funds was designated as follows (in thousands):

Unreserved, Designated for:	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Educational and General Programs	$ 63,513	$ —	$127,879	$191,392
Auxiliary Enterprises	5,552	—	11,894	17,446
Hospital Operations	89,512	151,957	173	241,642
Loan Programs	1,987	2,758	18,032	22,777
Endowment and Quasi-Endowment Activities	30,883	—	29,872	60,755
Plant Operations	145,225	20,327	65,132	230,684
University Foundations	—	2,567	—	2,567
Total	$336,672	$177,609	$252,982	$767,263

NOTE 21 COMPONENT UNIT FUNDS

A. Condensed Financial Statements

Condensed financial statements for the component unit funds, for the fiscal year ended June 30, 1996, are as follows (in thousands):

Condensed Balance Sheet — Component Units

	Ohio Water Development Authority (12/31/95)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Assets					
Cash Equity with Treasurer	$ 808	$ —	$ —	$ —	$ 808
Cash and Cash Equivalents	958	19,963	769	90,961	112,651
Investments	770,985	1,020,048	47,340	633,463	2,471,836
Receivables	1,476,069	224,659	97,467	232,795	2,030,990
Due from Other Funds	930	277,078	11,204	56,965	346,177
Inventories	—	16,126	4,183	20,758	41,067
Deposit with Deferred Compensation Plan	636	—	—	5,028	5,664
Restricted Assets	—	11,652	669,250	19,184	700,086
Fixed Assets (net of accumulated depreciation)	289	2,062,053	1,312,244	4,234,024	7,608,610
Other Assets	17,089	18,242	374,016	24,570	433,917
Total Assets	$2,267,764	$3,649,821	$2,516,473	$5,317,748	$13,751,806
Liabilities					
Accounts Payable	$ 26,324	$ 44,760	$ 35,270	$ 57,887	$ 164,241
Accrued Liabilities	7,889	202,167	91,319	265,639	567,014
Due to Other Funds	930	277,078	11,204	56,965	346,177
Deferred Revenues	—	55,720	22,815	80,668	159,203
Refund and Other Liabilities	2,193	24,706	227,045	40,975	294,919
Liability for Deferred Compensation	636	—	—	5,028	5,664
Revenue Bonds and Notes	1,319,959	197,150	325,347	315,320	2,157,776
Certificates of Participation	—	4,670	3,065	9,295	17,030
Total Liabilities	1,357,931	806,251	716,065	831,777	3,712,024
Fund Equity and Other Credits					
Investment in General Fixed Assets	—	1,859,198	1,027,036	3,888,138	6,774,372
Total Unreserved Retained Earnings	909,833	—	—	—	909,833
Total Fund Balance	—	984,372	773,372	597,833	2,355,577
Total Fund Equity and Other Credits	909,833	2,843,570	1,800,408	4,485,971	10,039,782
Total Liabilities, Fund Equity, and Other Credits	$2,267,764	$3,649,821	$2,516,473	$5,317,748	$13,751,806

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	$1,496,909	$ 612,213	$2,102,680	$4,211,802
Total Expenditures and Other Deductions	1,577,167	638,523	2,636,131	4,851,821
Transfers from Primary Government	358,391	167,719	836,677	1,362,787
Net Increase for the Year	278,133	141,409	303,226	722,768
Fund Balance and Other Credits, July 1	2,565,437	1,658,999	4,182,745	8,407,181
Fund Balance and Other Credits, June 30	$2,843,570	$1,800,408	$4,485,971	$9,129,949

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	$1,188,095	$431,258	$1,702,938	$3,322,291
Expenditures:				
Educational and General	968,793	509,677	1,985,373	3,463,843
Auxiliary Enterprises	102,892	50,458	314,628	467,978
Hospitals	368,922	—	135,839	504,761
Total Expenditures	1,440,607	560,135	2,435,840	4,436,582
Mandatory Transfers, Net	28,197	29,442	37,660	95,299
Total Expenditures and Mandatory Transfers	1,468,804	589,577	2,473,500	4,531,881
Other Transfers and Additions (Deductions):				
Operating Transfers from Primary Government	351,269	168,757	837,649	1,357,675
Nonmandatory Transfers, Net	(20,068)	(6,318)	(31,249)	(57,635)
Additions (Deductions)	15,316	27,844	(2,696)	40,464
Total Other Transfers and Additions (Deductions)	346,517	190,283	803,704	1,340,504
Net Increase in Fund Balances	$ 65,808	$ 31,964	$ 33,142	$ 130,914

Financial statements for Central State University are presented for the fiscal year ended June 30, 1995. The University's financial statements, for the fiscal year ended June 30, 1996, were not available in time for publication in this report. For fiscal year 1995, Central State University's revenues and other additions, expenditures and other deductions, and operating transfers from the primary government represented .77 percent, 1.04 percent, and 1.34 percent, respectively, of the aggregate financial activity for the college and university component unit funds.

B. Fund Balance Deficits

A fund balance deficit of approximately $1.7 million is reported for the Youngstown State University Fund, as of June 30, 1996. The deficit resulted when the University recorded expenses for employees who elected to participate in early retirement incentive plans offered by the Public Employees and State Teachers retirement systems. The University elected to fund the related $13.8 million liability, which is included in "Accrued

NOTE 21 COMPONENT UNIT FUNDS (Continued)

Liabilities," in installments over the number of years purchased for each employee, plus annual interest ranging from 7.5 to 7.8 percent on the outstanding principal.

As of June 30, 1995, a fund balance deficit of approximately $9 million is reported for the Central State University Fund. In January 1996, the University's Board of Trustees declared a state of financial emergency at the University due to operating losses generated and the University's inability to meet short-term liabilities when due.

Furthermore, the University has experienced cash flow difficulties and has been unable to make timely payments to its vendors. Subsequent to June 30, 1995, the University established payment plans with the majority of its vendors with significant outstanding accounts payable balances, as of June 30, 1995. The payment terms vary between being current by August 1996 to the fall of 1999.

As disclosed in the University's financial report, dated September 2, 1996, which covers its financial statements for the fiscal year ended June 30, 1995, the University's management is developing and implementing new plans, systems, and policies to address and resolve its financial management, regulatory compliance, and facilities needs. Additionally, the University's Board of Trustees and management seek to obtain necessary financial support and other assistance from the State to ensure the University's continued existence, according to the report.

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.

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 (approximately $199 thousand for the fiscal year ended December 31, 1995) to the establishment of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

NOTE 22 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Required contributions and contributions received from the eight member states, which border the Great Lakes, as of December 31, 1995 (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, 1995 is as follows (in thousands):

Cash and Investments	$81,338
Other Assets	989
Total Assets	$82,327
Total Liabilities	$ 1,619
Total Fund Equity	80,708
Total Liabilities and Fund Equity	$82,327
Total Revenues and Other Additions	$ 4,154
Total Expenditures	5,094
Net Decrease in Fund Equity	$ (940)

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 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.

NOTE 22 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 1996, 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	$ 35,506	$ 6,938	$ 42,444
Lakeland Community College	12,067	1,644	13,711
Lorain County Community College	14,084	1,810	15,894
Rio Grande Community College	3,414	2,777	6,191
Sinclair Community College	29,556	2,804	32,360
Subtotal	94,627	15,973	110,600
Technical Colleges:			
Belmont Technical College	4,086	294	4,380
Central Ohio Technical College	3,637	257	3,894
Hocking Technical College	14,245	4,337	18,582
Jefferson Technical College	3,285	1,466	4,751
Lima Technical College	5,675	—	5,675
Marion Technical College	2,923	497	3,420
Muskingum Technical College	4,685	1,057	5,742
North Central Technical College	6,054	528	6,582
Stark Technical College	7,759	141	7,900
Subtotal	52,349	8,577	60,926
Total	$146,976	$24,550	$171,526

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.

During fiscal year 1996,

- The primary government distributed $2.3 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.

NOTE 22 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

- The Public Defender's Office compensated the Ohio Legal Assistance Foundation approximately $396 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. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations.

In instances when the unfavorable outcome of pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 1996, $8.4 million in liabilities ultimately payable from various governmental funds has been recorded in the General Long-Term Obligations Account Group for this purpose.

Litigation contesting the Ohio system of school funding is pending on appeal in the Ohio Supreme Court, with defendants being the State of Ohio and several state agencies and officials. Among other relief the plaintiffs sought was essentially a declaratory judgment that the State's statutory system of funding public elementary and secondary education violates various provisions of the Ohio Constitution, with a remedy requested being decrees as may be required to compel the State of Ohio and the General Assembly to devise and enact a constitutionally acceptable system of school funding. The trial court in July 1994 concluded that certain provisions of current law (including those relating to the Ohio School Foundation Program, and certain school district borrowing authorizations) violated provisions of the Ohio Constitution, and directed the State "forthwith to provide for and fund a system of funding public elementary and secondary education in compliance with the Ohio Constitution." The State appealed, and the trial court granted a stay of its findings and conclusions, and stay of its orders except for requirements that officials prepare and present to the General Assembly proposals for a school funding system complying with the court-specified criteria and except for periodic reports to the court on steps taken to eliminate wealth-based disparities among districts. In August 1995, a court of appeals reversed the trial court's findings for plaintiff districts.

In prior litigation, the Ohio Supreme Court in 1979 upheld what was essentially the then existing Foundation Program against similar claims that the school funding system violated provisions of the Ohio Constitution. Applying that 1979 decision to the present case, the court of appeals found no constitutional violation, and reversed the trial court's negative rulings and vacated its remedial orders.

It is not possible at this time to state whether the suit will ultimately be successful on appeal or, should plaintiffs prevail, the effect on the State's present school funding system, including the amount of and criteria for State basic aid allocations to the school districts. It cannot be predicted if the 1979 Supreme Court decision will be considered by the Supreme Court, as it was by the court of appeals, to be determinative of any or all of the issues raised in this current litigation.

Other litigation pending in federal district court contests the Ohio Department of Human Services' former Medicaid financial eligibility rules for married couples where one spouse is living in a nursing facility and the other spouse resides in the community. The Department promulgated new eligibility rules effective January 1, 1996. It is appealing a court order directing it to provide notice to persons potentially affected by the former rules from 1990 through 1995. It is not possible at this time to state whether this appeal will be successful or,

NOTE 23 CONTINGENCIES AND COMMITMENTS (Continued)

should plaintiffs prevail, the period, beyond the current fiscal year, during which necessary additional Medicaid expenditures would have to be made. Plaintiffs have estimated total additional Medicaid expenditures at $600 million for the retroactive period and, based on current law, it is estimated that the State's share of those additional expenditures would be approximately $240 million.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of any of the State's fund types and account groups.

B. Federal Financial Assistance

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 1995 State of Ohio Single Audit (completed in February 1996), approximately $6.5 million of federal expenditures is in question as not being appropriate under the terms of the respective grants. 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, 1996.

C. Construction Commitments

As of June 30, 1996, the Department of Transportation had contractual commitments of approximately $1.05 billion 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 $665.5 million, $129.9 million, $223.4 million, and $31.8 million, respectively.

As of June 30, 1996, construction (non-highway) commitments for the primary government's budgeted capital projects funds were as follows (in thousands):

Capital Projects Fund	
Arts Facilities Building Improvements	$ 16,031
Higher Education Improvements	246,449
Mental Health/Mental Retardation Facilities Improvements	41,911
Parks and Recreation Improvements	7,788
Local Infrastructure Improvements	25
Administrative Services Building Improvements	48,716
Youth Services Building Improvements	13,516
Transportation Building Improvements	10,921
Adult Correctional Building Improvements	100,804
Highway Safety Building Improvements	6,152
Ohio Parks and Natural Resources	32,887
Total	$525,200

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.

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, 1996, the amount of resources available in the Agency Fund for the payment of claims was approximately $34.9 million.

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

		Fiscal Year 1996	Fiscal Year 1995
	Claims Liabilities, as of July 1	$13,944	$17,600
Add:	Incurred Claims	71,532	62,682
Less:	Claims Payments	(67,713)	(66,338)
	Claims Liabilities, as of June 30	$17,763	$13,944

As of June 30, 1996, resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims exceeded the estimated claims liability amount by $17.1 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

A. Bond Issuances

Subsequent to June 30, 1996, the State issued the following major debt (in thousands):

Organization/Issue	Delivery Date of Issue	Net Interest Cost	Amount	Type of Debt
Commissioners of the Sinking Fund:				
Highway Obligations Bonds, Series V......	September 15, 1996	4.7%	$100,000	General Obligation
Highway Capital Improvements Bonds, Series A..	September 15, 1996	4.8%	50,000	General Obligation
Ohio Public Facilities Commission:				
Higher Education Capital Facilities Bonds, Series II - 1996B	October 1, 1996	5.1%	150,000	Special Obligation
Mental Health Capital Facilities Bonds, Series II -1996B......................................	October 1, 1996	5.2%	40,000	Special Obligation
Treasurer of State:				
Taxable Development Assistance Bonds, Series 1996................................	October 1, 1996	7.7%	168,740	Revenue
Total...			$508,740	

On August 15, 1996, the Ohio Building Authority issued approximately $70.4 million in refunding bonds with an average interest rate of 4.9 percent to defease approximately $70 million in outstanding special obligation bonds, which had an average interest rate of 8.4 percent, as of June 30, 1996.

B. Dissolution of the Student Aid Commission

On July 29, 1996, the U.S. Department of Education (USDE) and the Ohio Student Aid Commission entered into an agreement, which describes the specific terms and conditions of the dissolution of the Commission's operations and guaranty activity. The USDE also directed the Commission to transfer its student loan portfolio to the Great Lakes Higher Education Corporation, which the USDE has designated as guaranty agency for the State of Ohio.

Previously, the Commission unanimously approved a resolution on October 19, 1995 for its dissolution because of declining student loan market share.

C. Workers' Compensation Premium Dividend Credit

Subsequent to the December 31, 1995 year-end for the Bureau of Workers' Compensation (BWC) Enterprise Fund, the BWC Oversight Commission approved a minimum 20 percent premium dividend credit for public taxing district and private employers, returning an estimated $400 million to these employers. The credit is in effect for policy years beginning January 1, 1996 for public taxing district employers and July 1, 1996 for private employers.