

**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, 1997

STATE OF OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1997

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

November 21, 1997

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

It is my privilege to issue the *Ohio Comprehensive Annual Financial Report (CAFR)* on the financial condition of the State of Ohio for the fiscal year ended June 30, 1997. 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 the following "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 auditors’ report. Such an opinion indicates there was no limitation on the scope of the auditors’ examination and the financial statements were presented fairly, in all material respects, 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 fund balances 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 1997, 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 1997, 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 \$556.0 million compared with \$466.1 million (as restated) in fiscal year 1996, a 19.3 percent increase. This increase is due to greater cash resources available for investment during fiscal year 1997.

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, 1997, and the amount and percentage increases and decreases in relation to prior-year’s revenues (in thousands).

Revenues	FY 1997 Amount	Percent of Total	Increase (Decrease) from FY 1996	Percentage Increase/(Decrease) from FY 1996
<i>Income Taxes</i>	\$ 5,879,016	22.9%	\$ (11,571)	(0.2)%
<i>Sales Taxes</i>	5,262,460	20.5	259,436	5.2
<i>Corporate and Public Utility Taxes</i>	1,897,439	7.4	66,139	3.6
<i>Motor Vehicle Fuel Taxes</i>	1,351,476	5.2	19,182	1.4
<i>Other Taxes</i>	872,869	3.3	30,181	3.6
<i>Licenses, Permits and Fees</i>	849,279	3.3	43,674	5.4
<i>Sales, Services and Charges</i>	79,051	.3	(27,466)	(25.8)
<i>Federal Government</i>	8,454,831	32.9	18,940	.2
<i>Other (including Investment Income)</i>	1,079,581	4.2	425,124	65.0
<i>Total</i>	<u>\$25,726,002</u>	<u>100.0%</u>	<u>\$823,639</u>	<u>3.3</u>

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

- Sales tax revenues rose more than \$259.4 million or 5.2 percent because of increases in consumer spending and growth in Ohio’s retail sales.
- The \$27.5 million or 25.8 percent decrease in sales, services and charges results primarily from the reclassification of revenues reported for the Auditor of State’s Office from the General Fund in fiscal year 1996 to the Enterprise Fund in 1997.
- Other revenue increased significantly by \$425.1 million or 65 percent. The increase primarily resulted from increased collections of hospital assessments, which fund, in part, the Ohio Department of Human Services’ Hospital Care Assurance Program, and the implementation of

GASB Statement No. 28 *Accounting and Financial Reporting for Securities Lending Transactions*. Specifically, the hospital assessments, which along with federal moneys provide financial relief to Ohio hospitals for the delivery of uncompensated services, increased by \$224.6 million, and investment income was adjusted upward by \$169.7 million for the recognition of earnings from securities lending transactions.

Expenditures for governmental fund types, presented on the modified accrual basis, for the fiscal year ended June 30, 1997, 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).

Expenditures	FY 1997 Amount	Percent of Total	Increase (Decrease) from FY 1996	Percentage Increase/(Decrease) from FY 1996
Current:				
Primary, Secondary and Other Education ...	\$ 5,449,086	21.2%	\$ 197,281	3.8%
Higher Education Support	422,482	1.6	(991)	(0.2)
Public Assistance and Medicaid.....	8,367,021	32.5	430,443	5.4
Health and Human Services.....	2,328,762	9.1	(4,821)	(0.2)
Justice and Public Protection	1,761,521	6.9	173,495	10.9
Environmental Protection and Natural Resources.....	299,607	1.2	12,620	4.4
Transportation.....	1,465,258	5.7	146,138	11.1
General Government.....	528,592	2.1	156,596	42.1
Community and Economic Development....	344,950	1.3	21,673	6.7
Intergovernmental.....	2,570,501	10.0	103,364	4.2
Capital Outlay.....	1,138,286	4.4	253,830	28.7
Debt Service.....	1,033,948	4.0	124,814	13.7
Total.....	<u>\$25,710,014</u>	<u>100.0%</u>	<u>\$1,614,442</u>	<u>6.7</u>

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

- Public assistance and Medicaid expenditures increased by \$430.4 million or 5.4 percent. The increase primarily resulted from spending increases 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 \$173.5 million or 10.9 percent increase in justice and public protection expenditures.
- Transportation expenditures during fiscal year 1997 were higher by \$146.1 million or 11.1 percent over last year's due to more spending on highway projects.
- General government expenditures rose by \$156.6 million or 42.1 percent. The increase primarily resulted from the implementation of GASB Statement No. 28 when borrower rebates and agent fees from securities lending transactions were recognized as expenditures for the first time.
- Capital outlay expenditures grew by \$253.8 million or 28.7 percent primarily because of increased spending for the SchoolNet Plus Program, which provides state funding to facilitate the installation and use of networking technology in Ohio's public schools. Also, the Higher Education Improvements and Highway Safety Building Improvements capital projects funds experienced higher spending in fiscal year 1997.
- Debt service expenditures grew \$124.8 million or 13.7 percent primarily because of higher principal and interest payment requirements during 1997 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 1997 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, 1997</i>	<i>Increase (Decrease) from FY 1996</i>	<i>Percentage Increase/(Decrease) from FY 1996</i>
<i>Unreserved/Undesignated Fund Balance.....</i>	\$ 195,450	\$(105,583)	(35.1)%
<i>Total Fund Balance.....</i>	2,320,267	140,061	6.4
<i>Total Revenues.....</i>	17,014,438	331,705	2.0
<i>Total Expenditures.....</i>	14,744,909	673,115	4.8

The 6.4 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 decreased by 35.1 percent due mainly to increased year-end reserves and designations. As of June 30, 1997, the State's primary government designated \$685.9 million for the purposes described in NOTE 20 and reserved close to \$1.44 billion in fund balance for a total designated and reserved fund balance of \$2.12 billion for the General Fund. This is compared to a total designated and reserved fund balance of approximately \$1.88 billion, as of June 30, 1996.

PROPRIETARY AND FIDUCIARY FUNDS

The State's enterprise funds reported retained earnings of \$5.19 billion, as of June 30, 1997, as compared to \$3.52 billion in retained earnings (as restated), as of June 30, 1996. These results were caused primarily by the Workers' Compensation Enterprise Fund, which reported a retained earnings balance of \$4.90 billion, as of June 30, 1997, as compared to a \$3.26 billion retained earnings balance (as restated), as of June 30, 1996, a 50.1 percent improvement. Operating revenues for the enterprise funds increased to \$7.23 billion in fiscal year 1997 from \$6.33 billion (as restated) in fiscal year 1996; operating expenses increased to \$4.76 billion in fiscal year 1997 from \$3.90 billion (as restated) in fiscal year 1996. The improvement was primarily due to the Workers' Compensation Enterprise Fund's early implementation in fiscal year 1997 of Governmental Accounting Standards Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the effect of which increased investment income by \$2.0 billion for the net appreciation in the fair value of investments.

The State's internal service funds reported retained earnings of approximately \$115.9 million, as of June 30, 1997, as compared to \$115.3 million, as of June 30, 1996, a .5 percent increase. Operating revenues for the internal service funds decreased to \$288.4 million in fiscal year 1997 from \$297.9 million in fiscal year 1996 while operating expenses increased to \$293.8 million in fiscal year 1997 from \$285.8 million in fiscal year 1996.

The fund balance of the expendable trust funds grew approximately 8.1 percent to \$2.27 billion, as of June 30, 1997, from \$2.10 billion, as of June 30, 1996. Revenues for the expendable trust funds dropped to \$970.9 million in fiscal year 1997 from \$1.13 billion in fiscal year 1996; expenditures decreased to \$801.5 million in fiscal year 1997 from \$806.0 million in fiscal year 1996.

The fund balance of the pension trust fund was approximately \$512.1 million, as of June 30, 1997, as compared to \$447.7 million, as of June 30, 1996, a 14.4 percent increase. Total additions to plan net assets for the pension trust fund decreased to \$83.6 million in fiscal year 1997 from \$103.4 million in fiscal year 1996, while total deductions to plan net assets increased to \$19.2 million in fiscal year 1997 from \$17.7 million in fiscal year 1996.

DEBT ADMINISTRATION

Ohio's credit ratings for general obligation debt are Aa1 by Moody's Investors Service, Inc. (Moody's) and AA+ by Fitch Investors Service, L.P. (Fitch). Standard & Poor's Corporation (S&P) rates the State's general obligation debt AA+, except for Highway Capital Improvement Obligations, which S&P rates AAA.

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 Aa3. S&P and Fitch generally rate unenhanced debt of the two state authorities as AA-.

As of June 30, 1997, the State's primary government reported a total of \$7.5 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, 1996</i>
<i>General Obligation Bonds</i>	\$1,598,596	22.5%
<i>Revenue Bonds and Notes.....</i>	171,595	154.3
<i>Special Obligation Bonds</i>	4,664,837	4.9
<i>Certificates of Participation.....</i>	26,630	(4.5)
<i>Other General Long-Term Obligations</i>	1,010,267	(1.7)
<i>Total.....</i>	<u>\$7,471,925</u>	8.7

For the proprietary funds, Ohio's primary government also reported \$242.3 million (net of unamortized discounts of approximately \$3.6 million) in revenue bonds, as of June 30, 1997.

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. The recovery that began in the Spring of 1991 is soon approaching the seven-year mark, well in excess of the post-war average expansion of four years. The risk of a downturn in the economy increases as the expansion becomes more mature. Furthermore, the turmoil in the Asian currency markets and the volatility of the U.S. financial markets could undermine consumer euphoria, which could lead to a slowdown in economic growth.

The consensus forecast for the fiscal year 1998 and fiscal year 1999 budget cycle calls for economic growth to continue at the long-term trend rate of 2.0 to 2.5 percent. The picture emerging from the most recent reports reveals an economy that is likely to grow more rapidly in 1997 and then retreat in 1998 and 1999. The incoming data show continued growth near 3.0 percent during the third quarter of 1997, slightly below the second quarter pace of 3.3 percent. The second half of 1997 is likely to experience slower growth than the first half, but the year as a whole will average a fairly robust 3.0 percent growth.

Inflation has remained low despite strong economic growth and a low unemployment rate. The combination of strong growth and low inflation is unusual. Historically, strong economic growth leads to higher inflation which leads to higher interest rates. The moderation of inflation in recent years was, in large part, due to the slowdown in the growth of fringe benefit costs. Wage gains are the main concern, but so far the employment cost index has not been robust enough to cause an increase in general inflation. In addition, the low inflation rate in the U.S. may be attributed to the weak economies of foreign countries which engage in trade with the U.S. In the new global economy of the 90's, inflation may be determined by world economic growth, instead of U.S. growth. The consensus view expects inflation to remain under control during the forecast period, with the Consumer Price Index increasing in the range of 2.5 to 3.0 percent per year, 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 \$862.7 million.

MAJOR INITIATIVES AND PROJECTS

School Funding Reform

As discussed in NOTE 23A., the State has been involved in litigation, similar to that in other states, questioning the constitutionality of Ohio's system of school funding. The Ohio Supreme Court concluded in a decision released March 24, 1997 that major aspects of the system (including basic operating assistance and state loans) are unconstitutional. It ordered the State to provide for and fund sufficiently a system complying with the Ohio Constitution, staying its order for a year to permit time for responsive corrective actions by the Ohio General Assembly. The State's management is working with the General Assembly to devise an acceptable funding formula for Ohio schools.

Tax Policy Changes

The State has made significant changes in tax policy that will begin to take effect in tax year 1997. The personal income tax is being reduced through increases in the personal exemption. The exemption for a taxpayer and spouse will increase from \$750 in 1996 to \$850 in 1997 and \$950 in 1998. The exemption for dependents will increase from \$850 in 1996 to \$1,050 in 1997. These changes, combined with further reductions in taxes through an increase in the dependent care credit, will result in savings to Ohio income taxpayers of about \$200 million.

Additionally, the income tax is being further reduced by the introduction of an Income Tax Reduction Fund. This fund was first established in June 1996 and was used to refund Ohio income taxpayers \$400 million in tax year 1996 by way of a 6.61 percent reduction of the income tax rate that was the result of better economic performance and reduced spending due to good fiscal management during the previous fiscal year. In the new 1998-1999 budget, House Bill 215, the Governor proposed and the legislature approved the permanent establishment of the Income Tax Reduction Fund. This will allow for the *possibility* of future income tax rate reductions due to budgetary surpluses less certain set-asides. The tax year 1997 reduction, based on the ending surplus of fiscal year 1997, will be 3.99 percent, which amounts to a savings of \$262.9 million to income taxpayers.

The 1998-1999 budget bill also incorporates changes to the Corporate Franchise tax, the Insurance tax, and the Financial Institutions tax. The net effect of these changes is to reduce tax rates, reduce burdensome record keeping, close loopholes, address tax inequities, and generally provide a more equitable, balanced, and competitive tax structure.

Welfare Reform

Ohio continues to be a leader in the nation in the area of welfare reform. The Ohio Works First Act, which was enacted on July 2, 1997, and the related portions of the 1998-99 budget bill build upon the past success of the 1995 welfare reform bill. Ohio is creating a new system that takes full advantage of the flexibility granted by the federal government in the Personal Responsibility and Work Opportunity Reconciliation Act and the accompanying Temporary Assistance for Needy Families (TANF) Block Grant.

The Ohio Works First Act addresses, in a comprehensive manner, issues of benefit changes, service delivery, accountability and fiscal management, technology infrastructure, and the state/county governance partnership. The major provisions of the Ohio Works First Act address the following.

- The creation of a partnership agreement between the Ohio Department of Human Services and each Board of County Commissioners that allows counties to receive greater funding flexibility and the opportunity to receive financial incentives based on performance measures, including work activity participation rates and reduction of out-of-wedlock pregnancy rates.

- A requirement for clients to participate in work activities for 30 or 35 hours a week to teach clients self-sufficiency and to meet new federal work participation requirements.
- The limiting of the ability to receive cash assistance to three out of five years with a special hardship provision allowing families up to an additional two years of assistance after they have been off the program for at least two years. The application process will also be simplified and will no longer involve resource limits.
- The enablement of counties to use TANF funds for services that prevent families from needing to enroll in the cash assistance program. Such assistance could include funds for car repairs and other emergency types of services.

Central Accounting System

The State Accounting Division of the Office of Budget and Management is upgrading the State's Central Accounting System (CAS). The project, known as CAS Plus, will initially be implemented in the Ohio Department of Human Services to meet its specific needs, but is scaleable to support multi-agency and statewide use. The upgrade will feature a Graphical Interface System that will allow personal computers to communicate more easily with the State's existing mainframe system as well as improve functionality in agency budgeting, automated workflow, and accounts receivable tracking.

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, 1996. 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 seven years (fiscal years 1990-1996). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the State received for the first time the GFOA's Award for Distinguished Budget Presentation for its appropriated budgets for fiscal years 1998 and 1999. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

ADDITIONAL INFORMATION

The Ohio Office of Budget and Management provides access to the 1997 *Ohio Comprehensive Annual Financial Report* and the 1997 *Ohio Budgetary Financial Report* on the World Wide Web (<http://www.ohio.gov/obm>).

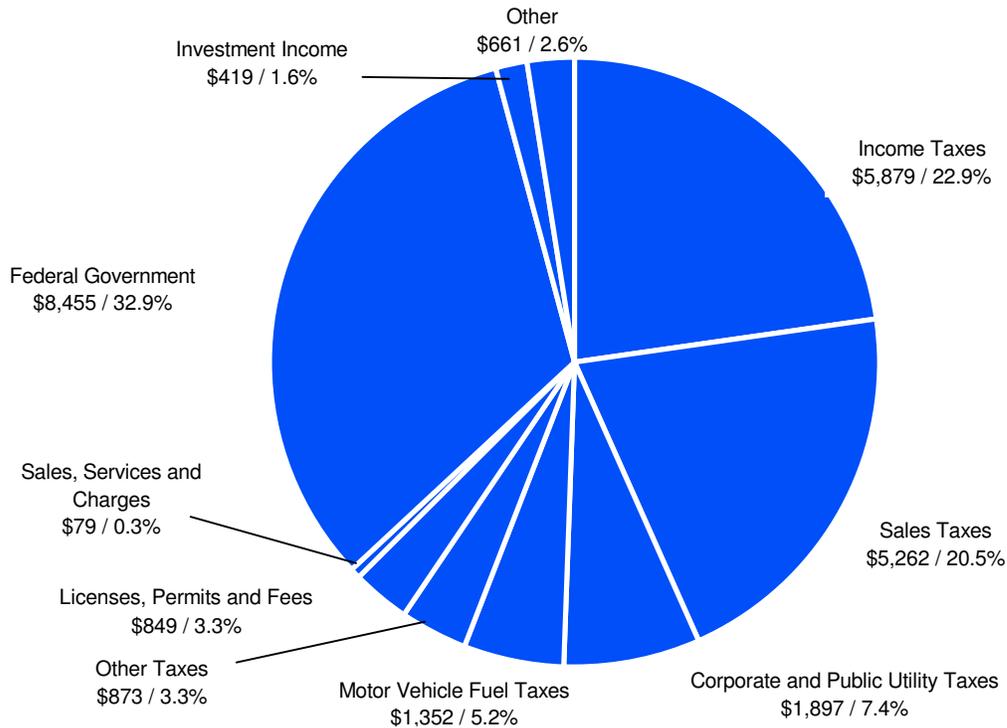
ACKNOWLEDGMENTS

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.

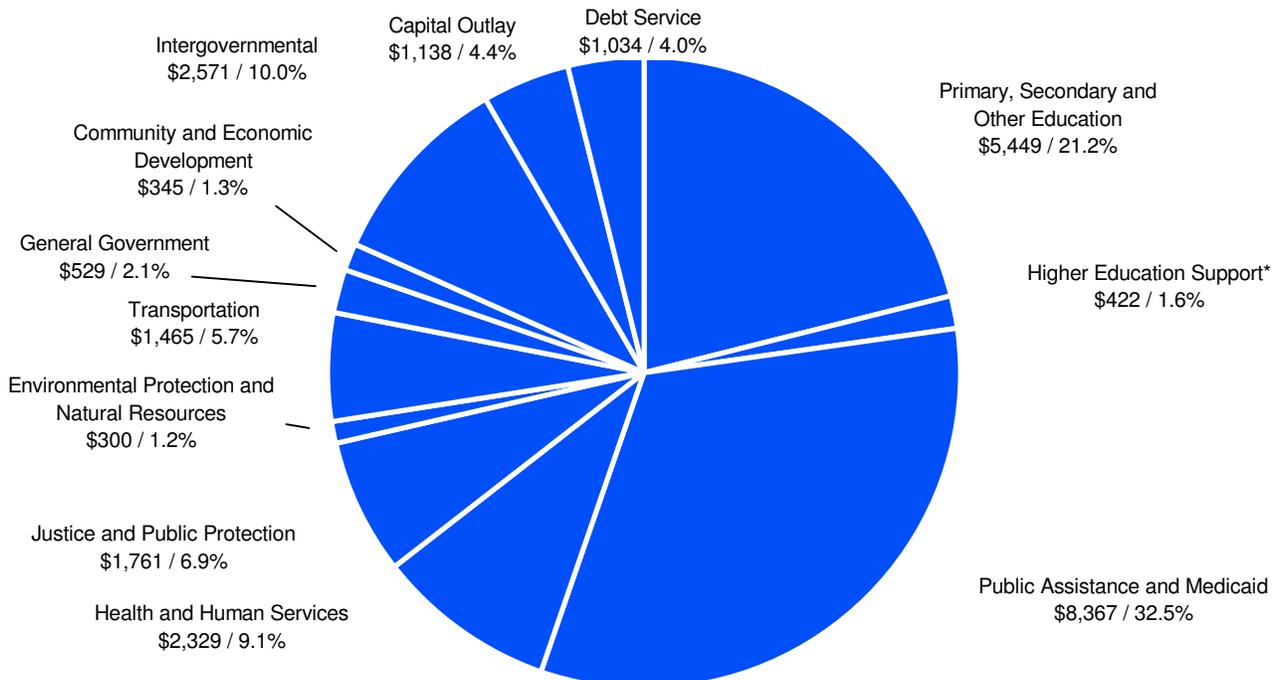
Sincerely,

R. GREGORY BROWNING,
Director

GAAP Basis Revenues for All General Governmental Fund Types
Fiscal Year 1997
(in millions)



GAAP Basis Expenditures for All General Governmental Fund Types
Fiscal Year 1997
(in millions)



* In the governmental funds, budgetary expenditures for Higher Education Support totaling \$1.41 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.

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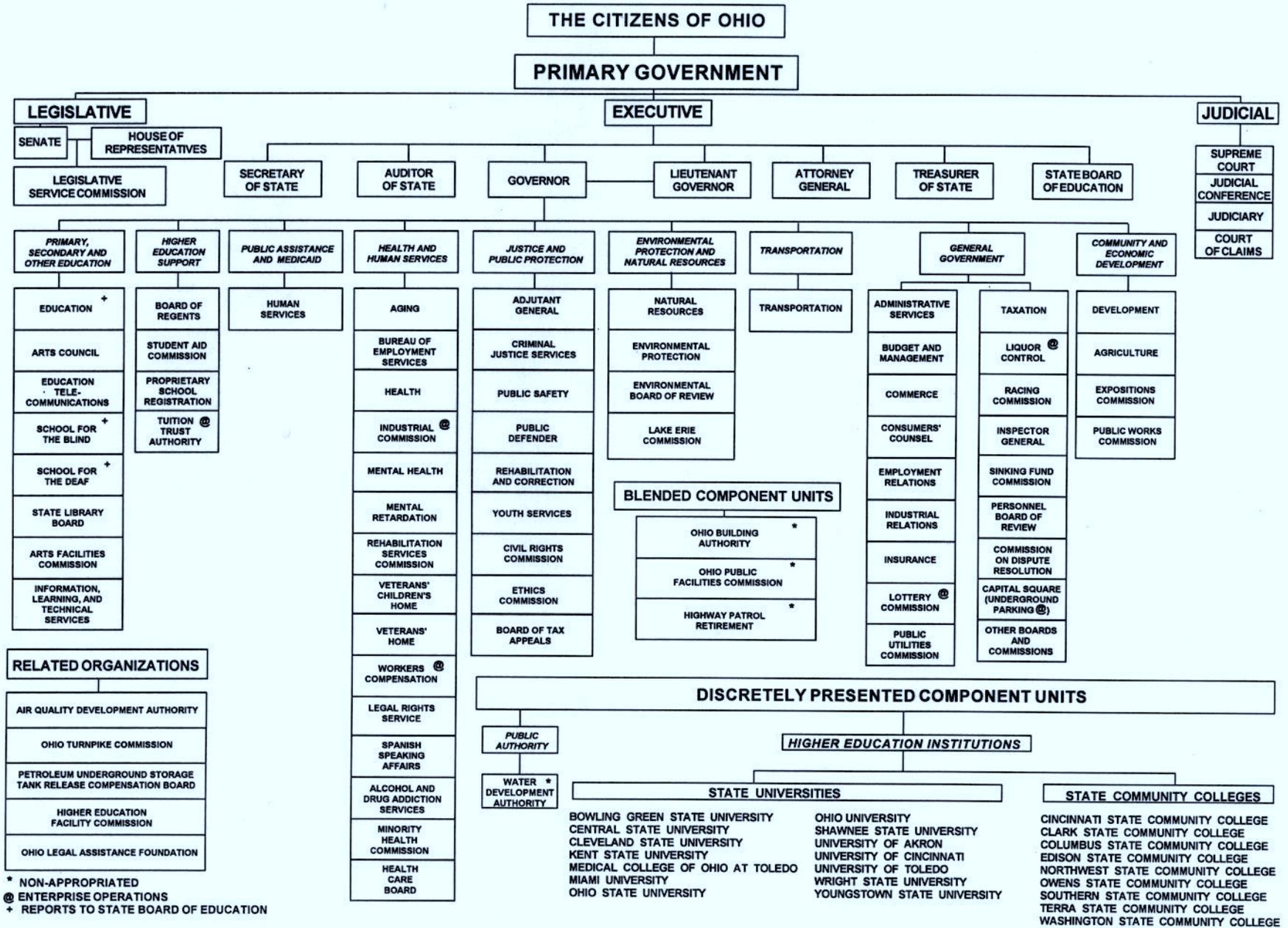
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