

**Ohio Office of Budget  
and Management**

**State of Ohio**  
*George V. Voinovich*  
**Governor**



# **OHIO**

<b>COMPREHENSIVE</b>
<b>ANNUAL</b>
<b>FINANCIAL</b>
<b>REPORT</b>

FOR THE FISCAL YEAR  
ENDED JUNE 30, 1996

## **ACKNOWLEDGMENTS**

Report prepared by the Office of Budget and Management, State Accounting, Financial Reporting Section:

*Timothy I. Murphy, CPA*

*Deputy Director*

*Jane A. Snipes, CPA*

*Financial Reporting Manager*

*Bradley J. Beaver*

*Kimberly C. Blake*

*Andrea E. Joffe, CPA*

*Ratneswary Manoranjan, CPA*

*Anita McGuire*

*Penny Mohler*

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

**George V. Voinovich**  
Governor

**R. Gregory Browning**  
Director  
Office of Budget  
and Management

**Timothy I. Murphy**  
Deputy Director  
Division of  
State Accounting

Prepared by Division of  
State Accounting



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# STATE OF OHIO

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

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# **INTRODUCTORY SECTION**



State of Ohio · Office of Budget and Management  
30 East Broad Street · Columbus, Ohio 43266-0411

November 18, 1996

To the Governor, the Honorable Members of the General Assembly, and the Citizens of Ohio:

It is my privilege to issue the Comprehensive Annual Financial Report (CAFR) on the financial condition of the State of Ohio for the fiscal year ended June 30, 1996. The report is prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

This report was prepared by the Ohio Office of Budget and Management pursuant to Section 126.21 of the Ohio Revised Code, which requires that an official financial report of the State be issued annually. The report includes General Purpose Financial Statements, which provide an overview of the State's financial position and the results of financial operations by fund type.

The Office of Budget and Management is responsible for the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the State of Ohio. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The State's General Purpose Financial Statements include all funds and account groups that comprise the State's legal entity or primary government. The State's reporting entity is also comprised of its component units for which the elected officials of the State's primary government are financially accountable. We followed the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, to determine the organizations for which the State is financially accountable. NOTE 1A. to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The CAFR includes the following: introductory section; financial section that presents the General Purpose Financial Statements, combining financial statements, supporting schedules, and fund descriptions; and a statistical section that presents financial, economic, and demographic data for Ohio.

## **FINANCIAL PRESENTATION**

The data in the financial statements are presented in accordance with a fund classification system prescribed by the GASB. The purpose of this system is to improve the comparability of the financial reports of different governmental units. Funds reported for the State's primary government and its component units are classified into four categories: governmental, proprietary, fiduciary, and college and university. Each category reported for the primary government is divided into several "fund types."

Governmental fund types are those through which State functions are financed. Governmental fund types include the General, special revenue, debt service, and capital projects funds.

Proprietary fund types account for activities that are commercial in nature — similar to those often found in the private sector. Proprietary fund types include the enterprise and internal service funds.

Fiduciary fund types include trust funds, which account for assets held by the primary government in a trustee capacity, and agency funds, which account for assets held by the primary government as an agent for individuals, private organizations, other governments, and/or other funds.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund. The General Fund also includes other funds such as the reimbursement-supported funds used for activities administered by State agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate. Furthermore, the majority of budgetary expenditures reported in the General Revenue Fund for the support of higher education have been reclassified on a GAAP basis to "operating transfers to component units," as required by the reporting requirements of GASB Statement No. 14.

## **INDEPENDENT AUDIT RESULTS**

The General Purpose Financial Statements have been audited by the Office of the Auditor of State, Jim Petro. The outcome of the audit conducted by the Auditor of State, in accordance with generally accepted auditing standards, was an unqualified auditor's report. Such an opinion indicates there was no limitation on the scope of the auditor's examination and the financial statements were prepared in conformity with GAAP.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The State's management is responsible for establishing and maintaining internal control designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

In fiscal year 1992, an executive order initiated the Internal Accounting Control Program (IACP). The IACP establishes written guidelines for state agencies to follow during periodic management reviews of their accounting operations. Under the program, agencies are required to formally establish, maintain, and annually evaluate and report on internal accounting controls.

The State's Central Accounting System (CAS) achieves budgetary control over the various accounts of the State's funds. Ohio's bicameral legislature, the General Assembly, authorizes expenditures by appropriating funds in biennial and supplemental appropriation acts. The Office of Budget and Management uses CAS to control subsequent departmental obligation and expenditure activity to ensure that authorized appropriations are not exceeded.

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

The State's GAAP financial statements for the governmental, expendable trust, and agency funds have been prepared on a modified accrual basis of accounting. This means that revenues are recognized when measurable and available; expenditures are recognized when goods or services are received or liabilities are incurred. The proprietary and pension trust funds are accounted for on the accrual basis of accounting. This means that revenues are recognized when earned and expenses are recognized when incurred. Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The CAS maintains all non-GAAP budgetary-basis transactions and most GAAP-basis adjustments. In addition to the information obtained from the CAS for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP-basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the

reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. A reconciliation between the GAAP-basis and non-GAAP budgetary-basis financial statements is presented in NOTE 3 to the financial statements.

**CASH MANAGEMENT**

In Ohio, with the exception of certain organizations within the State's reporting entity that have independent powers to manage and invest their funds, the Treasurer of State is responsible for investing the State's cash and investments pool. During fiscal year 1996, cash management and investment transactions made by the Treasurer of State's Office, in accordance with the Uniform Depository Act, were limited to checking accounts and certificates of deposit with qualified public depositories, U.S. government and agency obligations, commercial paper, repurchase agreements, bankers' acceptances, bonds of foreign nations diplomatically recognized by the United States, and security lending agreements. Legal requirements for the investment of funds maintained in the State's cash and investments pool are discussed in NOTE 4 to the financial statements.

For fiscal year 1996, investment earnings on the State's cash and investments pool managed by the Treasurer of State, including the portion dedicated to the Ohio Lottery Commission, totaled approximately \$294 million compared with \$198.8 million in fiscal year 1995, a 47.9 percent increase. This increase is due to greater cash resources available for investment during fiscal year 1996.

Quarterly, the Office of Budget and Management allocates the interest income earned on the undedicated portion of the cash and investments pool to the various funds designated by law to receive the earnings. The allocation is calculated in accordance with a formula based on average daily cash balances invested over the quarter.

**GENERAL GOVERNMENTAL FUNCTIONS**

The following schedule presents a summary of revenues, recorded on the modified accrual basis, for the governmental fund types (General, special revenue, debt service, and capital projects funds) for the fiscal year ended June 30, 1996, and the amount and percentage increases and decreases in relation to prior-year's revenues (in thousands).

<i>Revenues</i>	<i>FY 1996 Amount</i>	<i>Percent of Total</i>	<i>Increase (Decrease) from FY 1995</i>	<i>Percentage Increase/(Decrease) from FY 1995</i>
<i>Income Taxes .....</i>	\$ 5,890,587	23.7%	\$434,570	8.0%
<i>Sales Taxes .....</i>	5,003,024	20.1	239,915	5.0
<i>Corporate and Public Utility Taxes.....</i>	1,831,300	7.4	20,904	1.2
<i>Motor Vehicle Fuel Taxes .....</i>	1,332,294	5.3	39,256	3.0
<i>Other Taxes .....</i>	842,688	3.4	(9,478)	(1.1)
<i>Licenses, Permits and Fees .....</i>	805,605	3.2	34,104	4.4
<i>Sales, Services and Charges .....</i>	106,517	.4	2,897	2.8
<i>Federal Government.....</i>	8,435,891	33.9	130,782	1.6
<i>Other.....</i>	654,457	2.6	(118,580)	(15.3)
<i>Total.....</i>	<u>\$24,902,363</u>	<u>100.0%</u>	<u>\$774,370</u>	3.2

Significant increases and decreases reported for the State's *major* revenue sources are explained as follows:

- The \$434.6 million or 8 percent increase in income taxes is mainly attributable to increased collections from quarterly estimated payments and annual returns, indicating a stronger economy and low unemployment.
- Sales tax revenues rose more than \$239.9 million or 5 percent because of increases in consumer spending and growth in Ohio's retail sales.

- The \$118.6 million or 15.3 percent decrease in other revenue results mostly from decreased collections of hospital assessments, which fund, in part, the Ohio Department of Human Services' Hospital Care Assurance Program. This federally funded program that provides financial relief to Ohio hospitals for the delivery of uncompensated services to Ohio's indigent population experienced a loss of more than \$200 million during fiscal year 1996. This loss, however, was partly offset with an increase of approximately \$80 million in investment earnings.

Expenditures for governmental fund types, presented on the modified accrual basis, for the fiscal year ended June 30, 1996, and the amount and percentage increases and decreases in relation to prior-year's expenditures are shown below for the functions of general government (in thousands).

<b>Expenditures</b>	<b>FY 1996 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from FY 1995</b>	<b>Percentage Increase/(Decrease) from FY 1995</b>
<b>Current:</b>				
Primary, Secondary and Other Education.....	\$ 5,251,805	21.8%	\$401,055	8.3%
Higher Education Support .....	423,473	1.8	15,634	3.8
Public Assistance and Medicaid.....	7,936,578	32.9	(370,108)	(4.5)
Health and Human Services.....	2,333,583	9.7	135,851	6.2
Justice and Public Protection .....	1,588,026	6.6	184,849	13.2
Environmental Protection and Natural Resources .....	286,987	1.2	13,849	5.1
Transportation .....	1,319,120	5.5	(141,892)	(9.7)
General Government.....	371,996	1.5	16,842	4.7
Community and Economic Development.....	323,277	1.3	(11,882)	(3.5)
<b>Intergovernmental</b> .....	<b>2,467,137</b>	<b>10.2</b>	<b>154,977</b>	<b>6.7</b>
<b>Capital Outlay</b> .....	<b>884,456</b>	<b>3.7</b>	<b>12,220</b>	<b>1.4</b>
<b>Debt Service</b> .....	<b>909,134</b>	<b>3.8</b>	<b>107,140</b>	<b>13.4</b>
<b>Total</b> .....	<b>\$24,095,572</b>	<b>100.0%</b>	<b>\$518,535</b>	<b>2.2</b>

Significant increases and decreases for the State's *major* expenditure categories are explained as follows:

- Spending at the Ohio Department of Education greatly contributed to the \$401 million or 8.3 percent increase in primary, secondary and other education expenditures. Expenditures increased significantly for the School Foundation, SchoolNet Plus, Disadvantaged Pupil Impact Aid, and Supplemental School Assistance programs.
- Public assistance and Medicaid expenditures decreased by \$370.1 million or 4.5 percent. The decline primarily resulted from spending decreases for the Hospital Care Assurance Program, which is described above.
- Increased spending for operations at the Department of Rehabilitation and Correction and the Department of Youth Services accounts for most of the \$184.8 million or 13.2 percent increase in justice and public protection expenditures.
- Transportation expenditures during fiscal year 1996 were lower by \$141.9 million or 9.7 percent over last year's due to less spending on highway projects.
- Intergovernmental expenditures rose by \$155 million or 6.7 percent because of increased local government support and property tax allocations.
- Debt service expenditures grew \$107.1 million or 13.4 percent primarily because of higher principal and interest payment requirements during 1996 on bonds issued by the Ohio Public Facilities Commission and Ohio Building Authority.

An additional analysis of revenues and expenditures for all governmental funds reported for fiscal year 1996 is shown in the graphic presentation that follows this letter.

## GENERAL FUND

Many State programs are accounted for in the General Fund, which reported the following (in thousands):

	<i>Balance as of June 30, 1996</i>	<i>Increase (Decrease) from FY 1995</i>	<i>Percentage Increase/(Decrease) from FY 1995</i>
<i>Unreserved/Undesignated Fund Balance .....</i>	<i>301,033</i>	<i>\$168,143</i>	<i>126.5%</i>
<i>Total Fund Balance.....</i>	<i>2,180,206</i>	<i>524,071</i>	<i>31.6</i>
<i>Total Revenues .....</i>	<i>16,682,733</i>	<i>893,613</i>	<i>5.7</i>
<i>Total Expenditures.....</i>	<i>14,071,794</i>	<i>825,089</i>	<i>6.2</i>

The 31.6 percent increase in the General Fund's total fund balance primarily resulted from lower-than-budgeted spending and higher-than-expected revenue. The General Fund's unreserved/undesignated fund balance increased by 126.5 percent due mainly to fewer year-end designations by the State's management. As of June 30, 1996, the State's primary government designated \$530.8 million for the purposes described in NOTE 20 and reserved close to \$1.35 billion in fund balance for a total designated and reserved fund balance of \$1.88 billion for the General Fund. This is compared to a total designated and reserved fund balance of approximately \$1.52 billion, as of June 30, 1995.

## PROPRIETARY AND FIDUCIARY FUNDS

The State's enterprise funds reported retained earnings of \$1.2 billion, as of June 30, 1996, as compared to \$68.9 million in retained earnings, as of June 30, 1995. These results were caused primarily by the Workers' Compensation Enterprise Fund, which reported a retained earnings balance of \$948.4 million, as of June 30, 1996, as compared to a \$129.2 million deficit, as of June 30, 1995, an 834.2 percent improvement. Operating revenues for the enterprise funds increased to \$6.2 billion in fiscal year 1996 from \$5.79 billion in fiscal year 1995; operating expenses increased to \$4.27 billion in fiscal year 1996 from \$2.52 billion in fiscal year 1995. Management at the Bureau of Workers' Compensation attributed the improvement in that enterprise fund's financial condition to recent legislative reforms and cost savings initiatives.

The State's internal service funds reported retained earnings of approximately \$115.3 million, as of June 30, 1996, as compared to \$99 million, as of June 30, 1995, a 16.4 percent increase. Operating revenues for the internal service funds increased to \$297.9 million in fiscal year 1996 from \$265.3 million in fiscal year 1995 while operating expenses decreased to \$285.8 million in fiscal year 1996 from \$293.6 million in fiscal year 1995.

The fund balance of the expendable trust funds grew approximately 18.1 percent to \$2.1 billion, as of June 30, 1996, from \$1.78 billion, as of June 30, 1995. Revenues for the expendable trust funds dropped to \$1.13 billion in fiscal year 1996 from \$1.19 billion in fiscal year 1995; expenditures rose to \$806 million in fiscal year 1996 from \$737.5 million in fiscal year 1995.

The fund balance of the pension trust fund was approximately \$447.7 million, as of June 30, 1996, as compared to \$364.2 million, as of June 30, 1995, a 22.9 percent increase. Total additions to plan net assets for the pension trust fund grew to \$103.4 million in fiscal year 1996 from \$81.9 million (as restated) in fiscal year 1995, while total deductions to plan net assets also increased to \$17.7 million in fiscal year 1996 from \$15.7 million (as restated) in fiscal year 1995.

## DEBT ADMINISTRATION

Recently, Ohio's credit ratings were upgraded by Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Corporation (S&P) for certain State general obligation bonds. Moody's revised the State's rating from Aa to Aa1, while S&P changed the rating from AA to AA+. S&P rates the State's Highway Obligations AAA.

Fitch Investors Service, L.P. (Fitch), in its initial rating, has rated the State's general obligation bonds as AA+.

Moody's rates the obligations supported by the General Revenue Fund that are issued by the Ohio Building Authority and the Ohio Public Facilities Commission as A1. S&P generally rates unenhanced debt of the two state authorities as AA-, an upgrade from the previous A+ rating.

As of June 30, 1996, the State's primary government reported a total of \$6.8 billion in outstanding liabilities in its General Long-Term Obligations Account Group as follows (in thousands):

<i>Type of Obligation</i>	<i>Outstanding Balance</i>	<i>Percentage Increase/(Decrease) Since June 30, 1995</i>
<i>General Obligation Bonds .....</i>	\$1,304,564	7.3%
<i>Revenue Bonds and Notes .....</i>	67,490	(18.4)
<i>Special Obligation Bonds .....</i>	4,448,836	2.9
<i>Certificates of Participation.....</i>	17,740	121.9
<i>Other General Long-Term Obligations.....</i>	974,962	(5.7)
<i>Total.....</i>	<u>\$6,813,592</u>	2.3

For the proprietary funds, Ohio's primary government also reported \$249.8 million (net of unamortized discounts of approximately \$6 million) in revenue bonds, as of June 30, 1996.

**RETIREMENT SYSTEMS**

State employees may be eligible to participate in the Public Employees Retirement System, the State Teachers Retirement System, or the State Highway Patrol Retirement System. Further information on the State's participation in the retirement systems can be found in NOTE 9 to the financial statements.

**RISK MANAGEMENT**

As discussed in NOTE 1P. to the financial statements, the State's primary government retains risks for claims arising from the State's traditional health care plan (OhioMed Health Plan), vehicle liability, public fidelity blanket bonds, property losses, and tort liability. Also, 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.

**ECONOMIC OVERVIEW AND OUTLOOK**

The U.S. economy continues to grow at a moderate and steady pace with low inflation. Economic indicators remain ambivalent sending conflicting signals of a slowdown and an acceleration. The recovery that began in the Spring of 1991 is soon approaching the six year mark, well in excess of the post-war average expansion of four years. The risk of an economic slowdown increases as the recovery becomes more mature. Adding to the confusion about the direction of the economy is the Conference Board's Consumer Confidence Index, which essentially remains at a big six-year high. Such a robust level of consumer confidence is somewhat surprising given the fact that retail activity is not looking particularly good. While it is true that the economy seems to be defying expectations of slower growth in the second half of 1996, the majority of economists believe that the seeds of slower growth for 1997 have been sown.

The consensus forecast for the next two-to-three years calls for economic growth to continue at the long-term trend rate of 2 to 2.5 percent. The picture emerging from the latest reports reveals an economy that is likely to grow more rapidly in 1996 and then retreat in 1997 and 1998, avoiding the prospects of a recession. Preliminary reports show that the U.S. economy grew at an annualized rate of 2.2 percent in the third quarter of 1996, well below its sizzling second quarter rate of 4.1 percent.

Inflation remains modest, in large part due to the slowdown in the growth of fringe benefit costs. Wage gains are the main concern, but so far they have not been robust enough to cause an increase in general inflation. Stronger productivity gains offset the higher compensation growth, causing growth unit labor costs to remain weak. The consensus view expects inflation to remain under control with the Consumer Price Index increasing in the range of 2.5 to 3 percent for the next three years, as the economy grows moderately.

Ohio's revenue picture remains in line with the current budget forecast of moderate economic growth and low inflation. The outlook for the General Fund remains stable and on target, with receipts slightly higher than estimates and spending slightly lower than estimates, after adjusting for timing factors. Furthermore, Ohio's

Budget Stabilization Fund or “Rainy Day” Fund, a budgetary fund reported as part of the General Fund, remains intact with a current fund balance of \$828.3 million.

## MAJOR INITIATIVES AND PROJECTS

- Slated for the 1996 tax year is a one-time 6.5 percent state income tax reduction. The reduction is the result of an operating budget that ended fiscal year 1996 with higher revenues and lower expenditures than originally expected.

For the General Fund, budgetary underspending for fiscal year 1996 amounted to approximately \$400 million, with the largest savings coming from human service programs. Total budgetary revenues exceeded projections by approximately \$241 million, with the largest gains coming from personal income and corporate franchise taxes. As of June 30, 1996, the State designated \$400.8 million in the General Fund to offset the effects of the income tax reduction.

In spite of the \$400.8 million tax reduction, the fund balance for the General Fund reported reserves of fund balance for budget stabilization and human services stabilization purposes of \$828.3 million and \$105.5 million, respectively, as of June 30, 1996.

- In April 1996, the Bureau of Workers’ Compensation (BWC) announced a six percent decrease in the overall Workers’ Compensation premium rates for private employers, which took effect July 1, 1996. According to the Bureau, this rate reduction, when combined with other BWC savings initiatives implemented in the past year, is expected to save Ohio employers \$643 million.
- The Ohio SchoolNet and SchoolNet Plus are state-funded partnerships that encourage and support local school improvement efforts. These initiatives seek to facilitate the installation and use of networking technology in Ohio’s public schools. State funding for SchoolNet and SchoolNet Plus will provide for the acquisition of computer hardware, software, equipment, training and services, and two-way audio or video communication. An initial goal of SchoolNet Plus is to provide at least one interactive computer workstation for every five Ohio public school students who attend kindergarten through grade four. As of early November 1996, 560 Ohio public schools have received over \$132.4 million worth of equipment and wiring through SchoolNet and SchoolNet Plus.

During fiscal year 1996, \$125 million in funding was transferred from the General Fund to the SchoolNet Plus Program. For fiscal year 1997, the State designated \$100 million in the General Fund for transfer to the SchoolNet Plus Program. In early fiscal year 1997, the State also transferred \$25 million for this program from the Ohio Lottery Commission Enterprise Fund, and plans to transfer an additional \$25 million from the Enterprise Fund in fiscal year 1998.

In the State’s capital appropriations bill for fiscal years 1997-98, the General Assembly stated its intention to provide an additional \$125 million for the SchoolNet Plus Program in future appropriations measures. An initial \$95 million appropriation was provided for the SchoolNet Program in the State’s capital appropriations for fiscal years 1995-96.

- In addition to the \$70 million appropriated for the 1995-96 capital biennium, the General Assembly has appropriated \$120 million for the School Building Assistance Program in the 1997-98 capital budget bill. Historically, capital improvements for Ohio’s primary and secondary schools have been funded through local property taxes; however, this program will provide a major increase in the State’s share of funding for school construction and renovation.

Approximately 12 to 15 school districts are expected to receive school building assistance funds from these appropriations. State funding in the amount of \$20 million will be allocated to districts that had previously received conditional approval for projects from the State Board of Education under the State’s prior allocation process. Ohio’s lowest wealth school districts will receive \$100 million under a new financing formula that requires a State and local partnership. The formula takes school district wealth into account so that relatively higher wealth districts contribute a larger local share than relatively lower wealth districts. The formula also

considers a number of other criteria including the relative wealth of the district, the condition of existing facilities, the determination of project cost, the level of outstanding debt, and the passage of a local levy.

- In April 1996, the U.S. Department of Transportation selected Ohio as one of eight pilot states to participate in the new State Infrastructure Bank (SIB) Program. Under this program, the Ohio Department of Transportation can apply federal surface transportation funds toward a new revolving loan fund. The SIB will offer low-interest loans to local communities for transportation infrastructure projects such as interchanges, rail enhancements, airport expansions and highway projects. In early fiscal year 1997, the State transferred \$30 million from the General Fund to this program. The SIB expects to receive an additional \$70 million in federal transportation funds for its initial funding, and the State is authorized to issue state revenue bonds for the financing of SIB projects. In August 1996, Ohio became the first state to receive formal approval for the SIB's establishment from the U.S. Department of Transportation.
- In late fiscal year 1996, the State completed the Capitol Square Renovation Project, a six-year, \$112.7 million undertaking. The renovation restored the historic and aesthetic qualities reminiscent of the mid-1800s to the Ohio Statehouse, while it also provided improvements for the building's modernization.
- For streamlining the invoice payment process, the Ohio Payment Card Program is an integral part of the State's new electronic commerce model. Payment cards issued to state personnel allow immediate purchases, costing \$1,000 or less, to be transacted. Recently, more than 2,500 cards have been issued to 11 state agencies, and it is expected that more than 4,000 cards will be in use upon full implementation of the program, which uses electronic media to reduce processing costs and to provide accurate vendor invoices.

For the electronic invoicing and payment of large dollar purchases, the Electronic Data Interchange Program, the other component of the State's electronic commerce model, began in fiscal year 1996. Designed to reduce paperwork and processing costs, this program features electronic vendor invoicing and payment.

#### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1995. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Ohio has received a Certificate of Achievement for the last six years (fiscal years 1990-1995). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

#### **ADDITIONAL INFORMATION**

The Ohio Office of Budget and Management provides access to the 1996 *Ohio Comprehensive Annual Financial Report* and the 1996 *Ohio Budgetary Financial Report* on the World Wide Web (<http://www.state.oh.us/obm>).

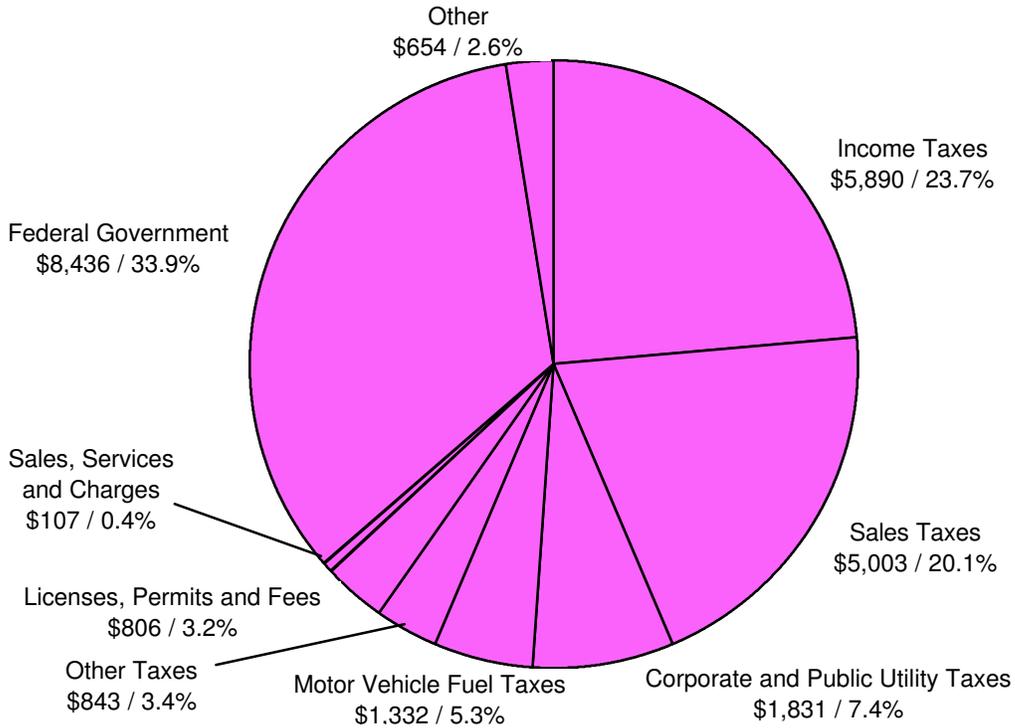
#### **ACKNOWLEDGMENTS**

In conclusion, I wish to express my appreciation to the staffs of the various State agencies whose time and dedicated efforts made this report possible.

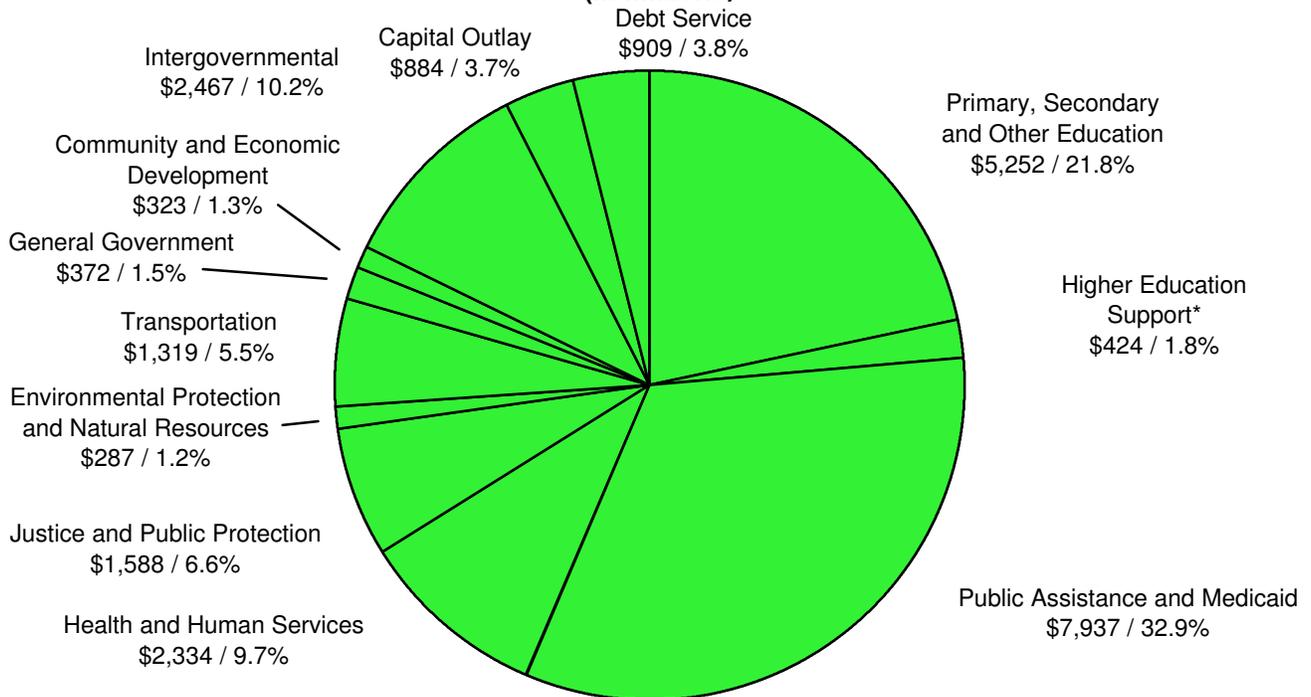
Sincerely,

R. GREGORY BROWNING  
Director

**Revenues for All Governmental Funds  
Fiscal Year 1996  
(in millions)**



**Expenditures for All Governmental Funds  
Fiscal Year 1996  
(in millions)**



\* In the governmental funds, budgetary expenditures for Higher Education Support totaling \$1.36 billion are reported on a GAAP basis as "Operating Transfers to Component Units," as shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances, pages 22 and 23.

# Certificate of Achievement for Excellence in Financial Reporting

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*Arthur R. Lynch*  
President

*Jeffrey L. Esser*  
Executive Director

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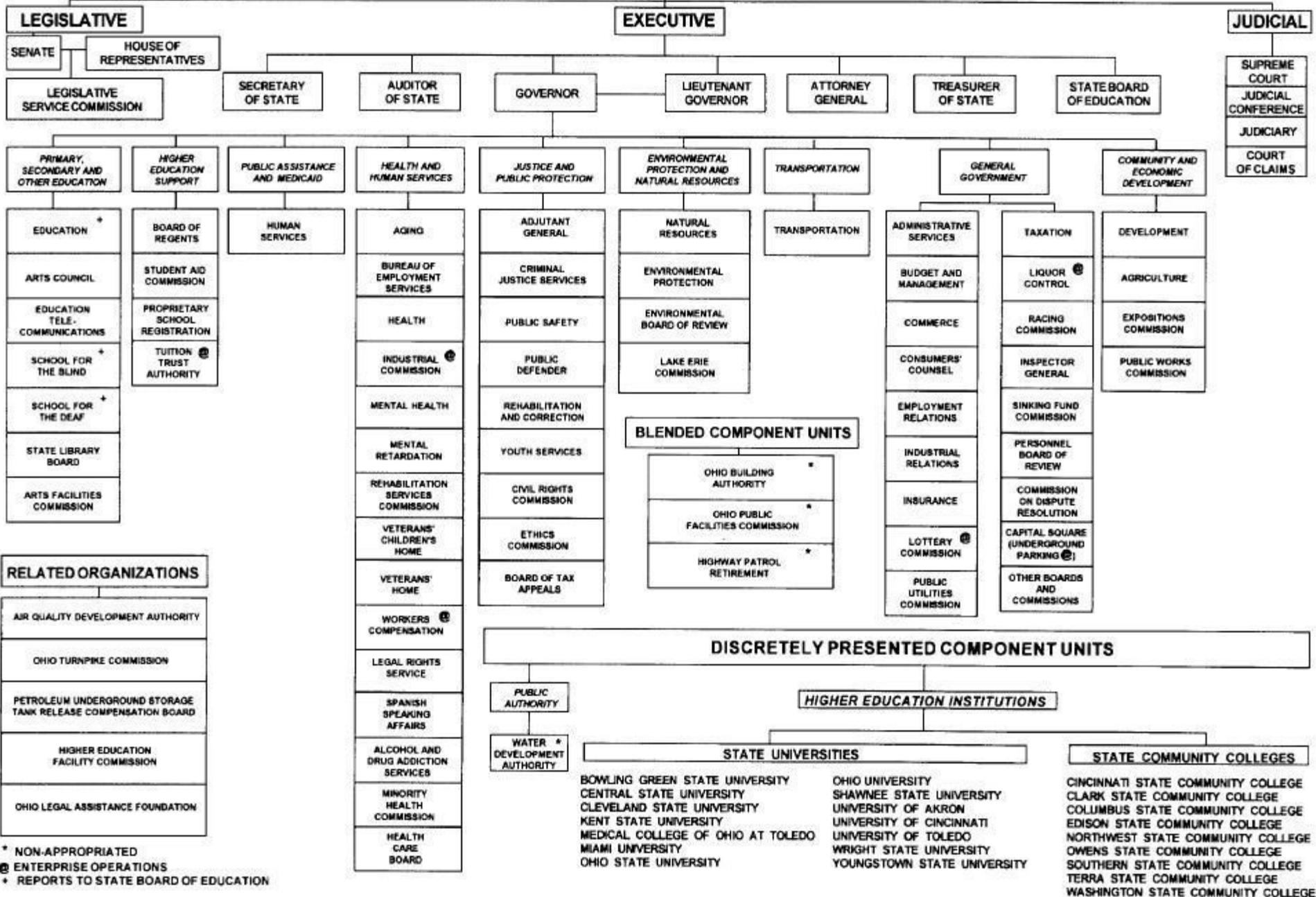
## **JUDICIAL**

Thomas J. Moyer  
Chief Justice  
Supreme Court

# STATE OF OHIO ORGANIZATION CHART

THE CITIZENS OF OHIO

PRIMARY GOVERNMENT



\* NON-APPROPRIATED  
 @ ENTERPRISE OPERATIONS  
 + REPORTS TO STATE BOARD OF EDUCATION