Ohio Office of Budget and Management

State of Ohio

Bob Taft

Governor

OHIO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 1999

STATE OF OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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JUNE 30, 1999

(dollars in thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS				
Cash Equity with Treasurer	$ 2,871,509	$ 3,145,502	$ 60,646	$ 727,159
Cash and Cash Equivalents	13,856	17,028	1,688	—
Investments	—	102,278	95,369	13,551
Collateral on Lent Securities	2,116,346	2,301,729	45,037	533,299
Deposit with Federal Government	—	—	—	—
Receivables:				
Taxes	748,994	200,276	—	—
Intergovernmental	616,388	413,458	—	—
Premiums and Assessments	—	—	—	—
Investment Trade	—	—	—	—
Loans, Net	25,293	455,215	4,135	148,443
Other	24,263	52,285	826	2,840
Due from Other Funds	22,076	23,455	1,243	2,427
Inventories	1,000	33,269	—	—
Food Stamps	—	121,572	—	—
Advances to Other Funds	—	—	—	—
Restricted Assets:				
Cash Equity with Treasurer	—	—	—	—
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Dedicated Investments	—	—	—	—
Collateral on Lent Securities	—	—	—	—
Other Receivables	—	—	—	—
Fixed Assets (net of accumulated depreciation)	—	—	—	—
Other Assets	6,453	5,347	—	—
Amount Available for Debt Service	—	—	—	—
Amount to be Provided for General Long-Term Obligations	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	**$ 6,446,178**	**$ 6,871,414**	**$ 208,944**	**$ 1,427,719**
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$ 118,923	$ 258,703	$ —	$ 82,213
Medicaid Claims Payable	509,652	5,752	—	—
Accrued Liabilities	136,796	64,954	954	47
Obligations Under Securities Lending	2,116,346	2,301,729	45,037	533,299
Intergovernmental Payable	278,699	517,573	—	—
Investment Trade Payable	—	—	—	—
Due to Other Funds	41,461	9,645	18	1,198
Deferred Revenue	79	218,942	6,000	—
Benefits Payable	—	—	—	—
Refund and Other Liabilities	604,150	72,743	1,125	—
Liability for Escheat Property	—	—	—	—
Liabilities Payable from Restricted Assets	—	—	—	—
Advances from Other Funds	—	145,689	—	—
General Obligation Bonds	—	—	—	—
Revenue Bonds and Notes	—	—	—	—
Special Obligation Bonds	—	—	—	—
Certificates of Participation	—	—	—	—
Other General Long-Term Obligations	—	—	—	—
Total Liabilities	3,806,106	3,595,730	53,134	616,757
Fund Equity and Other Credits:				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Reserved Retained Earnings	—	—	—	—
Unreserved Retained Earnings	—	—	—	—
Fund Balances:				
Reserved for:				
Debt Service	1,480	—	151,117	—
Encumbrances	514,032	3,161,002	—	780,076
Budget Stabilization	906,891	—	—	—
Noncurrent Portion of Loans Receivable	24,672	302,405	4,135	146,926
Employees' Pension and Other Postemployment Benefits	—	—	—	—
Unemployment Benefits	—	—	—	—
External Investment Pool Participants	—	—	—	—
Restricted Fund Balances	—	—	—	—
Other	114,965	42,793	—	64,699
Unreserved/Designated	755,259	—	—	—
Unreserved/Undesignated (Deficits)	322,773	(230,516)	558	(180,739)
Total Fund Equity and Other Credits	2,640,072	3,275,684	155,810	810,962
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	**$ 6,446,178**	**$ 6,871,414**	**$ 208,944**	**$ 1,427,719**

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	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)
$ 153,222	$ 54,293	$ 190,807	$ —	$ —	$ 7,203,138	$ 305	$ 7,203,443
1,904,537	170	179,808	—	—	2,117,087	250,353	2,367,440
17,939,712	1,563	126,453,486	—	—	144,605,959	4,170,195	148,776,154
2,342,895	39,504	1,205,440	—	—	8,584,250	—	8,584,250
—	—	2,110,852	—	—	2,110,852	—	2,110,852
—	—	149,548	—	—	1,098,818	—	1,098,818
—	2,337	71	—	—	1,032,254	23,182	1,055,436
1,280,390	—	—	—	—	1,280,390	—	1,280,390
132,367	—	—	—	—	132,367	—	132,367
—	—	—	—	—	633,086	2,065,624	2,698,710
283,345	34,235	39,525	—	—	437,319	494,829	932,148
4,292	40,567	3,237	—	—	97,297	454,700	551,997
25,456	19,066	—	—	—	78,791	43,256	122,047
—	—	—	—	—	121,572	—	121,572
—	—	145,689	—	—	145,689	—	145,689
39,276	—	—	—	—	39,276	—	39,276
1	59	—	—	—	60	4,460	4,520
—	44,298	—	—	—	44,298	19,170	63,468
1,742,230	—	—	—	—	1,742,230	—	1,742,230
1,004,042	—	—	—	—	1,004,042	—	1,004,042
11,918	—	—	—	—	11,918	—	11,918
230,773	27,655	2,865	3,889,365	—	4,150,658	8,789,056	12,939,714
39,923	341	403,331	—	—	455,395	789,245	1,244,640
—	—	—	—	152,597	152,597	—	152,597
—	—	—	—	8,125,810	8,125,810	—	8,125,810
$ 27,134,379	**$ 264,088**	**$ 130,884,659**	**$ 3,889,365**	**$ 8,278,407**	**$ 185,405,153**	**$ 17,104,375**	**$ 202,509,528**
$ 156,784	$ 26,905	$ 798	$ —	$ —	$ 644,326	$ 211,233	$ 855,559
—	—	—	—	—	515,404	—	515,404
36,675	11,430	469	—	—	251,325	708,755	960,080
2,342,895	39,504	1,205,440	—	—	8,584,250	—	8,584,250
—	1,277	87,577	—	—	885,126	441	885,567
1,425,071	—	133,679	—	—	1,558,750	—	1,558,750
2,287	1,525	41,206	—	—	97,340	454,700	552,040
445,391	453	—	—	—	670,865	184,102	854,967
12,581,330	—	20,210	—	—	12,601,540	—	12,601,540
1,692,448	—	120,745,889	—	—	123,116,355	144,092	123,260,447
—	—	73,579	—	—	73,579	—	73,579
2,678,362	—	—	—	—	2,678,362	—	2,678,362
—	—	—	—	—	145,689	—	145,689
—	—	—	—	1,962,402	1,962,402	—	1,962,402
191,864	31,815	—	—	224,760	448,439	2,494,976	2,943,415
—	—	—	—	5,062,344	5,062,344	—	5,062,344
—	—	—	—	16,765	16,765	13,220	29,985
—	—	—	—	1,012,136	1,012,136	—	1,012,136
21,553,107	112,909	122,308,847	—	8,278,407	160,324,997	4,211,519	164,536,516
—	—	—	3,889,365	—	3,889,365	7,755,187	11,644,552
411	51,359	—	—	—	51,770	—	51,770
151,201	204	—	—	—	151,405	—	151,405
5,429,660	99,616	—	—	—	5,529,276	1,313,635	6,842,911
—	—	—	—	—	152,597	—	152,597
—	—	—	—	—	4,455,110	—	4,455,110
—	—	—	—	—	906,891	—	906,891
—	—	—	—	—	478,138	—	478,138
—	—	600,099	—	—	600,099	—	600,099
—	—	2,397,075	—	—	2,397,075	—	2,397,075
—	—	5,335,446	—	—	5,335,446	—	5,335,446
—	—	—	—	—	—	2,924,206	2,924,206
—	—	145,689	—	—	368,146	—	368,146
—	—	—	—	—	755,259	361,629	1,116,888
—	—	97,503	—	—	9,579	538,199	547,778
5,581,272	151,179	8,575,812	3,889,365	—	25,080,156	12,892,856	37,973,012
$ 27,134,379	**$ 264,088**	**$ 130,884,659**	**$ 3,889,365**	**$ 8,278,407**	**$ 185,405,153**	**$ 17,104,375**	**$ 202,509,528**

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, 1999
(dollars in thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
Income Taxes	$ 6,389,926	$ 753,418	$ —
Sales Taxes	5,539,780	294,519	—
Corporate and Public Utility Taxes	1,718,482	99,159	—
Motor Vehicle Fuel Taxes	—	1,413,301	32,378
Unemployment Taxes	—	—	—
Other Taxes	869,556	47,949	—
Licenses, Permits and Fees	94,789	792,638	14,226
Sales, Services and Charges	43,586	37,495	—
Federal Government	3,658,824	5,038,886	—
Investment Income	399,520	115,132	11,067
Other	183,221	529,107	1,355
TOTAL REVENUES	18,897,684	9,121,604	59,026
EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	4,832,607	1,571,371	—
Higher Education Support	365,981	11,887	—
Public Assistance and Medicaid	6,550,881	2,010,771	—
Health and Human Services	1,035,566	1,512,794	—
Justice and Public Protection	1,555,069	480,670	—
Environmental Protection and Natural Resources	113,947	216,122	—
Transportation	35,961	1,461,592	—
General Government	546,537	114,474	—
Community and Economic Development	109,945	288,063	—
INTERGOVERNMENTAL	1,033,066	1,865,028	—
CAPITAL OUTLAY	15,607	267,047	—
DEBT SERVICE	1,794	—	1,017,962
TOTAL EXPENDITURES	16,196,961	9,799,819	1,017,962
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,700,723	(678,215)	(958,936)
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	—	111,993	—
Refunding Bond Proceeds	—	—	173,500
Payment to Refunded Bond Escrow Agents	—	—	(173,376)
Capital Leases	1,575	682	—
Operating Transfers-in	201,151	2,017,646	969,961
Operating Transfers-out	(1,308,827)	(1,067,918)	(37,882)
Operating Transfers to Component Units	(1,564,910)	—	—
TOTAL OTHER FINANCING SOURCES (USES)	(2,671,011)	1,062,403	932,203
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	29,712	384,188	(26,733)
FUND BALANCES, JULY 1 (as restated)	2,611,195	2,893,453	182,543
Increase (Decrease) for Changes in Inventories	(835)	(1,957)	—
Residual Equity Transfers-out	—	—	—
FUND BALANCES, JUNE 30	$ 2,640,072	$ 3,275,684	$ 155,810

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

		FIDUCIARY FUND TYPE	
	CAPITAL PROJECTS	EXPENDABLE TRUST	TOTAL (memorandum only)
	$ —	$ —	$ 7,143,344
	—	—	5,834,299
	—	—	1,817,641
	—	—	1,445,679
	—	669,896	669,896
	—	—	917,505
	—	—	901,653
	650	—	81,731
	90	10,111	8,707,911
	29,196	148,190	703,105
	3,989	60,751	778,423
	33,925	**888,948**	**29,001,187**
	—	—	6,403,978
	—	—	377,868
	—	—	8,561,652
	—	718,048	3,266,408
	—	—	2,035,739
	—	—	330,069
	—	—	1,497,553
	—	27,617	688,628
	897	—	398,905
	—	—	2,898,094
	973,617	—	1,256,271
	4,369	—	1,024,125
	978,883	**745,665**	**28,739,290**
	(944,958)	**143,283**	**261,897**
	1,158,492	—	1,270,485
	—	—	173,500
	—	—	(173,376)
	—	—	2,257
	281,287	—	3,470,045
	(283,596)	—	(2,698,223)
	—	—	(1,564,910)
	1,156,183	**—**	**479,778**
	211,225	**143,283**	**741,675**
	605,393	2,496,984	8,789,568
	—	—	(2,792)
	(5,656)	—	(5,656)
	$ 810,962	**$ 2,640,267**	**$ 9,522,795**

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Income Taxes	$ 6,150,598	$ 6,416,827	$ 266,229	$ 756,969	$ 756,969	$ —
Sales Taxes	5,490,000	5,545,349	55,349	294,624	294,624	—
Corporate and Public Utility Taxes	1,787,302	1,721,628	(65,674)	99,317	99,317	—
Motor Vehicle Fuel Taxes	—	—	—	1,402,408	1,402,408	—
Other Taxes	824,174	869,513	45,339	47,680	47,680	—
Licenses, Permits and Fees	105,965	102,082	(3,883)	965,906	965,906	—
Sales, Services and Charges	34,982	36,213	1,231	34,690	34,690	—
Federal Government	3,531,583	3,485,209	(46,374)	5,027,823	5,027,823	—
Investment Income	123,108	156,466	33,358	135,854	135,854	—
Other	375,905	372,151	(3,754)	717,967	717,967	—
TOTAL REVENUES	**18,423,617**	**18,705,438**	**281,821**	**9,483,238**	**9,483,238**	**—**
BUDGETARY EXPENDITURES:						
CURRENT:						
Primary, Secondary and Other Education	4,846,373	4,814,740	31,633	1,783,376	1,750,975	32,401
Higher Education Support	1,953,416	1,947,044	6,372	18,113	8,294	9,819
Public Assistance and Medicaid	7,006,269	6,630,408	375,861	2,726,739	2,233,486	493,253
Health and Human Services	1,097,235	1,080,393	16,842	2,102,324	1,583,128	519,196
Justice and Public Protection	1,628,383	1,561,847	66,536	591,736	519,653	72,083
Environmental Protection and Natural Resources	138,643	131,284	7,359	300,193	238,233	61,960
Transportation	41,637	39,649	1,988	2,354,371	1,766,096	588,275
General Government	456,328	412,191	44,137	137,328	123,659	13,669
Community and Economic Development	133,681	128,817	4,864	440,336	345,053	95,283
INTERGOVERNMENTAL	1,059,401	1,038,479	20,922	2,093,221	2,016,107	77,114
CAPITAL OUTLAY	52,707	19,502	33,205	1,241,524	754,801	486,723
DEBT SERVICE	885,687	839,999	45,688	49,503	36,140	13,363
TOTAL BUDGETARY EXPENDITURES	**19,299,760**	**18,644,353**	**655,407**	**13,838,764**	**11,375,625**	**2,463,139**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(876,143)**	**61,085**	**937,228**	**(4,355,526)**	**(1,892,387)**	**2,463,139**
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	—	—	—	115,571	115,571	—
Operating Transfers-in	125,114	898,239	773,125	2,019,916	2,019,916	—
Operating Transfers-out	(339,313)	(1,160,367)	(821,054)	(1,023,497)	(1,023,497)	—
Encumbrance Reversions	—	138,771	138,771	532,913	532,913	—
TOTAL OTHER FINANCING SOURCES (USES)	**(214,199)**	**(123,357)**	**90,842**	**1,644,903**	**1,644,903**	**—**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) BUDGETARY EXPENDITURES AND OTHER FINANCING USES	**(1,090,342)**	**(62,272)**	**1,028,070**	**$ (2,710,623)**	**(247,484)**	**$ 2,463,139**
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JULY 1	397,221	397,221	—		(94,202)	
Decrease (Increase) in Budgetary Designations	152,122	152,122	—		—	
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	(540,999)	487,071	1,028,070		(341,686)	
Budgetary Designations, June 30	1,762,150	1,762,150	—		—	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	**$ 1,221,151**	**$ 2,249,221**	**$ 1,028,070**		**$ (341,686)**	

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

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
32,554	32,554	—	—	—	—
—	—	—	—	—	—
14,083	14,083	—	—	—	—
—	—	—	650	650	—
—	—	—	90	90	—
6,275	6,275	—	36,844	36,844	—
124,610	124,610	—	10,063	10,063	—
177,522	**177,522**	**—**	**47,647**	**47,647**	**—**
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	938	896	42
—	—	—	—	—	—
—	—	—	2,863,927	921,870	1,942,057
287,701	248,038	39,663	4,311	4,311	—
287,701	**248,038**	**39,663**	**2,869,176**	**927,077**	**1,942,099**
(110,179)	**(70,516)**	**39,663**	**(2,821,529)**	**(879,430)**	**1,942,099**
728	728	—	1,158,492	1,158,492	—
51,349	51,349	—	34,271	34,271	—
—	—	—	(34,139)	(34,139)	—
—	—	—	21,908	21,908	—
52,077	**52,077**	**—**	**1,180,532**	**1,180,532**	**—**
$ (58,102)	**(18,439)**	**$ 39,663**	**$ (1,640,997)**	**301,102**	**$ 1,942,099**
	80,634			(416,278)	
	—			—	
	62,195			(115,176)	
	—			—	
	$ 62,195			**$ (115,176)**	

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	PROPRIETARY FUND TYPES		
	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
OPERATING REVENUES:			
Charges for Sales and Services	$ 2,632,478	$ 269,671	$ 2,902,149
Premium and Assessment Income	2,032,027	—	2,032,027
Investment Income	1,739,752	—	1,739,752
Other	22,702	2,120	24,822
TOTAL OPERATING REVENUES	**6,426,959**	**271,791**	**6,698,750**
OPERATING EXPENSES:			
Costs of Sales and Services	297,905	121,687	419,592
Administration	186,078	148,250	334,328
Premium Dividend Credits and Rebates	757,669	—	757,669
Bonuses and Commissions	134,614	—	134,614
Prizes	1,259,766	—	1,259,766
Benefits and Claims	1,495,357	—	1,495,357
Depreciation	32,657	10,933	43,590
Other	385,154	5,940	391,094
TOTAL OPERATING EXPENSES	**4,549,200**	**286,810**	**4,836,010**
OPERATING INCOME (LOSS)	**1,877,759**	**(15,019)**	**1,862,740**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	75	2,507	2,582
Interest Expense	(697)	(2,029)	(2,726)
Federal Grants	—	—	—
Other	(7,696)	(1,122)	(8,818)
TOTAL NONOPERATING REVENUES (EXPENSES)	**(8,318)**	**(644)**	**(8,962)**
INCOME (LOSS) BEFORE OPERATING TRANSFERS	**1,869,441**	**(15,663)**	**1,853,778**
OPERATING TRANSFERS:			
Operating Transfers-in	32,344	36,920	69,264
Operating Transfers-out	(811,695)	(29,391)	(841,086)
TOTAL OPERATING TRANSFERS	**(779,351)**	**7,529**	**(771,822)**
NET INCOME (LOSS)	**1,090,090**	**(8,134)**	**1,081,956**
RETAINED EARNINGS, JULY 1	4,490,771	108,373	4,599,144
Residual Equity Transfers-out	—	(419)	(419)
RETAINED EARNINGS, JUNE 30	**$ 5,580,861**	**$ 99,820**	**$ 5,680,681**

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

COMPONENT UNIT OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 105,369	$ 3,007,518
—	2,032,027
53,235	1,792,987
1,140	25,962
159,744	**6,858,494**
82,618	502,210
2,385	336,713
—	757,669
—	134,614
—	1,259,766
—	1,495,357
46	43,636
2,687	393,781
87,736	**4,923,746**
72,008	**1,934,748**
—	2,582
—	(2,726)
76,005	76,005
332	(8,486)
76,337	**67,375**
148,345	**2,002,123**
—	69,264
—	(841,086)
—	**(771,822)**
148,345	**1,230,301**
1,165,290	5,764,434
—	(419)
$ 1,313,635	**$ 6,994,316**

STATE OF OHIO

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 2,621,130	$ 36,229	$ 2,657,359
Cash Received from Premiums and Assessments	1,469,374	—	1,469,374
Cash Received from Quasi-External Transactions with Other Funds	6,572	235,312	241,884
Other Operating Cash Receipts	48,987	16,985	65,972
Cash Payments to Suppliers for Goods and Services	(405,658)	(186,410)	(592,068)
Cash Payments to Employees for Services	(311,062)	(60,764)	(371,826)
Cash Payments for Benefits and Claims	(1,780,738)	—	(1,780,738)
Cash Payments for Lottery Prizes	(1,358,367)	—	(1,358,367)
Cash Payments for Bonuses and Commissions	(134,664)	—	(134,664)
Cash Payments for Premium Dividend Credits and Rebates	(338,004)	—	(338,004)
Cash Payments for Quasi-External Transactions with Other Funds	(5,609)	(29,211)	(34,820)
Other Operating Cash Payments	(307)	(18,252)	(18,559)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(188,346)**	**(6,111)**	**(194,457)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers-in	30,149	36,920	67,069
Operating Transfers-out	(811,695)	(29,391)	(841,086)
Bond Proceeds	—	—	—
Federal Grants	—	—	—
Grants to Local Subdivisions	—	—	—
Retirement of Revenue Bond Principal	—	—	—
Interest Paid	—	—	—
Bond and Note Issuance Costs	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(781,546)**	**7,529**	**(774,017)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(20,201)	(2,893)	(23,094)
Interest Paid	(10,177)	(2,029)	(12,206)
Principal Receipts on Capital Leases	—	2,893	2,893
Acquisition and Construction of Capital Assets	(9,870)	(7,403)	(17,273)
Proceeds from Sales of Fixed Assets	23,230	3	23,233
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(17,018)**	**(9,429)**	**(26,447)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(42,069,633)	(94,478)	(42,164,111)
Proceeds from the Sales and Maturities of Investments	40,923,972	97,731	41,021,703
Investment Income Received	1,083,854	3,205	1,087,059
Borrower Rebates and Agent Fees	(205,892)	—	(205,892)
Loan Disbursements	—	—	—
Loan Principal Repayments Received	—	—	—
Loan Interest Received	—	—	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**(267,699)**	**6,458**	**(261,241)**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(1,254,609)**	**(1,553)**	**(1,256,162)**
CASH AND CASH EQUIVALENTS, JULY 1	3,351,645	56,075	3,407,720
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 2,097,036**	**$ 54,522**	**$ 2,151,558**

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

COMPONENT UNIT	
OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 1,160	$ 2,658,519
—	1,469,374
—	241,884
—	65,972
(1,310)	(593,378)
(802)	(372,628)
—	(1,780,738)
—	(1,358,367)
—	(134,664)
—	(338,004)
—	(34,820)
—	(18,559)
(952)	**(195,409)**
—	67,069
—	(841,086)
153,046	153,046
76,025	76,025
(382)	(382)
(115,545)	(115,545)
(81,102)	(81,102)
(1,955)	(1,955)
30,087	**(743,930)**
—	(23,094)
—	(12,206)
—	2,893
(278)	(17,551)
—	23,233
(278)	**(26,725)**
(10,657,985)	(52,822,096)
10,608,155	51,629,858
52,045	1,139,104
—	(205,892)
(237,304)	(237,304)
108,197	108,197
103,664	103,664
(23,228)	**(284,469)**
5,629	**(1,250,533)**
10,331	3,418,051
$ 15,960	**$ 2,167,518**

(continued)

STATE OF OHIO

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

(continued)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ 1,877,759	$ (15,019)	$ 1,862,740
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	(1,739,752)	—	(1,739,752)
Borrower Rebates and Agent Fees	205,892	—	205,892
Depreciation	32,657	10,933	43,590
Provision for Uncollectible Accounts	29,387	—	29,387
Amortization of Premiums and Discounts	99,597	—	99,597
Amortization of Bond Issuance Costs	—	—	—
Interest on Bonds, Notes and Capital Leases	9,480	—	9,480
Interest Received on Loans	—	—	—
Miscellaneous Nonoperating (Revenues) Expenses	(32)	182	150
Decrease (Increase) in Assets:			
Intergovernmental Receivable	60	(561)	(501)
Premiums and Assessments Receivable	(6,076)	—	(6,076)
Other Receivables	(62,872)	(23)	(62,895)
Due from Other Funds	(11)	1,945	1,934
Inventories	(1,271)	1,506	235
Other Assets	7,313	(37)	7,276
Increase (Decrease) in Liabilities:			
Accounts Payable	13,397	(2,135)	11,262
Accrued Liabilities	1,596	1,115	2,711
Intergovernmental Payable	—	(1,307)	(1,307)
Due to Other Funds	9	(2,369)	(2,360)
Deferred Revenue	(4,091)	(341)	(4,432)
Benefits Payable	(319,656)	—	(319,656)
Refund and Other Liabilities	(288,785)	—	(288,785)
Liabilities Payable from Restricted Assets	(42,947)	—	(42,947)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (188,346)**	**$ (6,111)**	**$ (194,457)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 630,743	$ 22	$ 630,765
Fixed Assets Acquired under Capital Leases	1,261	—	1,261
Increase in Contributed Capital - Fixed Assets Donated from Other Funds	411	5,245	5,656

Cash and Cash Equivalents in the Component Units Column on the Combined Balance Sheet include:

Proprietary-Ohio Water Development Authority	$ 15,960
Colleges and Universities	239,158
TOTAL	**$ 255,118**

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

COMPONENT UNIT	
OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 72,008	$ 1,934,748
(53,235)	(1,792,987)
—	205,892
46	43,636
—	29,387
—	99,597
1,091	1,091
81,527	91,007
(105,369)	(105,369)
3,069	3,219
—	(501)
—	(6,076)
(29)	(62,924)
(1,061)	873
—	235
—	7,276
(60)	11,202
—	2,711
—	(1,307)
1,061	(1,299)
—	(4,432)
—	(319,656)
—	(288,785)
—	(42,947)
$ (952)	**$ (195,409)**
$ —	$ 630,765
—	1,261
—	5,656

STATE OF OHIO
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(dollars in thousands)

	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the year ended December 31, 1998)		
	PENSION	POST-EMPLOYMENT	TOTAL
ADDITIONS:			
Contributions:			
Employer	$ 13,101	$ 2,687	$ 15,788
Employees	6,574	—	6,574
Other Contributions	217	5	222
Total Contributions	19,892	2,692	22,584
Investment Income:			
Net Depreciation in Fair Value of Investments	(2,555)	(1,354)	(3,909)
Interest	12,070	2,130	14,200
Dividends	4,162	735	4,897
Other Investment Income	703	124	827
	14,380	1,635	16,015
Less: Investment Expense	1,351	238	1,589
Net Investment Income	13,029	1,397	14,426
TOTAL ADDITIONS	**32,921**	**4,089**	**37,010**
DEDUCTIONS:			
Benefits and Claims	21,540	3,129	24,669
Refunds of Employee Contributions	164	—	164
Administrative Expenses	648	114	762
TOTAL DEDUCTIONS	**22,352**	**3,243**	**25,595**
NET INCREASE (DECREASE)	**10,569**	**846**	**11,415**
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
JANUARY 1	499,913	88,771	588,684
DECEMBER 31	**$ 510,482**	**$ 89,617**	**$ 600,099**

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

STATE OF OHIO

STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(dollars in thousands)

	STAROHIO
OPERATIONS:	
Investment Income	$ 281,532
Expenses:	
Administration Fees	1,406
Custodian and Transfer Agent Fees and Related Expenses	1,018
Security Lending Fees	867
Management Fees	440
Other	278
Total Expenses	4,009
Net Investment Income	277,523
Dividends to Shareholders from Net Investment Income	(277,523)
INCREASE (DECREASE) FROM OPERATIONS	—
CAPITAL SHARE TRANSACTIONS	
(dollar amounts and number of shares are the same):	
Shares Sold	19,228,537
Less: Shares Redeemed	18,392,137
INCREASE FROM CAPITAL SHARE TRANSACTIONS	**836,400**
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS	
JULY 1	4,499,046
JUNE 30	**$ 5,335,446**

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, 1999
(dollars in thousands)

	COMPONENT UNITS
REVENUES AND OTHER ADDITIONS:	
Unrestricted Current Fund Revenues	$ 3,010,856
Local Appropriations-Restricted	17,040
Federal Grants and Contracts-Restricted	489,158
State Grants and Contracts-Restricted	89,643
Local Grants and Contracts-Restricted	7,795
Private Gifts, Grants and Contracts-Restricted	362,822
Endowment Income-Restricted	40,935
Investment Income-Restricted	219,827
Interest on Loans Receivable	5,508
Investment in Plant-Additions	647,644
Other	68,443
TOTAL REVENUES AND OTHER ADDITIONS	4,959,671
EXPENDITURES AND OTHER DEDUCTIONS:	
Educational and General Expenditures	3,987,972
Auxiliary Enterprises Expenditures	555,494
Hospital Expenditures	621,639
Indirect Costs Recovered	80,423
Grant Refunds and Adjustments	1,499
Loan Cancellations and Write-offs	2,522
Administrative and Collection Costs	2,016
Expended for Plant Facilities	248,708
Retirement of Indebtedness	74,635
Interest on Indebtedness	42,291
Investment in Plant-Deductions	175,067
Other	34,311
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	5,826,577
TRANSFERS:	
Operating Transfers from Primary Government	1,564,910
NET INCREASE (DECREASE) FOR THE YEAR	698,004
FUND BALANCE AND OTHER CREDITS, JULY 1 (as restated)	10,881,217
FUND BALANCE AND OTHER CREDITS, JUNE 30	$ 11,579,221

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, 1999

(dollars in thousands)

	COMPONENT UNITS
REVENUES:	
Tuition, Fees and Other Student Charges	$ 1,473,087
Local Appropriations	16,056
Federal Grants and Contracts	482,683
State Grants and Contracts	91,031
Local Grants and Contracts	7,683
Private Gifts, Grants and Contracts	276,108
Endowment Income	64,646
Sales and Services	1,246,050
Investment Income	53,008
Other Sources	114,184
TOTAL REVENUES	**3,824,536**
EXPENDITURES AND MANDATORY TRANSFERS:	
EDUCATIONAL AND GENERAL:	
Instruction and Departmental Research	1,661,699
Separately Budgeted Research	386,638
Public Service	221,636
Academic Support	391,807
Student Services	230,144
Institutional Support	415,034
Operation and Maintenance of Plant	283,903
Scholarships and Fellowships	395,913
TOTAL EDUCATIONAL AND GENERAL	3,986,774
AUXILIARY ENTERPRISES	555,490
HOSPITALS	621,639
TOTAL EXPENDITURES	**5,163,903**
MANDATORY TRANSFERS, NET:	
Principal and Interest	94,782
Renewals and Replacements	3,014
Other	1,837
TOTAL MANDATORY TRANSFERS, NET	**99,633**
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	**5,263,536**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	1,554,735
NONMANDATORY TRANSFERS, NET:	
Capital Improvements	(89,117)
Other	(3,565)
ADDITIONS/(DEDUCTIONS):	
Excess of Restricted Receipts over Transfers to Revenue	104,122
Indirect Costs Recovered	(79,442)
Other	(2,673)
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	**1,484,060**
NET INCREASE (DECREASE) IN FUND BALANCES	**$ 45,060**

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

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, 1999, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* documents these principles. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

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. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- 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

- an organization is fiscally dependent on the primary government.

Information for obtaining complete financial statements for the State's component units, which are discussed below, 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.

Officials of the primary government appoint a voting majority of each organization's governing board. These organizations impose or potentially impose financial burdens on the 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

State Community Colleges:
Cincinnati State Community College
Clark State Community College
Columbus State Community College

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Community Colleges (Continued):
Edison State Community College
Northwest State Community College
Owens State Community College
Southern State Community College
Terra State Community College
Washington State Community College

Medical College:
Medical College of Ohio at Toledo

3. Joint Ventures and Related Organizations
As discussed in more detail in NOTE 21, 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, in conformity with GASB Statement No. 14.

B. Basis of Presentation — Fund Accounting
The State 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 aids management in demonstrating compliance with finance-related legal and contractual provisions. An account group is an accounting device that accounts 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.

a. 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.

b. 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.

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.

c. 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, pension, and investment trust funds. The Pension Trust Fund reports the State Highway Patrol Retirement System for its fiscal year ended December 31, 1998.

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, 1998.

d. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The financial 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, 1998.

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 GASB's *Codification of Governmental Accounting and Financial Reporting*. The Current Funds, a college and university fund type, accounts for economic resources that are expendable for any purpose in performing the primary objectives of the higher education institutions.

C. Measurement Focus and Basis of Accounting

A fund's measurement focus determines the accounting and financial reporting treatment applied to the fund.

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, pension trust, and investment 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.

All governmental, expendable trust, and agency funds use the modified accrual basis of accounting. 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, the State records expenditures when it incurs related fund liabilities, except for principal and interest on general long-term debt, which the State recognizes as expenditures when due.

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

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

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, 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. The State recognizes revenue when it has a legal claim to the resources.

The proprietary, pension trust, and investment trust funds use the accrual basis of accounting. Under this method, the State records revenues when earned and expenses when incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As permitted by GAAP, the State's proprietary funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

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 use 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 the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly. All proposed expenditures for the State and estimated revenues and borrowings for a biennium comprise the budget, which includes those funds of the State subject to appropriation pursuant to State law.

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. The legislature specifies operating appropriations in annual amounts and capital appropriations in two-year amounts.

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 a line-item 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-item appropriations within a state agency not to exceed a cumulative total of $50,000 (or $75,000 for institutional-type state agencies) from each line-item appropriation 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 and Employment Services Special Revenue Funds, as discussed in NOTE 3

Debt Service Fund

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

Capital Projects Fund

Ohio Building Authority

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

As an extension of formal budgetary integration in the accounting system, the State employs encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations. At fiscal year end, the State reports outstanding encumbrances in the General, special revenue, and capital projects funds as reservations of fund balance for expenditure in subsequent years. Operating encumbrances are generally canceled five months after the fiscal year-end while capital encumbrances are generally canceled two years after the biennial period for which they were appropriated. Unencumbered appropriations lapse at the end of the biennium budget period.

The *Detailed Appropriation Summary by Fund Report*, which is available for public inspection at the Ohio Office of Budget and Management, provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, for budgeted funds other than the General Fund, the State reports budgeted revenues and other financing sources and uses 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 financial statements.

Additionally, on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis), "actual" budgetary expenditures include cash disbursements against the current fiscal year's appropriations and outstanding encumbrances, as of June 30, 1999, that were committed during the current fiscal year. Encumbrance reversions represent lapses of prior years' appropriations. For the Capital Projects Fund, total unexpended appropriations for both the first and second years of the current 1999-2000 biennial budget comprise amounts reported under the "budget" column.

The Employment Services Expendable Trust Fund, State Highway Patrol Retirement System Pension Trust Fund, and STAROhio Investment 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. Additionally, the State does not present budgetary data for its discretely presented component units.

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

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value.

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. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Bureau of Workers' Compensation and Ohio Lottery Commission enterprise funds and the University of Cincinnati component unit fund.

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. With the exception of certain money market investments, which have a remaining maturity at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAROhio) investment pool, the State reports investments at fair value based on quoted market prices. STAROhio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value). The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

G. Intergovernmental Revenues/Receivable

Intergovernmental revenues primarily represent resources from reimbursement-type grants received from the federal government. The State reports intergovernmental receivable balances and recognizes revenue when it incurs the related grant expenditures/expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories

For governmental funds, the State recognizes the costs of material inventories 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. Inventories reported in the governmental funds do not reflect current appropriable resources, and therefore, the State reserves an equivalent portion of fund balance.

Proprietary and college and university funds value inventories at cost, which approximates market; principal inventory cost methods applied include first-in, first-out, average cost, moving-average, and retail.

I. Food Stamps

In the Special Revenue Fund, the State reports food stamp coupons at face value, offset by a like amount of deferred revenue.

J. Restricted Assets

The primary government reports assets restricted for payment of deferred prize awards (Ohio Lotto) and tuition benefits 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 pledged receipts be held and invested in a reserve account placed with a trustee financial institution. The State reports these restricted assets in the internal service funds.

Generally, the colleges and universities hold assets in trust. Bond covenants or other financing arrangements legally restrict the use of these assets.

K. Fixed Assets

General Fixed Assets — The State reports fixed assets purchased with governmental fund resources in the General Fixed Assets Account Group at historical cost, or at estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the donation date.

The State does not capitalize the costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life. Costs of major improvements are capitalized, while interest costs associated with the acquisition of general fixed assets are not capitalized.

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

The State does not depreciate assets reported in the General Fixed Assets Account Group.

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. The State depreciates proprietary and fiduciary fund fixed assets, excluding land, 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

The State capitalizes material interest on proprietary fund fixed assets acquired through the issuance of debt.

College and University Fund Fixed Assets — The colleges and universities value all purchased fixed assets at cost and donated fixed assets at estimated fair market value on the donation date. The colleges and universities do not capitalize public domain (infrastructure) assets or depreciate their fixed assets.

L. Long-Term Obligations

Governmental funds recognize long-term obligations as liabilities when due. The State reports only the portion expected to be financed from expendable available financial resources 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, claims, litigation, contingencies, leases, and workers' compensation benefits. The proprietary funds and college and university funds account for long-term liabilities expected to be financed from operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. 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, the State pays employees, 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 State reports the noncurrent portion of the liability for compensated absences in the General Long-Term Obligations Account Group. For proprietary funds, the State reports the liability for compensated absences as a noncurrent accrued liability.

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

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.

The State accrues sick leave using the vesting method. Under this method, 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 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.

N. 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.

O. 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 23A).

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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/Expenses (Reimbursement) — The State reports reimbursements made by one fund for another as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund.

Residual Equity Transfers — The State reports nonroutine or nonrecurring transfers between funds as additions to or deductions from fund equity.

Quasi-external Transactions — The State reports charges or collections for services rendered by one fund to another as revenues of the receiving fund and expenditures/expenses of the disbursing fund.

Transactions between funds that represent noncurrent lending or borrowing arrangements outstanding, as of the end of the fiscal year, are reported as advances to/from other funds. The State reports all other outstanding balances between funds as due to/from other funds. NOTE 7 presents a summary of interfund balances and interfund and intra-entity transfers.

Q. 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 AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Restatements

Certain restatements of fund balances/retained earning balances, as of June 30, 1998, are summarized as follows.

Primary Government
Restatements of Beginning Balance
July 1, 1998
(dollars in thousands)

Fund	Fund Balance/ Retained Earnings as Previously Reported, June 30, 1998	Increase/ (Decrease) for Restatement	Fund Balance/ Retained Earnings as Restated, July 1, 1998
General Fund	$2,661,847	$ (50,652)	$2,611,195
Special Revenue Fund:			
Community and Economic Development	$ 636,326	$ (5,500)	$ 630,826
Highway Operating	848,602	46,318	894,920
All Other Special Revenue Funds	1,367,707	—	1,367,707
Total Special Revenue Fund	$2,852,635	$ 40,818	$2,893,453

(Continued)

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS (Continued)

Component Units
Restatements of Beginning Balance
July 1, 1998
(dollars in thousands)

Fund	Fund Balance/ Retained Earnings as Previously Reported, June 30, 1998	Increase/ (Decrease) for Restatement	Fund Balance/ Retained Earnings as Restated, July 1, 1998
College and University Funds:			
Shawnee State University	$ 93,233	$ 847	$ 94,080
Clark State Community College	45,027	(73)	44,954
Southern State Community College	18,397	(22)	18,375
Cincinnati State Community College	65,793	1,441	67,234
All Other College and University Funds	10,656,574	—	10,656,574
Total College and University Funds	$10,879,024	$2,193	$10,881,217

For the General Fund, the $50.7 million decrease in opening fund balance is due to an error in the calculation of the intergovernmental receivable from the federal government for the Temporary Assistance for Needy Families Program.

The $40.8 million net increase for the Special Revenue Fund is attributed to a $5.5 million decrease in the outstanding loans and accounts receivable balances for the Department of Development's Office of Financial Incentives and a $46.3 million increase in the intergovernmental receivable from the federal government for reimbursement of eligible highway construction costs not previously identified as being subject to accrual.

For the discretely presented College and University Funds, the prior year's fund balance has been increased approximately $2.2 million to reflect:

- an increase in the fixed asset balance reported for Shawnee State University in the amount of $847 thousand.
- a $73 thousand decrease due to a $34 thousand decrease in the fixed assets balance, a $24 thousand decrease in the accounts receivable balance, and a $15 thousand increase in the accounts payable balance for Clark State Community College.
- a $22 thousand decrease in the other assets balance for Southern State Community College.
- an adjustment to the opening fixed asset balance for Cincinnati State Community College, which increased fund balance by $1.4 million.

B. Changes in Accounting Principles
In October 1997, the Governmental Accounting Standards Board issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The provisions of this statement are effective for periods beginning after December 31, 1998, or when a government complies with the requirements of subsection (g) of IRC Section 457, whichever is earlier. The statement requires state and local governments, which have fiduciary responsibilities for IRC Section 457 plans, to report such plans as expendable trust funds.

On September 1, 1998, the Ohio Public Employees Deferred Compensation (OPEDC) Program amended its plan, pursuant to the Small Business Job Protection Act of 1996, to comply with subsection (g) of IRC Section 457.

The State has no fiduciary responsibilities for the funds deposited with the OPEDC Program by its employees, and consequently, the State has not

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS (Continued)

reported any activity or included any balances for these funds in its financial statements, for the year ended and as of June 30, 1999. In prior years, the primary government and its discretely presented component units displayed IRC Section 457-related balances held for their employees in the Agency Fund and in the component unit funds, respectively.

C. Newly Issued Accounting Pronouncements
In December 1998, the Governmental Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The provisions of this statement are effective for periods beginning after June 15, 2000. GASB Statement No. 33 principally addresses the timing of recognition of nonexchange transactions involving financial or capital resources (e.g., most taxes, grants, and private donations) in a government's financial statements.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The State is required to apply this statement for periods beginning after June 15, 2001. GASB Statement No. 34 establishes new financial reporting requirements that fundamentally affect the presentation of a general purpose government's basic financial statements and related required supplementary information.

Management has not yet determined the impact that GASB Statements No. 33 and 34 will have on the State's financial statements.

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, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Budgeted 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 $108.3 million, $2.01 billion, $88 thousand, and $2.59 billion increases in the budgets of the General, Special Revenue, Debt Service, and Capital Projects funds, respectively.

A reconciliation of the fund balances recorded under the two bases for the General, Special Revenue, Debt Service, and Capital Projects funds is presented on the following page.

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

Primary Government
Reconciliation of GAAP Basis Fund Balances to
Non-GAAP Budgetary Basis Fund Balances
As of June 30, 1999
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects
Total Fund Balances - GAAP Basis	$2,640,072	$3,275,684	$155,810	$ 810,962
Less: Unbudgeted Fund Balances	—	98,048 *	94,736	13,352
Total Budgeted Fund Balances - GAAP Basis	2,640,072	3,177,636	61,074	797,610
Less: Reserved Fund Balances	1,562,040	3,493,122	60,519	991,701
Less: Designated Fund Balances	755,259	—	—	—
Unreserved/Undesignated Fund Balances - GAAP Basis	322,773	(315,486)	555	(194,091)
BASIS DIFFERENCES				
Revenue Accruals/Adjustments:				
Cash Equity with Treasurer	40,447	32,674	1,548	9,301
Taxes Receivable	(748,994)	(200,276)	—	—
Intergovernmental Receivable	(616,388)	(413,458)	—	—
Loans Receivable	(25,293)	(300,710)	—	(148,443)
Other Receivables	(24,263)	(44,198)	(334)	(2,778)
Due from Other Funds	(21,070)	(23,431)	(128)	(2,427)
Inventories	(1,000)	(32,644)	—	—
Other Assets	(6,453)	(3,402)	—	—
Deferred Revenue	79	95,425	—	—
Total Revenue Accruals/Adjustments	(1,402,935)	(890,020)	1,086	(144,347)
Expenditure Accruals/Adjustments:				
Accounts Payable	118,923	229,431	—	81,952
Medicaid Claims Payable	509,652	5,752	—	—
Accrued Liabilities	136,796	64,574	436	47
Intergovernmental Payable	278,699	517,573	—	—
Due to Other Funds	41,461	7,333	18	1,198
Refund and Other Liabilities	604,150	72,731	983	—
Total Expenditure Accruals/Adjustments	1,689,681	897,394	1,437	83,197
Other Adjustments:				
Fund Balance Reclassifications:				
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:				
Debt Service	1,480	—	60,519	—
Budget Stabilization	906,891	—	—	—
Noncurrent Portion of Loans Receivable	24,672	300,235	—	146,926
Other	114,965	42,168	—	64,699
From Undesignated (Non-GAAP Budgetary Basis) to Designated	755,259	—	—	—
Cash and Investments Held Outside of State Treasury	(13,856)	(16,867)	(1,403)	—
Other	—	1	1	—
Total Other Adjustments	1,789,411	325,537	59,117	211,625
Total Basis Differences	2,076,157	332,911	61,640	150,475
TIMING DIFFERENCES				
Encumbrances	(149,709)	(359,111)	—	(71,560)
Unreserved/Undesignated and Designated Fund Balances (Deficits) — Non-GAAP Budgetary Basis	$2,249,221	$ (341,686)	$ 62,195	$(115,176)

*This amount in the Special Revenue Fund includes certain unbudgeted activities within the Community and Economic Development and Employment Services 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;
- 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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the higher education institutions 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. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAROhio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAROhio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43266-0421, or by calling (614) 466-2160.

C. Deposits

1. Primary Government

As of June 30, 1999, the carrying amount of deposits was (dollars in thousands) $867,675, and the bank balance was $834,433. Of the bank balance, $53,037 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), $727,838 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 $53,558, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units

As of June 30, 1999, the carrying amount of deposits was (dollars in thousands) $252,681, and the bank balance was $319,309. Of the bank balance, $43,586 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), $204,152 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 $71,571, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

D. 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, and the deposit with the federal government. In conformity with Governmental Accounting Standards Board Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lent at year-end for cash collateral have not been categorized by custodial credit risk, while securities lent for securities collateral have been categorized.

The level of credit risk assumed by the primary government and its component units and the carrying amount and fair value of investments, as of June 30, 1999, are as follows.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government
(dollars in thousands)

	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations:				
Not on Securities Loan	$ 32,852,732	$35,000	$ 6,909,324	$ 39,797,056
On Securities Loan	—	—	207,979	207,979
Common and Preferred Stock:				
Not on Securities Loan	46,851,809	—	7,011,534	53,863,343
On Securities Loan	—	—	35,563	35,563
Corporate Bonds and Notes	12,216,010	—	1,986,588	14,202,598
Foreign Stocks and Bonds	15,651,545	—	—	15,651,545
Commercial Paper	3,575,356	—	1,894,521	5,469,877
Repurchase Agreements	303,019	70	259	303,348
Municipal Obligations	574	—	—	574
Securities Lending Collateral:				
U.S. Government & Agency Obligations	95,000	—	1,467,642	1,562,642
Repurchase Agreements	5,353,611	—	—	5,353,611
Common and Preferred Stock	—	—	770,714	770,714
Corporate Bonds and Notes	1,096,638	—	—	1,096,638
Commercial Paper	142,307	—	—	142,307
	$118,138,601	$35,070	$20,284,124	138,457,795
Investments Held by Broker-dealers under Securities Loans with Cash Collateral:				
U.S. Government and Agency Obligations				8,759,006
Common and Preferred Stock				752,973
Mutual Funds				5,111,550
Real Estate				10,912,695
Venture Capital				418,120
Limited Partnerships				27,263
Direct Mortgage Loans				38,237
Investment Contracts				5,024
Securities Lending Collateral— Mutual Funds				39,142
Securities Lending Collateral— Investment Contracts				712,075
Deposit with Federal Government				2,110,852
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAROhio)				(346,249)
Total Investments — Primary Government				$166,998,483

Component Units
(dollars in thousands)

	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations	$259,158	$ 704,381	$257,651	$1,221,190
Common and Preferred Stock	376,435	964,022	6,730	1,347,187
Corporate Bonds and Notes	112,950	89,918	34,419	237,287
Foreign Stocks and Bonds	9,402	—	—	9,402
Commercial Paper	—	—	6,464	6,464
Repurchase Agreements	—	3,045	202,555	205,600
Bankers' Acceptances	—	—	5,240	5,240
Municipal Obligations	77	—	39	116
Negotiable Certificates of Deposit	—	—	2,000	2,000
Other Investments	197	—	9,761	9,958
	$758,219	$1,761,366	$524,859	3,044,444
Mutual Funds				387,114
Investment in the State Treasury Asset Reserve of Ohio (STAROhio)				346,249
Real Estate				36,394
Life Insurance				9,095
Limited Partnerships				6,765
Investment Contracts				361,436
Total Investments — Component Units				$4,191,497

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 1999, reported for the primary government and its component units is (dollars in thousands) $171,895,675. The total carrying amount of deposits and investments categorized and disclosed in this note is $172,310,336. A reconciliation of the difference follows.

Reconciliation of Deposits and Investments Disclosure with Combined Balance Sheet As of June 30, 1999
(dollars in thousands)

	Deposits	Investments	Total
Cash Equity with Treasurer (unrestricted and restricted)....	$350,150	$ 6,892,569	$ 7,242,719
Cash and Cash Equivalents (unrestricted and restricted)....	462,792	1,909,168	2,371,960
Investments.......	5,542	148,770,612	148,776,154
Collateral on Lent Securities (unrestricted and restricted)....	38,115	9,550,177	9,588,292
Deposit with Federal Government....	—	2,110,852	2,110,852
Restricted Assets:			
Investments....	—	63,468	63,468
Dedicated Investments....	—	1,742,230	1,742,230
Carrying Amount per Combined Balance Sheet..	856,599	171,039,076	171,895,675
Outstanding Warrants and Other Reconciling Items............	263,757	150,904	414,661
Total Reporting Entity................	$1,120,356	$171,189,980	$172,310,336

E. Securities Lending Transactions

The Treasurer of State and the Bureau of Workers' Compensation (BWC) participate in securities lending programs for securities included in the "Cash Equity with Treasurer," "Investments," and "Dedicated Investments" accounts and the STAROhio program. 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. The State has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the State's lent securities are collateralized at no less than 102 percent of market value.

For loan contracts the Treasurer executes, not more than 15 percent of the State's cash and investment portfolio, which is reported as "Cash Equity with Treasurer," can be lent to a single broker-dealer. For the STAROhio program, not more than 25 percent of the STAROhio investment pool may be lent at any one time, and not more than 10 percent of the investment pool may be subject to term loans in excess of seven days.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements. The State invests cash collateral in short-term obligations, which have a weighted average maturity of 45 days or less and generally match the maturities of securities loans. Loan contracts do not provide any loss indemnification by securities lending agents in cases of borrower default; however, during fiscal year 1999, the State had not experienced any losses due to credit or market risk on securities lending activities.

During the fiscal year, the Treasurer and the STAROhio program lent U.S. government and agency obligations in exchange for collateral consisting of cash and/or other U.S. government obligations. The BWC lent fixed maturities and equity securities in exchange for cash, broker-provided, and letters of credit collateral.

NOTE 5 TAXES

The following table provides a summary of taxes receivable for the primary government, as of June 30, 1999. As of June 30, 1999, refund liabilities for income and corporation franchise taxes, totaling $667.3 million, are reported as "Refunds and Other Liabilities," of which $603.5 million is reported in the General Fund and $63.8 million is reported in the Special Revenue Fund.

Primary Government
Taxes Receivable
As of June 30, 1999
(dollars in thousands)

	General	Special Revenue	Trust and Agency	Total
Income Taxes	$243,340	$ 28,763	$ —	$ 272,103
Sales Taxes	505,654	26,650	—	532,304
Motor Vehicle Fuel Taxes	—	129,951	—	129,951
Unemployment Taxes	—	—	149,548	149,548
Other Taxes	—	14,912	—	14,912
Total Taxes Receivable	$748,994	$200,276	$149,548	$1,098,818

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, 1999, consist of the following.

Primary Government
Loans Receivable
As of June 30, 1999
(dollars in thousands)

Loan Type	General	Special Revenue	Debt Service	Capital Projects	Total
Columbiana County Economic Stabilization	$ 2,945	$ —	$ —	$ —	$ 2,945
Community and Economic Development:					
Office of Minority Financial Incentives	4,169	—	—	—	4,169
Office of Financial Incentives	—	249,924	—	—	249,924
Ohio Housing Finance Agency	—	152,335	—	—	152,335
Rail Development	—	3,667	—	—	3,667
Total Community and Economic Development	4,169	405,926	—	—	410,095
Higher Education Research Investment Loans	—	—	4,135	—	4,135
Natural Resources	—	167	—	—	167
Primary, Secondary and Other Education:					
School District Solvency Assistance	12,063	—	—	—	12,063
Vocational Education	626	177	—	—	803
Wayne Trace Local School District	5,490	—	—	—	5,490
Public School Building	—	3,839	—	—	3,839
Vocational School Assistance	—	9,642	—	—	9,642
School Building	—	11,376	—	—	11,376
Teacher Education	—	1,295	—	—	1,295
Nurses Education Assistance	—	300	—	—	300
Total Primary, Secondary and Other Education	18,179	26,629	—	—	44,808
Highway and Transit Infrastructure Bank	—	22,493	—	—	22,493
Local Infrastructure Improvements	—	—	—	148,443	148,443
Total Loans Receivable	$25,293	$455,215	$4,135	$148,443	$633,086

NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

Component Units
Loans Receivable
As of June 30, 1999
(dollars in thousands)

Loan Type	Ohio Water Develop-ment Authority (12/31/98)	Ohio State University	University of Cincinnati	Kent State University	Other Com-ponent Units	Total Com-ponent Units
Water and Wastewater Treatment	$1,878,923	$ —	$ —	$ —	$ —	$1,878,923
Student	—	56,813	28,060	18,455	74,222	177,550
Other	—	—	635	—	8,516	9,151
Total Loans Receivable	$1,878,923	$56,813	$28,695	$18,455	$82,738	$2,065,624

B. Other Receivables

Other receivables for the primary government and its component units, as of June 30, 1999, consist of the following.

Primary Government
Other Receivables
As of June 30, 1999
(dollars in thousands)

Unrestricted:	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total
Accounts Receivable	$ 3,073	$ 6,329	$ —	$ —	$156,758	$ 3,148	$ —	$169,308
Interest and Dividends Receivable	18,727	14,971	826	2,840	98,230	255	17,971	153,820
Women, Infants and Children Program Rebate Receivable	—	14,799	—	—	—	—	—	14,799
Nursing Facility Bed Assessments Receivable	—	12,765	—	—	—	—	—	12,765
Leases Receivable	—	—	—	—	—	29,320	—	29,320
Receivables from Lottery Sales Agents	—	—	—	—	28,351	—	—	28,351
Claims & Settlements Receivable	—	—	—	—	—	—	20,911	20,911
Employer Interest and Penalties on Unemployment Taxes	—	2,439	—	—	—	—	—	2,439
Refunds from Academic Grants and Scholarships Programs	2,463	—	—	—	—	—	—	2,463
Miscellaneous Receivables	—	982	—	—	6	1,512	643	3,143
Total Unrestricted	24,263	52,285	826	2,840	283,345	34,235	39,525	437,319
Restricted:								
Interest Receivable	—	—	—	—	11,914	—	—	11,914
Miscellaneous Receivables	—	—	—	—	4	—	—	4
Total Restricted	—	—	—	—	11,918	—	—	11,918
Total Unrestricted and Restricted	$24,263	$52,285	$826	$2,840	$295,263	$34,235	$39,525	$449,237

Component Units
Other Receivables
As of June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Medical College of Ohio	Other Com-ponent Units	Total Com-ponent Units
Accounts Receivable	$242,697	$34,417	$17,911	$24,288	$105,427	$424,740
Interest Receivable	14,183	4,226	913	649	4,665	24,636
Pledges Receivable	—	38,926	—	—	—	38,926
Miscellaneous Receivable	—	314	—	—	6,213	6,527
Total Other Receivables	$256,880	$77,883	$18,824	$24,937	$116,305	$494,829

NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

Under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

Future lease payments due the Ohio Building Authority Internal Service Fund, net of executory costs, are as follows (dollars in thousands):

Year Ending June 30,	Leases Receivable
2000	$ 4,997
2001	5,001
2002	5,008
2003	5,012
2004	5,036
Thereafter	20,856
Total minimum lease payments	45,910
Amount representing interest	(16,590)
Present value of net minimum lease payments	$29,320

NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS

Interfund balances, as of June 30, 1999, and operating transfers among the primary government's funds, for the year ended June 30, 1999, are as follows (dollars 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	$ 22,076	$ 41,461	$ —	$ —	$ 201,151	$1,308,827
Special Revenue:						
Community and Economic Development	3,333	2,601	—	145,689	73,330	38,660
Human Services	470	1,279	—	—	10,753	39,059
Health	162	45	—	—	15,552	282
Mental Health and Retardation	451	799	—	—	4,239	—
Employment Services	24	—	—	—	—	1,500
Education	1,518	214	—	—	1,015,246	57,819
Highway Safety	2,695	1,058	—	—	160,671	10,067
Highway Operating	4,219	3,387	—	—	601,364	195,375
Natural Resources	399	91	—	—	113	4,381
Wildlife and Waterway Safety	276	13	—	—	973	13
Revenue Distribution	8,760	157	—	—	73,646	720,762
Local Transportation Improvements	1,148	1	—	—	61,759	—
Total Special Revenue Fund	23,455	9,645	—	145,689	2,017,646	1,067,918
Debt Service:						
Economic Development Bond Service	—	—	—	—	15,899	—
Coal Research/Development Bond Retirement	—	—	—	—	5,632	6
Development Bond Retirement	—	—	—	—	—	25
Highway Obligations Bond Retirement	124	—	—	—	—	49
Public Improvements Bond Retirement	—	—	—	—	—	13
Local Infrastructure Improvements Bond Retirement	—	18	—	—	108,878	—
Ohio Public Facilities Commission	1,115	—	—	—	441,901	—
Ohio Building Authority	—	—	—	—	238,019	1,634
Enterprise Bond Retirement	—	—	—	—	32,460	36,036
State Projects Bond Service	—	—	—	—	10,000	10
School Building Program Bond Service	—	—	—	—	55,572	—
Highway Capital Improvements Bond Service	4	—	—	—	51,349	109
Infrastructure Bank Bond Service	—	—	—	—	10,251	—
Total Debt Service Fund	1,243	18	—	—	969,961	37,882

(Continued)

NOTE 7 INTERFUND AND INTRA-ENTITY 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
Capital Projects:						
Arts Facilities Building Improvements	91	—	—	—	77,840	—
Higher Education Improvements	195	1,115	—	—	—	51
Highway Obligations Construction	19	—	—	—	—	8,885
Mental Health/Mental Retardation Facilities Improvements	50	—	—	—	—	—
Parks and Recreation Improvements	10	—	—	—	—	—
Local Infrastructure Improvements	1,602	3	—	—	386	3
Ohio Building Authority	—	—	—	—	3,351	270,388
Administrative Services Building Improvements	212	—	—	—	100,966	3,351
Youth Services Building Improvements	83	—	—	—	50,410	—
Transportation Building Improvements	8	—	—	—	—	—
Adult Correctional Building Improvements	8	80	—	—	—	250
Highway Safety Building Improvements	13	—	—	—	—	—
Ohio Parks and Natural Resources	9	—	—	—	—	668
Highway Capital Improvement	19	—	—	—	8,885	—
Sports Facilities Building	76	—	—	—	39,449	—
Infrastructure Bank Obligations	32	—	—	—	—	—
Total Capital Projects Fund	2,427	1,198	—	—	281,287	283,596
Enterprise:						
Liquor Control	84	2,287	—	—	—	108,840
Ohio Lottery Commission	—	—	—	—	—	696,303
Workers' Compensation	—	—	—	—	—	5,779
Underground Parking Garage	—	—	—	—	—	773
Office of Auditor of State	4,208	—	—	—	32,344	—
Total Enterprise Fund	4,292	2,287	—	—	32,344	811,695
Internal Service:						
Ohio Building Authority	—	—	—	—	27,700	29,391
Ohio Data Network	9,093	336	—	—	—	—
Ohio Penal Industries	23,553	1,119	—	—	9,220	—
Support Services	4,338	70	—	—	—	—
Telecommunications	3,583	—	—	—	—	—
Total Internal Service Fund	40,567	1,525	—	—	36,920	29,391
Expendable Trust:						
Unclaimed Funds	1,306	—	145,689	—	—	—
Pension Trust:						
State Highway Patrol Retirement System	1,721	—	—	—	—	—
Agency:						
Holding and Distribution	—	22,477	—	—	—	—
Payroll Withholding and Fringe Benefits	114	18,729	—	—	—	—
Other	96	—	—	—	—	—
Total Trust and Agency Funds	3,237	41,206	145,689	—	—	—
Total per Financial Statements — Primary Government	97,297	97,340	145,689	145,689	3,539,309	3,539,309
Reconciliation for Timing Differences for Funds with December 31, 1998 Year-Ends	43	—	—	—	—	—
Reconciled Total for the Primary Government	97,340	97,340	$145,689	$145,689	$3,539,309	$3,539,309
Component Units:						
Ohio State University	271,881	271,881				
University of Cincinnati	117,036	117,036				
Other Component Units	65,783	65,783				
Total per Financial Statements — Component Units	454,700	454,700				
Total Reporting Entity	$552,040	$552,040				

NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS (Continued)

For the fiscal year ended June 30, 1999, the Capital Projects Fund reports approximately $5.7 million in residual equity transfers-out. The transfers represent capital contributions to the Enterprise and Internal Service funds, as discussed in NOTE 18. Additionally, the Internal Service Fund reports a residual equity transfer-out in the amount of $419 thousand. The transfer represents capital contributions to the General Fixed Assets Account Group.

Operating transfers between the primary government's funds and its component units represent transfers of moneys from the General Fund for instructional and non-instructional support at the state-supported universities and state community colleges.

Details of amounts transferred during the year ended June 30, 1999 are presented in the table to the right (dollars in thousands).

	Operating Transfers from Primary Government	Operating Transfers to Component Units
Primary Government:		
General Fund	$ —	$1,564,910
Component Units:		
College and University Funds		
Ohio State University	418,486	—
University of Cincinnati	186,342	—
Ohio University	134,505	—
Miami University	76,232	—
University of Akron	97,898	—
Bowling Green State University	78,798	—
Kent State University	109,864	—
University of Toledo	83,869	—
Cleveland State University	68,850	—
Youngstown State University	46,803	—
Wright State University	89,152	—
Shawnee State University	14,930	—
Central State University	17,692	—
Medical College of Ohio	36,538	—
Terra State Community College	6,351	—
Columbus State Community College	33,070	—
Clark State Community College	6,564	—
Edison State Community College	4,876	—
Southern State Community College	3,787	—
Washington State Community College	4,595	—
Cincinnati State Community College	16,729	—
Northwest State Community College	4,358	—
Owens State Community College	24,621	—
Total Reporting Entity	$1,564,910	$1,564,910

NOTE 8 FIXED ASSETS

The following tables show fixed assets for the primary government and its component units by asset category, as of June 30, 1999, and the changes in the primary government's general fixed assets for the year ended June 30, 1999. No projects were under construction during fiscal year 1999 that resulted in capitalized interest for the proprietary and fiduciary fund types.

Primary Government
Fixed Assets
As of June 30, 1999
(dollars in thousands)

	Enterprise	Internal Service	Pension Trust	General Fixed Assets	Total Primary Government
Land	$ 12,871	$ —	$ 370	$ 212,421	$ 225,662
Buildings	248,248	5,733	3,236	2,476,320	2,733,537
Land Improvements	—	771	—	159,514	160,285
Machinery and Equipment	172,711	64,034	229	263,611	500,585
State Vehicles	3,268	877	16	241,854	246,015
Construction-in-Progress	—	—	—	535,645	535,645
Total Fixed Assets (at cost)	437,098	71,415	3,851	3,889,365	4,401,729
Accumulated Depreciation	(206,325)	(43,760)	(986)	—	(251,071)
Total Fixed Assets (net)	$230,773	$27,655	$2,865	$3,889,365	$4,150,658

NOTE 8 FIXED ASSETS (Continued)

Primary Government
Changes in General Fixed Assets
For the Fiscal Year Ended June 30, 1999
(dollars in thousands)

	Balance July 1, 1998	Beginning Balance Adjustments	Additions	Deletions/ Net Transfers	Balance June 30, 1999
Land	$ 198,023	$ 4,707	$ 10,577	$ (886)	$ 212,421
Buildings	2,256,807	69,212	178,545	(28,244)	2,476,320
Land Improvements	156,987	1,287	5,414	(4,174)	159,514
Machinery and Equipment	228,811	8,606	50,389	(24,195)	263,611
State Vehicles	230,879	744	34,036	(23,805)	241,854
Construction-in-Progress	588,898	(86,992)	413,772	(380,033)	535,645
Total General Fixed Assets	$3,660,405	$ (2,436)	$692,733	$(461,337)	$3,889,365

Component Units
Fixed Assets
As of June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Miami University	University of Akron
Land	$ 34,722	$ 17,129	$ 10,531	$ 2,294	$ 16,968
Buildings	1,474,648	814,381	344,194	326,563	297,455
Land Improvements	147,771	29,200	53,222	59,351	33,010
Machinery, Equipment, and Vehicles	708,630	107,110	90,706	96,679	91,980
Library Books and Publications	131,121	90,590	52,884	40,398	51,029
Construction-in-Progress	193,727	166,029	4,277	24,900	3,166
Total Fixed Assets (at cost)	2,690,619	1,224,439	555,814	550,185	493,608
Accumulated Depreciation	—	—	—	—	—
Total Fixed Assets (net)	$2,690,619	$1,224,439	$555,814	$550,185	$493,608

	Kent State University	University of Toledo	Cleveland State University	Other Component Units	Total Component Units
Land	$ 6,747	$ 17,798	$ 51,777	$ 53,590	$ 211,556
Buildings	285,000	308,498	297,737	1,280,184	5,428,660
Land Improvements	34,466	28,950	14,934	89,739	490,643
Machinery, Equipment, and Vehicles	63,168	57,119	41,252	356,068	1,612,712
Library Books and Publications	48,246	19,152	47,063	91,847	572,330
Construction-in-Progress	12,353	11,474	1,771	55,825	473,522
Total Fixed Assets (at cost)	449,980	442,991	454,534	1,927,253	8,789,423
Accumulated Depreciation	—	—	—	(367)	(367)
Total Fixed Assets (net)	$449,980	$442,991	$454,534	$1,926,886	$8,789,056

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
- Alternative Retirement Plan

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (PERS)

Pension Benefits
PERS is a cost-sharing, defined benefit multiple-employer public employee retirement system.

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 1998 are as follows:

	Contribution Rates — Calendar Year 1998	
	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 follow (dollars in thousands).

Primary Government

For the Year Ended December 31,	Employer's Contribution for Regular Employees	Employer's Contribution for Law Enforcement Employees
1998	$212,114	$2,970
1997	218,984	2,747
1996	196,501	2,410

Component Units

For the Year Ended June 30,	Employer's Contribution for Regular Employees
1999	$100,392
1998	97,944
1997	96,962

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. For calendar year 1998, the portion of the employer rate that is used to fund healthcare is 4.2 percent of covered payroll for law enforcement and regular employees. Employees do not fund any portion of healthcare costs.

PERS healthcare benefits are funded on a pay-as-you-go basis. As of December 31, 1998, the unaudited estimate of the value of net assets available for future healthcare benefits is $9.4 billion.

The State's net costs for the PERS healthcare plan are as follows (dollars in thousands):

Primary Government:	
(for the year ended December 31, 1998)	
Regular Employees........................	$97,791
Law Enforcement Employees.........	998
Total...............................	$98,789
Component Units:	
(for the year ended June 30, 1999).....	$46,284

The number of eligible benefit recipients for PERS as a whole is 115,579, as of December 31, 1998; a breakout of the number of eligible recipients for the primary government and its component units, as of December 31, 1998, is unavailable.

B. State Teachers Retirement System (STRS)

Pension Benefits
STRS is a cost-sharing, defined benefit multiple-employer public employee retirement system.

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent plus .1 percent for each year of Ohio contributing service in excess of 30 years, starting at 2.5 percent for the 31st year of service, and by 2.1 percent for all other years of credited service up to a maximum annual 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 by the greater of the amount of the change in the Consumer Price Index or the cumulative increase in prior years, less previous cost-of-living increases, up to a maximum of three percent.

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. Members and the employer make contributions 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.

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771. 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 1999 were 14 percent for employers and 9.3 percent for employees. For STRS, 6.0 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.

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

Year Ended June 30,	Primary Government	Component Units
1999	$2,876	$ 59,593
1998	4,384	101,964
1997	5,051	111,928

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. Retirees must pay additional premiums 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 8.0 percent of covered payroll are allocated to pay for healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 1998, net assets available for future healthcare benefits are $2.2 billion. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 1999, totaled approximately $3.8 million and $79.5 million, respectively. The number of eligible benefit recipients for STRS as a whole is 91,999, as of June 30, 1998; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 1998, is unavailable.

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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. 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 SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate.

During calendar year 1998, active employees and the employer contributed 10 percent and 24 percent, respectively, of active member payroll, of which all of the employees' contributions and 19.87 percent of the employer's contributions fund pension benefits. The difference in the total employer rates charged during calendar year 1998 and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits. Effective July 1, 1999, the employer rate will decrease to 23.5 percent of active member payroll, of which 19.5 percent will fund pension benefits and 4.0 percent will fund postemployment healthcare benefits. Employee contributions will remain unchanged.

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

The employer's annual pension costs for the last three calendar years are as follows (dollars in thousands):

Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
1998	$13,060	100%
1997	12,202	100
1996	11,856	100

SHPRS used the entry-age normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 1998. 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 .5 percent to 3.5 percent per year attributable to seniority and merit; and post-retirement increases each year equal to the increase in the Consumer Price Index (not to exceed three percent).

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 10 years.

The Schedule of Funding Progress for the last three years is presented on the following page. Amounts reported do not include assets or liabilities for postemployment healthcare benefits.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

SHPRS Schedule of Funding Progress
Last Three Calendar Years
(dollars 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)
1998	$532,957	$509,860	$23,097	95.7%	$65,154	35.4%
1997 (a)	496,917	460,667	36,250	92.7	62,233	58.2
1997	487,392	460,667	26,725	94.5	62,233	42.9
1996	454,514	411,316	43,198	90.5	59,239	72.9

(a) The plan was amended in 1997.

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, 1998, was 1,446. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 1998 expense was $3.1 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, 1998 was $91.5 million, and include investments, which are carried at fair value, as previously described.

As of December 31, 1998, 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 $87.9 million; the prefunded actuarial accrued liability for healthcare benefits at that date was $3.6 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately $2.7 million or 4.13 percent of active member payroll for the period January 1 through December 31, 1998.

In 1998, the governing board of the SHPRS voted to provide optical and dental coverage to retirees at no cost. Vision and dental coverage will be provided beginning in August 1999 and January 2000, respectively.

D. Alternative Retirement Plan (ARP)

Pension Benefits
The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by STRS or PERS. Classified civil service employees are not eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to STRS or PERS would be transferred to the ARP. The Ohio Department of Insurance has designated eight companies as being eligible to serve as plan providers for the ARP.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Therefore, employees who would have otherwise been enrolled in STRS or PERS would contribute 9.3 percent or 8.5 percent (9.0 percent for law enforcement employees) of their gross salaries', respectively. Employees may also voluntarily make additional contributions to the ARP. Ohio law also requires that each public institution of higher education contribute 6.0 percent of the employees' gross salary to the retirement plan in which the employee would have otherwise been enrolled. The amount of this contribution is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on STRS and PERS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the eight investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

Employer and employee contributions required and paid for the year ended June 30, 1999 totaled $7.3 million and $5.3 million, respectively.

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 15 constitutional amendments (the last adopted in November 1995), have authorized the incurrence of general obligation debt for the construction and improvement of local infrastructure improvements, highways, research and development of coal technology, parks, recreation, and natural resources, and state facilities. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1987 constitutional amendment provided for 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 calendar year. As of June 30, 1999, the General Assembly had authorized $1.2 billion of these bonds to be sold, of which approximately $1.2 billion had been issued and $977 million (net of unaccreted discount of $136.9 million on deep-discount bonds issued) was outstanding. In November 1995, voters approved another constitutional amendment that provided for 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 state fiscal year. As of June 30, 1999, the General Assembly had authorized $360 million in Infrastructure Bonds to be issued under the provisions of the 1995 constitutional amendment, of which $120 million had been issued and $116.3 million was outstanding.

A 1968 constitutional amendment 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, 1999, for Highway Obligations, was approximately $1.86 billion, of which $1.75 billion had been issued and $217.5 million was outstanding. Pursuant to an amendment voters approved in November 1995, the remaining $109.7 million in General Assembly authorizations for the issuance of Highway Obligations expired December 31, 1996.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Through approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds 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, 1999, the General Assembly had authorized the issuance of approximately $1.1 billion in Highway Capital Improvements Bonds, of which $575 million had been issued and $515 million was outstanding.

Coal Research and Development Bonds and Parks, Recreation, 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, 1999, the General Assembly had authorized the issuance of $150 million in Coal Research and Development Bonds, of which $95 million had been issued and $23.9 million was outstanding. Legislative authorizations for the issuance of Parks, Recreation, and Natural Resources Bonds totaled $180 million, as of June 30, 1999, of which $130 million had been issued and $112.7 million was outstanding.

General obligation bonds outstanding and bonds authorized but unissued, as of June 30, 1999, are presented in the table below.

For the year ended June 30, 1999, NOTE 15 summarizes changes in general obligation bonds reported in the General Long-Term Obligations Account Group.

Future general obligation debt service requirements, as of June 30, 1999, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2000..........	$ 182,995	$ 80,534	$ 263,529
2001..........	186,020	74,383	260,403
2002..........	189,110	66,891	256,001
2003..........	192,515	59,081	251,596
2004..........	181,940	51,263	233,203
Thereafter..	1,166,725	240,174	1,406,899
	2,099,305	572,326	2,671,631
Unaccreted Discount....	(136,903)	—	(136,903)
Total..........	$1,962,402	$572,326	$2,534,728

In August 1998, the Treasurer of State issued $12.6 million in Infrastructure Improvement Refunding Bonds, Series 1998, to advance refund $12.6 million in certain maturities of the Infrastructure Improvement Bonds, Series 1992. The net proceeds of $13.4 million (after payment of approximately $124 thousand in bond issuance costs, including the underwriters' discount) were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from the General Long-Term Obligations Account Group.

Primary Government
General Obligation Bonds
As of June 30, 1999
(dollars in thousands)

Description of General Obligation Bond	Fiscal Years Issued	Average Net Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Infrastructure Improvements....................	1990-99	4.7%-8.2%	2018	$1,093,302	$240,000
Highway Obligations...............................	1993-97	4.5%-4.8%	2004	217,500	—
Highway Capital Improvements	1997-99	4.4%-4.8%	2009	515,000	517,000
Coal Research and Development.............	1992-96	4.5%-5.6%	2005	23,900	55,000
Parks, Recreation, and Natural Resources................................ .	1994-99	4.5%-5.6%	2014	112,700	50,000
Total General Obligation Bonds...........				$1,962,402	$862,000

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

The State advance refunded the bonds to reduce its total debt service payments over the next 10 years by approximately $435 thousand. The refunding resulted in an economic gain of approximately $367 thousand. The economic gain is the difference between the present value of the debt service payments on the old and new debt.

In prior years, the Treasurer of State defeased certain Infrastructure Improvement Bonds 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, 1999, $62.9 million of Infrastructure Improvement Bonds outstanding are considered defeased.

NOTE 11 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 Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation, the Treasurer of State for the Ohio Department of Development's Office of Financial Incentives, and the Department of Transportation. 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.

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 taxable 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, 1999, approximately $159 million in economic development bonds payable from liquor profits were outstanding.

Additionally, taxable economic development bonds in the amount of $2.5 million, issued by the Treasurer of State in connection with the Ohio Enterprise Bond Program, were outstanding, as of June 30, 1999. 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 1999, $15.6 million of Ohio Enterprise Bonds were issued under the authority of Section 166.09, Ohio Revised Code, to provide private entities with capital financing for economic development projects. The Ohio Enterprise Bonds, which are reported as "no commitment" debt in NOTE 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.

In fiscal year 1998, the Treasurer of State issued $70 million in State Infrastructure Bank Bonds for the Department of Transportation. The bonds finance construction costs of the Spring-Sandusky Highway Project in Columbus. The State has pledged federal highway receipts as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Revenue bonds outstanding for the primary government, as of June 30, 1999, are presented in the table on the following page.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Primary Government
Revenue Bonds
As of June 30,1999
(dollars in thousands)

Description of Revenue Bond	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	$191,864
Internal Service:				
Ohio Building Authority	1986-97	4.5%-9.8%	2008	31,815
General Long-Term Obligations:				
Treasurer of State:				
Economic Development	1988-97	6.4%-9.7%	2022	161,535
State Infrastructure Bank	1998	4.3%-5.0%	2008	63,225
Total General Long-Term Obligations				224,760
Total Revenue Bonds				$448,439

For the year ended June 30, 1999, NOTE 15 summarizes changes in revenue bonds reported in the General Long-Term Obligations Account Group.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 1999, are as follows (dollars in thousands):

Year Ending June 30,	Enterprise Fund Principal	Interest	Total
2000	$ 7,000	$ 9,209	$16,209
2001	8,000	8,915	16,915
2002	9,000	8,571	17,571
2003	10,000	8,175	18,175
2004	11,000	7,734	18,734
Thereafter	149,255	41,318	190,573
	194,255	83,922	278,177
Unamortized Discount	(2,391)	—	(2,391)
Total	$191,864	$83,922	$275,786

Year Ending June 30,	Internal Service Fund Principal	Interest	Total
2000	$ 3,039	$ 1,882	$ 4,921
2001	3,194	1,728	4,922
2002	3,359	1,565	4,924
2003	3,531	1,394	4,925
2004	3,730	1,196	4,926
Thereafter	15,354	4,958	20,312
	32,207	12,723	44,930
Unamortized Discount	(392)	—	(392)
Total	$31,815	$12,723	$44,538

Year Ending June 30,	General Long-Term Obligations Account Group Principal	Interest	Total
2000	$ 11,440	$ 14,851	$ 26,291
2001	12,090	14,170	26,260
2002	11,375	13,487	24,862
2003	12,045	12,819	24,864
2004	12,745	12,105	24,850
Thereafter	165,065	105,431	270,496
Total	$224,760	$172,863	$397,623

In October 1996, the Treasurer of State defeased outstanding Series 1989 Liquor Profits Refunding Bonds issued for the Office of Financial Incentives' Direct Loan Program by placing the proceeds of the Series 1996 Taxable Development Assistance 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, 1999, $22 million of the Series 1989 bonds are considered defeased.

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately $102 million in Series 1996 Taxable Development Assistance Bonds on October 1, 2006. Under the terms of the bond purchase agreement, the underwriter has agreed to purchase approximately $102 million in Series 1998 Taxable Development Assistance Refunding Bonds and deliver to the escrow agent on or before August 25, 2006 cash and/or direct U.S. government obligations sufficient to provide for the redemption of the

NOTE 11 REVENUE BONDS AND NOTES (Continued)

refunded bonds on October 1, 2006. Because the State has not taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds, as of June 30, 1999, no obligation for the refunding bonds has been included in the General Long-Term Obligations Account Group.

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 has 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, 1998, approximately $555.8 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, 1998, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2000	$ 20,730	$ 29,035	$ 49,765
2001	19,910	28,087	47,997
2002	21,535	27,057	48,592
2003	22,860	25,984	48,844
2004	24,270	24,750	49,020
Thereafter	444,695	171,945	616,640
	554,000	306,858	860,858
Unamortized Premium	1,839	—	1,839
Total	$555,839	$306,858	$862,697

Generally, bonds and notes issued by the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of residence and dining halls and auxiliary facilities such as hospitals, parking facilities, bookstores, and athletic facilities.

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

Future bond service requirements for revenue bonds and notes reported in the component unit funds, as of June 30, 1999, are presented in the table below and on the following page.

Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 1999
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/98)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999	$ 83,810	$ 78,494	$ 162,304						
2000	95,670	74,380	170,050	$112,057	$ 8,887	$120,944	$ 56,904	$ 12,751	$ 69,655
2001	90,045	70,225	160,270	20,173	8,223	28,396	11,476	10,852	22,328
2002	89,815	66,127	155,942	20,945	7,533	28,478	12,116	10,290	22,406
2003	88,895	61,685	150,580	16,093	6,925	23,018	12,806	9,683	22,489
2004	—	—	—	13,644	6,461	20,105	11,715	9,042	20,757
Thereafter	1,082,730	399,074	1,481,804	105,340	41,272	146,612	156,491	65,767	222,258
	1,530,965	749,985	2,280,950	288,252	79,301	367,553	261,508	118,385	379,893
Unamortized Discount	(27,115)	—	(27,115)	—	—	—	—	—	—
Total	$1,503,850	$749,985	$2,253,835	$288,252	$79,301	$367,553	$261,508	$118,385	$379,893

(Continued)

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Component Units
Future Funding Requirements for Revenue Bonds *(Continued)*
As of June 30, 1999
(dollars in thousands)

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
1999							$ 83,810	$ 78,494	$ 162,304
2000	$ 3,871	$ 4,770	$ 8,641	$ 25,921	$ 17,073	$ 42,994	294,423	117,861	412,284
2001	3,983	4,643	8,626	29,645	15,818	45,463	155,322	109,761	265,083
2002	4,030	4,442	8,472	17,777	14,547	32,324	144,683	102,939	247,622
2003	4,229	4,232	8,461	18,083	13,714	31,797	140,106	96,239	236,345
2004	4,449	4,010	8,459	17,998	12,837	30,835	47,806	32,350	80,156
Thereafter	69,472	40,122	109,594	242,259	105,605	347,864	1,656,292	651,840	2,308,132
	90,034	62,219	152,253	351,683	179,594	531,277	2,522,442	1,189,484	3,711,926
Unamortized Discount	—	—	—	(351)	—	(351)	(27,466)	—	(27,466)
Total	$90,034	$62,219	$152,253	$351,332	$179,594	$530,926	$2,494,976	$1,189,484	$3,684,460

NOTE 12 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 state-supported institutions of higher education, mental hygiene and retardation, and parks and recreation. Elementary and Secondary Education Bonds, which the Treasurer of State issues for the Department of Education, finance the cost of capital facilities for local school districts.

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs of local government facilities are reported as revenue bonds (See NOTE 11).

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, secure OBA, OPFC, and the Elementary and Secondary Education bonds.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 1999, are presented in the table below.

For the year ended June 30, 1999, NOTE 15 summarizes changes in special obligation bonds reported in the General Long-Term Obligations Account Group.

Primary Government
Special Obligation Bonds
As of June 30, 1999
(dollars in thousands)

Organization	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1986-99	2.0%-9.8%	2019	$2,264,079	$ 744,000
Ohio Public Facilities Commission	1992-99	4.4%-6.1%*	2013	2,543,320	219,746
Elementary and Secondary Education	1996-99	3.7%-5.8%	2008	254,945	560,000
Total Special Obligation Bonds				$5,062,344	$1,523,746

*Average Effective Interest Rates

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Future special obligation debt service requirements, as of June 30, 1999, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2000.............	$ 479,732	$ 253,553	$ 733,285
2001.............	468,682	227,651	696,333
2002.............	441,106	201,435	642,541
2003.............	429,099	179,872	608,971
2004.............	425,435	158,498	583,933
Thereafter......	2,818,290	659,951	3,478,241
Total.............	$5,062,344	$1,680,960	$6,743,304

During fiscal year 1999, the OBA had the following bond refundings.

- In September 1998, the OBA issued $43.7 million in special obligation bonds with an average interest rate of 4.5 percent to retire $41 million in bonds with an interest rate of 6.3 percent.
- In February 1999, the OBA issued $70.8 million in special obligation bonds with an average interest rate of 4.5 percent to retire $67 million in bonds with an interest rate of 6.3 percent.
- In May 1999, the OBA issued $18.9 million in special obligation bonds with an average interest rate of 4.6 percent to retire $18 million in bonds with an interest rate of 6.2 percent.

The net proceeds of $138.5 million, plus an additional $148 thousand from existing debt service moneys were placed with trustees to retire the bonds at the call date, and consequently, the liability associated with the refunded bonds has been removed from the General Long-Term Obligations Account Group.

The refunding transactions in September, February, and May reduced the OBA's total future debt service payments by about $3.4 million, $6.2 million, and $1.3 million, respectively, and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $2.6 million, $4.5 million, and $.9 million, respectively.

In July 1998, the OPFC issued $21.3 million in special obligation bonds to advance refund $26.4 million of outstanding Mental Health Capital Facilities Bonds, Series 1991A. The net proceeds of $21.6 million (after payment of $103,177 for underwriter's discount), plus an additional $6.4 million from 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. The OPFC refunded the Mental Health Capital Facilities Bonds to reduce its debt service over the next eight years by approximately $2.3 million to obtain an economic gain of approximately $3.8 million.

As a result of this transaction, the advance refunded bonds for the OPFC are considered defeased, and the related liability has been removed from the General Long-Term Obligations Account Group.

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, 1999, $424.5 million and $202.9 million of OBA and OPFC bonds outstanding, respectively, are considered defeased.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 1999, approximately $16.8 million in certificate of participation obligations were reported in the General Long-Term Obligations Account Group. In fiscal year 1992, the Department of Transportation issued $8.7 million of certificates of participation obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also sold $10 million in certificates of participation obligations to finance State assistance to the Greater Cleveland Regional Transit Authority for a share of the Cleveland Waterfront Transit Line Project's construction cost, and $10.2 million in obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Primary Government
Certificate of Participation Obligations
As of June 30, 1999
(dollars in thousands)

Project	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
General Long-Term Obligations:				
Department of Transportation:				
Panhandle Rail Line Project	1992	6.0%-6.5%	2012	$ 6,895
Waterfront Transit Line Project	1996	4.6%-4.8%	2003	6,340
Rickenbacker Port Authority Improvements	1996	6.1%	2007	3,530
Total Certificates of Participation Obligations				$16,765

Under the certificate of participation financing arrangements, the State is required to make payments from the Transportation Certificate Retirement Debt Service Fund and the General 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, 1999, are presented in the table above.

For the year ended June 30, 1999, NOTE 15 summarizes changes in certificate of participation obligations reported in the General Long-Term Obligations Account Group.

As of June 30, 1999, the primary government's future commitments under the certificate of participation financing arrangements are as follows (dollars in thousands):

Year Ending June 30,	General Long-Term Obligations Account Group		
	Principal	Interest	Total
2000	$ 2,175	$ 913	$ 3,088
2001	2,285	803	3,088
2002	2,405	685	3,090
2003	2,530	558	3,088
2004	890	465	1,355
Thereafter	6,480	1,893	8,373
Total	$16,765	$5,317	$22,082

For the State's component units, approximately $13.2 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 and University of Cincinnati.

As of June 30, 1999, future commitments under the certificate of participation financing arrangements for the State's component units are detailed in the table below.

Component Units
Future Funding Requirements
for Certificate of Participation Obligations
As of June 30, 1999
(dollars in thousands)

Year Ending June 30,	Ohio State University			University of Cincinnati			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2000	$ 795	$ 501	$ 1,296	$ 250	$ 98	$ 348	$ 1,045	$ 599	$ 1,644
2001	820	471	1,291	250	87	337	1,070	558	1,628
2002	870	437	1,307	250	75	325	1,120	512	1,632
2003	925	401	1,326	250	63	313	1,175	464	1,639
2004	980	361	1,341	90	51	141	1,070	412	1,482
Thereafter	6,900	2,524	9,424	840	233	1,073	7,740	2,757	10,497
Total	$11,290	$4,695	$15,985	$1,930	$607	$2,537	$13,220	$5,302	$18,522

NOTE 14 OTHER LONG-TERM OBLIGATIONS

As of June 30, 1999, other general long-term obligations of the State reported in the General Long-Term Obligations Account Group are as follows (dollars in thousands):

Compensated Absences (A.)	$ 311,646
Lease Agreements (B.)	6,087
Judgments, Settlements, and Claims (C.)	63,930
Litigation Liabilities (C.)	62,373
Workers' Compensation Obligation (D.)	568,100
Total Other General Long-Term Obligations	$1,012,136

For the year ended June 30, 1999, NOTE 15 summarizes the changes in other general long-term obligations reported in the General Long-Term Obligations Account Group.

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 their 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, 1999 was approximately $25.5 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 included 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, 1999, was $371.2 million, of which $36.6 million is allocable to the proprietary funds and $334.6 million is allocable to the General Long-Term Obligations Account Group. The net (after reduction of the $25.5 million) compensated absence liability, as of June 30, 1999, was $345.7 million, of which $34.1 million is reported in the proprietary funds and $311.6 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, 1999, in the amount of $192.5 million is included in "Accrued Liabilities."

B. Lease Agreements

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or in the General Long-Term Obligations Account Group or appropriate proprietary fund type 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 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 1999 were approximately $89.4 million.

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 1999, are as follows (dollars in thousands):

Primary Government

Year Ending June 30,	Operating Leases
2000	$10,861
2001	1,527
2002	88
2003	61
2004	13
Thereafter	—
Total minimum lease payments	$12,550

	Capital Leases		
Year Ending June 30,	Enterprise Funds	General Long-Term Obligations	Total
2000	$1,569	$2,866	$4,435
2001	1,266	2,172	3,438
2002	1,237	747	1,984
2003	—	446	446
2004	—	197	197
Thereafter	—	303	303
Total minimum lease payments	4,072	6,731	10,803
Amount representing interest	(339)	(644)	(983)
Present value of net minimum lease payments	$3,733	$6,087	$9,820

As of June 30, 1999, 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 (dollars in thousands):

Primary Government

	Enterprise Fund	General Fixed Assets	Total
Equipment	$4,060	$12,360	$16,420
Vehicles	—	37	37
Total	$4,060	$12,397	$16,457

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

For the component units, capital lease obligations are included under the "Accrued Liabilities" account. Future minimum lease commitments for capital leases judged to be noncancelable and fixed assets under capital leases, as of June 30, 1999, are presented in the table below.

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

Component Units
Future Funding Requirements for Capital Lease Obligations and Fixed Assets Acquired Under Capital Leases
As of June 30, 1999
(dollars in thousands)

Year Ending June 30,	Ohio State University	University of Cincinnati	Miami University	Other Component Units	Total Component Units
2000	$ 2,549	$ 7,029	$ 2,554	$ 8,560	$ 20,692
2001	2,863	7,922	2,351	6,364	19,500
2002	1,918	7,924	2,103	7,853	19,798
2003	1,918	7,923	1,676	2,121	13,638
2004	902	7,921	1,222	1,178	11,223
Thereafter	961	135,442	2,235	4,026	142,664
Total Minimum Lease Payments	11,111	174,161	12,141	30,102	227,515
Amount Representing Interest	(1,445)	(71,703)	(1,955)	(3,811)	(78,914)
Present Value of Net Minimum Lease Payments	$ 9,666	$102,458	$10,186	$26,291	$148,601
Land	$ —	$ —	$ —	$ 517	$ 517
Buildings	—	151,994	1,152	7,284	160,430
Land Improvements	—	—	—	5,340	5,340
Equipment	12,673	—	14,802	34,267	61,742
Vehicles	—	—	—	599	599
Total	$12,673	$151,994	$15,954	$48,007	$228,628

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

the State, the courts decided the State was responsible for sharing in all past and future desegregation costs. As of June 30, 1999, the State was responsible for an estimated $33 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 $21.4 million and $9.5 million for potential refunds and other claims, respectively.

For information on the State's loss contingencies arising from pending litigation, see NOTE 22.

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 $568.1 million.

E. Liabilities Payable from Restricted Assets

Deferred Prize Awards

Deferred prize awards payable in installments over future years totaling approximately $1.4 billion, as of June 30, 1999, 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 4.0 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, 1999, is as follows (dollars in thousands):

Year Ending June 30,	
2000	$ 167,507
2001	167,171
2002	167,411
2003	167,166
2004	163,732
Thereafter	1,440,801
	2,273,788
Unamortized Discount	(916,068)
Net Prize Liability	$1,357,720

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 $316.6 million, as of June 30, 1999, 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: 7.5 percent rate of return, compounded annually, on the investment of current and future assets; a projected tuition increase of 6.0 percent, compounded annually; and a 3.0 percent Consumer Price Index (CPI) inflation rate. The assumed rate of projected tuition increase is a compounded average result. Tuition rates are assumed to grow based on a formula reflecting CPI, student enrollment, and proportion to total expenditures covered by tuition.

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 June 30, 1999, in the amount of $12.6 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the Enterprise Fund. NOTE 23A. describes the changes in this liability.

NOTE 15 CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations, for the year ended June 30, 1999, are presented in the following table.

Fiscal year 1999 additions to the general obligation bonds and special obligation bonds do not include premiums/(discounts) and bond issuance costs. These costs came to approximately $4.2 million and $8.9 million, respectively for each type of bond issuance, and are netted with bond proceeds and refunding bond proceeds reported on the governmental funds' combined operating statement.

Primary Government
Changes in Other General Long-Term Obligations
For the Fiscal Year Ended June 30, 1999
(dollars in thousands)

	General Obligation Bonds (NOTE 10)	Revenue Bonds (NOTE 11)	Special Obligation Bonds (NOTE 12)	Certificates of Participation (NOTE 13)	Other General Long-Term Obligations (NOTE 14)	Total
Balance, as of June 30, 1998	$1,568,183	$236,805	$4,831,558	$18,615	$ 950,684	$7,605,845
Additions:						
Debt Issues	562,635	—	868,255	—	—	1,430,890
Deep-Discount Accretions	17,029	—	1,783	—	—	18,812
Increase in Compensated Absences	—	—	—	—	34,733	34,733
Increase in Lease Obligations	—	—	—	—	2,257	2,257
Increase in Workers' Compensation Obligation	—	—	—	—	30,400	30,400
Increase in Judgments, Settlements, and Claims	—	—	—	—	45,830	45,830
Increase in Litigation Liabilities	—	—	—	—	32,473	32,473
Total Additions	579,664	—	870,038	—	145,693	1,595,395
Deductions:						
Debt Retirements, Terminations, and Defeasances	185,445	12,045	639,252	1,850	—	838,592
Decrease in Lease Obligations	—	—	—	—	10,205	10,205
Decrease in Judgments, Settlements, and Claims	—	—	—	—	47,786	47,786
Decrease in Litigation Liabilities	—	—	—	—	26,250	26,250
Total Deductions	185,445	12,045	639,252	1,850	84,241	922,833
Balance, as of June 30, 1999	$1,962,402	$224,760	$5,062,344	$16,765	$1,012,136	$8,278,407

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 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, 1999, revenue bonds and notes outstanding that represent "no commitment" debt for the State are as follows (dollars in thousands):

Organization	Outstanding Amount
Ohio Department of Development:	
Ohio Housing Finance Agency	$1,977,237
Ohio Enterprise Bond Program	104,300
Hospital Facilities Bonds	8,730
Total No Commitment Debt	$2,090,267

NOTE 17 ENTERPRISE FUNDS — SEGMENT INFORMATION

The primary government has six enterprise funds, which provide for the tuition guarantee program, liquor sales, lottery sales, workers' compensation insurance services, underground state parking facilities, and government audit and management advisory services.

Segment information, as of and for the fiscal year ended June 30, 1999, is as follows (dollars in thousands):

	Tuition Trust Authority	Liquor Control	Ohio Lottery Commission	Workers' Compensation	Underground Parking Garage	Office of Auditor of State	Total Enterprise Funds
Operating Revenues	$ 97,120	$397,018	$2,272,018	$ 3,625,174	$ 2,589	$33,040	$ 6,426,959
Depreciation	114	2,730	13,631	13,722	421	2,039	32,657
Amortization of Premiums	—	—	99,204	393	—	—	99,597
Operating Income (Loss)	25,886	104,435	628,322	1,149,396	720	(31,000)	1,877,759
Operating Transfers-in	—	—	—	—	—	32,344	32,344
Operating Transfers-out	—	108,840	696,303	5,779	773	—	811,695
Net Income (Loss)	25,868	(4,666)	(68,807)	1,137,500	22	173	1,090,090
Fixed Asset Additions	121	2,570	1,924	6,325	444	4,299	15,683
Fixed Asset Disposals	61	2,641	1,554	42,186	—	7,763	54,205
Net Working Capital	34,585	11,708	131,623	(73,624)	1,885	15,827	122,004
Increase (Decrease) in Cash & Cash Equivalents	(320)	(1,819)	(25,167)	(1,228,362)	422	637	(1,254,609)
Total Assets	427,545	50,172	2,676,837	23,938,562	10,874	30,389	27,134,379
Liabilities Payable from Restricted Assets	316,600	—	2,361,762	—	—	—	2,678,362
Bonds and Other Non-current Liabilities Payable from Operating Revenues	80	2,004	4,188	12,784,565	89	5,643	12,796,569
Total Equity (Deficits)	110,497	12,399	192,522	5,238,687	9,242	17,925	5,581,272

NOTE 18 CHANGES IN CONTRIBUTED CAPITAL

For the fiscal year ended June 30, 1999, changes in contributed capital reported in the primary government's proprietary funds are as follows (dollars in thousands):

	Enterprise Fund	Internal Service Fund				
	Underground Parking Garage	Ohio Data Network	Ohio Penal Industries	Support Services	Total Internal Service Fund	Total Proprietary Funds
Contributed Capital Balance, July 1, 1998	$ —	$39,345	$1,512	$5,257	$46,114	$46,114
Additions:						
Capital Contributions from Other Funds (reported as Residual Equity Transfers-out):						
Capital Projects Funds:						
Mental Health/Mental Retardation Facilities Improvements	—	—	—	275	275	275
Administrative Services Building Improvements	411	4,720	—	—	4,720	5,131
Adult Correctional Building Improvements	—	—	250	—	250	250
Total Additions	411	4,720	250	275	5,245	5,656
Contributed Capital Balance, June 30, 1999	$411	$44,065	$1,762	$5,532	$51,359	$51,770

NOTE 19 FUND EQUITY

A. Fund Deficits

The Local Infrastructure Improvements Bond Retirement Debt Service Fund and the Adult Correctional Building Improvements Capital Projects Fund report a fund balance deficit of $18 thousand and $14.9 million, respectively, as of June 30, 1999.

B. Other Reserves and Designations

Details on the "Reserved for Other" account reported for the governmental and expendable trust funds and the "Restricted Fund Balances" account reported for the component unit funds, as of June 30, 1999, are presented in the table below.

Retained earnings for the Enterprise Fund, as of June 30, 1999, are reserved for the payment of deferred lottery prizes from the Ohio Lottery Commission Fund and insurance claims payable from the Workers' Compensation Fund in the amounts of $43.4 million, and $107.8 million, respectively.

Reserved retained earnings for the Internal Service Fund, as of June 30, 1999, are provided for the funding of future health care benefits in the amount of $204 thousand.

As of June 30, 1999, designations of the General Fund's unreserved fund balance are as follows (dollars in thousands):

General Fund	Unreserved, Designated Fund Balance
Income Tax Reduction Program	$293,185
Public School Building Program	325,700
SchoolNet Plus Program	85,400
Budget Stabilization	46,374
Interactive Video Learning Program	4,600
Total Designations	$755,259

Primary Government
Reserved for Other Fund Balance
As of June 30, 1999
(dollars in thousands)

	General	Special Revenue	Capital Projects	Expendable Trust	Total
Inventories	$ 1,000	$33,269	$ —	$ —	$ 34,269
Other Assets — Prepaids	6,453	177	—	—	6,630
Human Services Stabilization	100,000	—	—	—	100,000
Loan Commitments	—	4,900	64,696	—	69,596
Health Care Benefits	6,446	4,447	3	—	10,896
Advances to Other Funds	—	—	—	145,689	145,689
Department of Development's Office of Minority Financial Incentives — Mini-Loan Program Deposits	1,066	—	—	—	1,066
Total Reserved for Other Fund Balance	$114,965	$42,793	$64,699	$145,689	$368,146

Component Units
Restricted Fund Balance
As of June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
General Operations (includes Auxiliary Enterprises)	$ 185,056	$ 81,502	$ 85,968	$ 352,526
Loan Programs	55,292	30,414	104,444	190,150
Endowment and Quasi-Endowment Activities	998,033	1,078,944	195,443	2,272,420
Plant Operations	—	25,510	21,143	46,653
Annuity and Life Income	—	5,423	—	5,423
University Foundations	—	52,179	1,991	54,170
Grants and Contracts	—	—	2,697	2,697
Student Organizations and Support Services	—	—	167	167
Total Restricted Fund Balance	$1,238,381	$1,273,972	$411,853	$2,924,206

NOTE 19 FUND EQUITY (Continued)

As of June 30, 1999, designations of the component units funds' unreserved fund balance are as follows.

Component Units
Designated Fund Balance
As of June 30, 1999
(dollars in thousands)

Designated for:	Ohio University	Miami University	Other Component Units	Total Component Units
Educational and General Programs	$18,103	$32,877	$112,318	$163,298
Auxiliary Enterprises	3,099	1,803	8,045	12,947
Hospital Operations	—	—	444	444
Loan Programs	1,064	849	1,402	3,315
Endowment and Quasi-Endowment Activities	13,029	32,455	36,348	81,832
Plant Operations	48,630	2,148	46,384	97,162
Federal and State Grants	—	—	2,631	2,631
Total Designated Balance	$83,925	$70,132	$207,572	$361,629

NOTE 20 COMPONENT UNIT FUNDS

Condensed financial statements for the component unit funds are as follows.

Component Units
Condensed Balance Sheet
As of June 30, 1999
(dollars in thousands)

	Ohio Water Development Authority (12/31/98)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Assets					
Cash Equity with Treasurer	$ 305	$ —	$ —	$ —	$ 305
Cash and Cash Equivalents	15,655	61,633	46,235	126,830	250,353
Investments	934,053	1,590,851	697,571	947,720	4,170,195
Receivables	1,879,267	316,544	106,578	281,246	2,583,635
Due from Other Funds	1,905	271,881	117,036	63,878	454,700
Inventories	—	20,203	4,377	18,676	43,256
Restricted Assets	—	11,027	—	12,603	23,630
Fixed Assets (net of accumulated depreciation, as applicable)	370	2,690,619	1,224,439	4,873,628	8,789,056
Other Assets	19,073	26,703	706,031	37,438	789,245
Total Assets	$2,850,628	$4,989,461	$2,902,267	$6,362,019	$17,104,375
Liabilities					
Accounts Payable	$ 20,525	$ 87,096	$ 29,081	$ 74,531	$ 211,233
Accrued Liabilities	6,619	201,964	203,702	296,470	708,755
Intergovernmental Payable	—	—	—	441	441
Due to Other Funds	1,905	271,881	117,036	63,878	454,700
Deferred Revenue	—	70,149	10,540	103,413	184,102
Refund and Other Liabilities	4,094	30,990	66,129	42,879	144,092
Revenue Bonds and Notes	1,503,850	288,252	261,508	441,366	2,494,976
Certificates of Participation	—	11,290	1,930	—	13,220
Total Liabilities	1,536,993	961,622	689,926	1,022,978	4,211,519
Fund Equity and Other Credits					
Investment in General Fixed Assets	—	2,384,591	925,921	4,444,675	7,755,187
Total Unreserved Retained Earnings	1,313,635	—	—	—	1,313,635
Total Fund Balance	—	1,643,248	1,286,420	894,366	3,824,034
Total Fund Equity and Other Credits	1,313,635	4,027,839	2,212,341	5,339,041	12,892,856
Total Liabilities, Fund Equity and Other Credits	$2,850,628	$4,989,461	$2,902,267	$6,362,019	$17,104,375

NOTE 20 COMPONENT UNIT FUNDS (Continued)

Colleges and Universities
Condensed Statement of Changes in Fund Balances
For the Year Ended June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues and Other Additions	$1,957,131	$ 610,016	$ 2,392,524	$ 4,959,671
Total Expenditures and Other Deductions	(2,018,250)	(662,765)	(3,145,562)	(5,826,577)
Operating Transfers from Primary Government	418,486	186,342	960,082	1,564,910
Net Increase (Decrease) for the Year	357,367	133,593	207,044	698,004
Fund Balance and Other Credits, July 1 (*as restated*)	3,670,472	2,078,748	5,131,997	10,881,217
Fund Balance and Other Credits, June 30	$4,027,839	$2,212,341	$ 5,339,041	$11,579,221

Colleges and Universities
Condensed Statement of Current Funds Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1999
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues	$1,429,358	$436,570	$1,958,608	$3,824,536
Expenditures:				
Educational and General	1,147,059	533,764	2,305,951	3,986,774
Auxiliary Enterprises	132,953	52,849	369,688	555,490
Hospitals	482,200	—	139,439	621,639
Total Expenditures	1,762,212	586,613	2,815,078	5,163,903
Mandatory Transfers, Net	34,278	18,551	46,804	99,633
Total Expenditures and Mandatory Transfers	1,796,490	605,164	2,861,882	5,263,536
Other Transfers and Additions (Deductions):				
Operating Transfers from Primary Government	414,127	184,203	956,405	1,554,735
Nonmandatory Transfers, Net	(17,387)	(12,080)	(63,215)	(92,682)
Additions (Deductions)	10,796	(977)	12,188	22,007
Total Other Transfers and Additions (Deductions)	407,536	171,146	905,378	1,484,060
Net Increase in Fund Balances	$ 40,404	$ 2,552	$ 2,104	$ 45,060

NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit 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 seven 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 bina-tional 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.

NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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 $1.1 million for the year ended December 31, 1998) to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 1998 (the GLPF's year end), are as follows (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan..........	$25,000	$25,000	30.9%
Indiana*...........	16,000	—	—
Illinois.............	15,000	15,000	18.4
Ohio...............	14,000	14,000	17.3
New York	12,000	12,000	14.8
Wisconsin........	12,000	12,000	14.8
Minnesota........	1,500	1,500	1.9
Pennsylvania...	1,500	1,500	1.9
Total........	$97,000	$81,000	100.0%

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary financial information for the GLPF, for the fiscal year ended December 31, 1998, is as follows (dollars in thousands):

Cash and Investments..............................	$127,091
Other Assets..	523
Total Assets...............................	$127,614
Total Liabilities	$ 2,510
Total Fund Equity.....................................	125,104
Total Liabilities and Fund Equity...	$127,614
Total Revenues and Other Additions..........	$ 18,213
Total Expenditures....................................	(9,250)
Net Increase in Fund Equity.........	$ 8,963

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 six local community colleges and eight 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; county officials appoint the remaining six members. The governing boards of the technical colleges consist of either seven or nine trustees, of whom 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 21 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 1999, expenditures reported in the General Fund and the Higher Education Improvements Capital Projects Fund in support of the local community and technical colleges are as follows (dollars in thousands):

	Higher Education Support	Capital Outlay	Total
Local Community Colleges:			
Cuyahoga Community College	$ 40,443	$ 9,782	$ 50,225
Jefferson Community College	3,731	191	3,922
Lakeland Community College	13,827	788	14,615
Lorain County Community College	15,709	294	16,003
Rio Grande Community College	3,982	66	4,048
Sinclair Community College	34,080	4,851	38,931
Total Local Community Colleges	111,772	15,972	127,744
Technical Colleges:			
Belmont Technical College	4,726	339	5,065
Central Ohio Technical College	4,100	490	4,590
Hocking Technical College	16,385	2,038	18,423
Lima Technical College	6,559	4,788	11,347
Marion Technical College	3,409	36	3,445
Muskingum Technical College	5,385	16	5,401
North Central Technical College	6,844	386	7,230
Stark State College of Technology	9,234	1,065	10,299
Total Technical Colleges	56,642	9,158	65,800
Total	$168,414	$25,130	$193,544

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 1999,

- The primary government distributed $2.3 million in motor vehicle fuel excise tax collections from the Special Revenue Fund to the Ohio Turnpike Commission.
- 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 and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the Other Agency Fund.
- The Public Defender's Office compensated the Ohio Legal Assistance Foundation approximately $594 thousand from the Special Revenue Fund for administrative services performed under contract for the distribution of State funding to nonprofit legal aid societies. Also, during fiscal year 1999, the Ohio Legal Assistance Foundation received approximately $695 thousand in state assistance from the Special Revenue Fund.

NOTE 22 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.

NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

As of June 30, 1999, $62.4 million in liabilities ultimately payable from various governmental funds has been recorded in the General Long-Term Obligations Account Group for this purpose.

Litigation, similar to that in other states, has been pending in Ohio courts since 1991 questioning the constitutionality of Ohio's system of school funding. The Ohio Supreme Court concluded in 1997 that major aspects of the system (including basic operating assistance and state loans) were unconstitutional. The Court ordered the State to provide for and fund sufficiently a system complying with the Ohio Constitution, staying its order to permit time for responsive corrective actions by the Ohio General Assembly. The Court indicated that property taxes may still play a role in, but "can no longer be the primary means" of, school funding. The Court remanded the case to the trial court to hear evidence and render an opinion on the constitutionality of the enacted legislation which opinion could then be appealed directly to the Ohio Supreme Court. A hearing in the trial court was subsequently held on the constitutionality of the legislation enacted since 1992 to enhance school funding consistent with the Supreme Court decision.

In February 1999, the trial court judge issued his ruling. He concluded that the State continues to be not in compliance with the constitutional requirements, and ordered the State "forthwith to provide for and fund a system of funding public elementary and secondary education in compliance with the Ohio Constitution and the [1997] directive of the Ohio Supreme Court." He also ordered the State Board of Education and the State Superintendent of Public Instruction to prepare and submit to the General Assembly proposals for compliance with the trial court orders and the Supreme Court directive.

The State has appealed the trial court's decision to the Supreme Court. The Supreme Court has granted the State's request for a stay, pending appeal, of implementation of the trial court's order. Oral arguments took place before the Supreme Court on November 16, 1999. It is not possible at this time to state what the results of any appeal might be, or, should plaintiffs prevail on appeal, the effect on the State's present school funding system.

As part of its post-1991 response, the General Assembly has increased state funding for public schools. In addition, the General Assembly placed two issues on the May 1998 primary ballot. The voters approved neither. One was a constitutional amendment authorizing additional state debt issuing capacity, and the other was an increase in Ohio's sales tax. That constitutional amendment would have authorized general obligation debt to pay costs of school facilities throughout Ohio and facilities at state institutions of higher education. As discussed further in NOTE 25, on November 2, 1999, voters approved a constitutional amendment to authorize the use of State-backed general obligation bonds for school facilities.

Other litigation pending in the Ohio Court of Claims contests the Ohio Department of Human Services' prior Medicaid financial eligibility rules for married couples when 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. The Department appealed an order of the federal court directing it to provide notice to persons potentially affected by the former rules from 1990 through 1995, and the Court of Appeals ruled in favor of the Department; plaintiff's petition for certiorari was not granted by the U.S. Supreme Court. As to the Court of Claims case, it is not possible to state the period (beyond fiscal year 1999) 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. In April 1999, the Court of Claims decertified the action there as a class action; plaintiffs have appealed the decertification.

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 the State's fund types and account groups.

B. Federal Awards

The State of Ohio receives significant awards from the federal government in the form of grants and entitlements, including certain non-cash programs

NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

(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 1998 State of Ohio Single Audit (completed in December 1998), approximately $3.1 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, 1999.

C. Construction Commitments

As of June 30, 1999, the Department of Transportation had contractual commitments of approximately $1.36 billion for highway construction projects. Funding for future expenditures is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in the amounts of $572.1 million, $392.9 million, $357.9 million, and $39.1 million, respectively.

As of June 30, 1999, non-highway construction commitments for the primary government's budgeted capital projects funds are as follows (dollars in thousands):

Capital Projects Fund	
Arts Facilities Building Improvements........	$ 18,793
Higher Education Improvements	167,423
Mental Health/Mental Retardation Facilities Improvements	23,487
Parks and Recreation Improvements.........	11,836
Local Infrastructure Improvements	13
Administrative Services Building Improvements	40,772
Youth Services Building Improvements	25,056
Transportation Building Improvements......	7,397
Adult Correctional Building Improvements.	126,655
Highway Safety Building Improvements	4,399
Ohio Parks and Natural Resources...........	31,198
Sports Facilities Building..........................	36,682
Total	$493,711

NOTE 23 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from work-related injuries or illnesses.

The "Benefits Payable" account balance, as of June 30, 1999, in the amount of approximately $12.6 billion includes reserves for indemnity and medical claims, including actuarial estimates for both reported claims and claims incurred but not reported. The estimate for this liability 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 compensation adjustment expenses liability, which is included in "Refund and Other Liabilities" in the amount of approximately $1.4 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claims-related expenses, estimated costs of the Health Partnership Program, and the reserve for compensation.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the reported liability estimates are adequate; however, the ultimate liabilities may vary from amounts provided. The methods of making such estimates and for establishing the resulting liabilities are reviewed and updated quarterly based upon current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

NOTE 23 RISK FINANCING (Continued)

Benefits payable and the compensation adjustment expenses liability are discounted at 6.25 percent in fiscal year 1999 and 6.5 percent in fiscal year 1998. The undiscounted reserves for the benefits and compensation adjustment expenses totaled $30.2 billion, as of June 30, 1999, and $33.6 billion, as of June 30, 1998. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 1999.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

B. Ohio Med Health Plan

Employees of the primary government have the option of participating in the Ohio Med Health Plan, which is a fully self-insured health benefit plan established July 1, 1989. Medical Mutual of Ohio administers the plan under a claims administration contract with the primary government.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plan's actuary calculates estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay 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. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio for claims settlement.

For governmental funds, the primary government recognizes claims 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, 1999, approximately $32.4 million in assets was available in the Agency Fund. Changes in the balance of Ohio Med health claims liabilities during the past two fiscal years are as follows (dollars in thousands):

	Fiscal Year 1999	Fiscal Year 1998
Claims Liabilities, as of July 1	$20,054	$18,732
Incurred Claims	84,916	73,311
Claims Payments	(84,878)	(71,989)
Claims Liabilities, as of June 30	$20,092	$20,054

As of June 30, 1999, resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims exceeded the estimated claims liability amount by $12.3 million,

Primary Government
Changes in Workers' Compensation Benefits Payable
and Compensation Adjustment Expenses Liability
Last Two Fiscal Years
(dollars in millions)

	Fiscal Year 1999	Fiscal Year 1998
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$14,517	$14,464
Incurred Compensation and Compensation Adjustment Benefits	1,110	1,628
Incurred Compensation and Compensation Adjustment Benefit Payments	(1,900)	(1,909)
Change in Liability Due to Decrease in Discount Rate	314	334
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$14,041	$14,517

NOTE 23 RISK FINANCING (Continued)

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.

C. 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 24 TOBACCO SETTLEMENT

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking–related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

Under the MSA, the base payments to the states are estimated to total $206 billion through 2025. Ohio's share of the base payments through 2025 is estimated to be approximately $9.87 billion.

While Ohio's share of the base payments will not change over time, the amount of the annual payment is subject to a number of adjustments including, among others, an inflation adjustment and a volume adjustment. Some of these adjustments (for example, inflation) should contribute to an increase in the payments and others (for example, volume) may decrease the payments. But the net effect of these adjustment factors on future payments is very uncertain, which makes it difficult to speculate on how different Ohio's real payments will be from the estimated payments.

In addition to a share of the base payments, Ohio will receive an estimated $239.5 million from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the $8.6 billion fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

The total that Ohio is estimated to receive under the MSA is $10.1 billion. The estimated amount of future payments is as follows (dollars in thousands):

Year Ending June 30,	MSA Base Payments	Payments from Strategic Contribution Fund	Total Estimated Payments
2000...........	$ 443,893	$ —	$ 443,893
2001...........	348,780	—	348,780
2002...........	418,783	—	418,783
2003...........	422,746	—	422,746
2004...........	352,827	—	352,827
Thereafter...	7,882,393	239,500	8,121,893
Total...........	$9,869,422	$239,500	$10,108,922

No payments under the settlement have been received through June 30, 1999, and no balances related to the settlement have been included in the State's financial statements for the fiscal year ended June 30, 1999.

NOTE 25 SUBSEQUENT EVENTS

A. Debt Issuances
Subsequent to June 30, 1999 (December 31, 1998 for the Ohio Water Development Authority), the State issued major debt as detailed in the table on the following page.

On November 2, 1999, Ohio voters approved a constitutional amendment (Sections 2(n) and 17 of Article VIII) that authorizes the State to issue general obligation bonds to finance building construction, maintenance, and repairs at Ohio's elementary and

NOTE 25 SUBSEQUENT EVENTS (Continued)

Debt Issuances
Subsequent to June 30, 1999
(dollars in thousands)

Organization/Issue	Date of Bond	Net Interest Cost	Amount	Type of Debt
Primary Government:				
Ohio Public Facilities Commission:				
Higher Education Capital Facilities Bonds, Series II-1999A	July 27, 1999	4.8%	$100,000	Special Obligation
Ohio Building Authority:				
State Facilities Bonds – Adult Correctional Building Fund Project, 1999 Series A	July 1, 1999	5.3%	150,000	Special Obligation
Treasurer of State:				
Infrastructure Improvement Bonds, Series 1999	September 15, 1999	5.5%	120,000	General Obligation
Major New State Infrastructure Bonds, Series 1999-1	August 1, 1999	4.7%	20,000	Revenue
			140,000	
Total Primary Government			$390,000	
Component Units:				
Ohio Water Development Authority Water Development Revenue Notes– Series 1999-A	May 1, 1999	Variable Rate–4.05% Initial Rate	$ 13,205	Revenue
University of Akron General Receipts Bonds, Series 1999	August 31, 1999	5.7%	131,320	Revenue
Total Component Units			$144,525	

secondary schools and at state-supported and state-assisted institutions of higher education.

The amendment allows the Ohio General Assembly to issue bonds, without requiring a vote of the citizenry, if the cost of paying debt service (principal and interest) on all outstanding State bonds is equal to no more than five percent of the total State's estimated revenues for the General Revenue Fund (a budgetary fund) and from net lottery proceeds during the fiscal year in which the obligations are to be issued. The amendment permits net lottery proceeds to only be used to pay off bonds issued for projects at primary and secondary schools. The amendment also allows the Ohio General Assembly to waive the five percent debt limit on a particular issue or amount of the obligations if three-fifths of the Ohio House and Ohio Senate vote to do so.

B. Child Support Enforcement Tracking System
The U.S. Department of Health and Human Services imposed a financial penalty on the State for not having the statewide computerized Child Support Enforcement Tracking System operational by October 1, 1997. Ohio has agreed to accept an alternative penalty, as provided by the Child Performance and Incentive Act of 1998. Under the alternative penalty, $14.6 million was considered payable, as of June 30, 1999, and has been included in the intergovernmental payable balance for the General Fund.

Since the system was not operational by October 1, 1999, the State could face an additional federal penalty of $18.7 million; however, 90 percent of this amount would be refunded to the State, if the system becomes operational by October 1, 2000.

NOTE 25 SUBSEQUENT EVENTS (Continued)

C. Workers' Compensation Enterprise Fund — Premium Dividend Credit

On October 20, 1999, the Bureau of Workers' Compensation (BWC) Oversight Commission approved a one-time, 75 percent dividend credit for public employers. The dividend credit approximating $140 million will be reflected in public employers' bills in January 2000.

In addition, private employers will also receive a three-percent average rate reduction totaling $40 million, as reflected in the bills they receive in December 1999. The BWC Oversight Commission approved this rate reduction in March 1999.

D. Deferred Prize Payments

Effective July 1, 1999, the Ohio Lottery Commission allows annuity lottery prize winners the option to cash out their remaining deferred prize payments at a discounted lump-sum. This option expires December 31, 1999.

E. Tobacco Settlement

On November 12, 1999, the Master Settlement Agreement, which is discussed in NOTE 24, reached state-specific finality status when the State of Virginia formally approved its acceptance of the settlement. Under the terms of the agreement, tobacco industry payments to the states could not begin until at least 80 percent received court approval for their settlements.

REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUES

The Year 2000 issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in fiscal year 1999 and beyond.

The following stages have been identified as necessary to implement a Year 2000-compliant system. Completion of these stages is not a guarantee that systems or equipment will be Year 2000-compliant.

Awareness Stage — In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due dates) for dealing with the Year 2000 issue.

Assessment Stage — While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components or, through a risk analysis, identify only mission-critical systems and equipment — systems and equipment critical to conducting operations.

Remediation Stage — During this stage, an organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to address Year 2000 system or equipment issues, and the required changes are made.

Validation/Testing Stage — At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

Primary Government
To address Year 2000 issues, the State of Ohio established the Year 2000 Competency Center within the Department of Administrative Services. The Center's mission is to lead, support, and facilitate achievement of Year 2000 compliance throughout the primary government to ensure uninterrupted service to Ohio's citizens.

As summarized in the table below, the Year 2000 Competency Center has identified the stages under which the following computer systems critical to conducting State operations fall, as of June 30, 1999. The stage identified for each system is the stage the respective State agency was in the process of completing at year-end. As of June 30, 1999, all of the primary government's mission-critical systems had completed the awareness and assessment stages.

Stage/System	Description of System
Remediation Stage	
Board of Regents'	
Grants and Scholarships System	System processes and accounts for grants and scholarships to students.
Department of Administrative Services'	
State Payroll System	System processes and accounts for payroll transactions for State agencies.
Department of Rehabilitation and Correction's	
Prison Security System	System provides security at the 31 State correctional facilities.
Validation/Testing Stage	
Department of Administrative Services'	
Fleet Management System	System tracks inventory, maintenance costs, and utilization of State-owned vehicles.
Department of Education's	
School Finance System	System tracks the distribution of education program funds to school districts, county boards, and institutions.
Department of Human Services'	
Medicaid Management Information System	System processes all Medicaid claims for payment to medical service providers.
Support Enforcement Tracking System	System accounts for the collection and distribution of child support payments in Ohio.
Treasurer of State's	
AS400-Warrant Processing – Redemptions	System tracks daily settlements with warrant-clearance banks and provides journals for reconcilement of redeemed State warrants.

YEAR 2000 ISSUES (Continued)

The Year 2000 Competency Center identified the following systems as completing the validation/testing stage, as of June 30, 1999.

System	Description of System
Auditor of State's Warrant-Writing System	System writes warrants for State payroll, tax refunds, Department of Human Services payments, and payments to vendors for equipment, products, and services.
Board of Regent's' Funding System	System allocates funding to State-assisted higher education institutions.
Bureau of Employment Services':	
Unemployment Compensation Tax System	System accounts for employer unemployment tax assessments and payments.
Unemployment Compensation Benefits Delivery System	System accounts for unemployment benefit payments.
Department of Administrative Services' Fixed Asset Management System	System supports the management of State-owned fixed assets with data input from State agencies.
Department of Commerce's Unclaimed Funds System	System tracks the consolidation, safekeeping, and accounting of escheat property derived from inactive accounts in financial institutions and other companies.
Department of Health's Women, Infants and Children (WIC) System	System processes payments for WIC program participants.
Department of Human Services' Client Registry Information-Enhanced System	System supports the issuing of food stamps and other public assistance benefits to eligible recipients in Ohio.
Department of Public Safety's:	
Cashier's System	System accounts for the collection of motor vehicle registration and operator license fees.
Law Enforcement Automated Data System	System maintains data for remote access by law enforcement officials.
Tax Distribution System	System tracks the distribution of motor vehicle registration and license fees to Ohio's counties.
Department of Transportation's:	
Appropriations Accounting System	System tracks and controls costs, budget, and allocations for transportation projects.
Construction Management System	System accounts for highway construction project progress and payments.
Current Billing System	System generates the billing to the federal government for reimbursement of highway construction costs.
Office of Budget and Management's Central Accounting System	System performs and tracks all State agency budget and accounting activities, such as, appropriations, allotments, payments, payroll, and revenue.
Department of Taxation's Integrated Tax Administration System	System accounts for collections from various State taxes, including personal income tax, sales tax, and corporation franchise tax.
Treasurer of State's AS400-Cashier's Processing	System accounts for State agency deposits in the State Treasury.

In addition to the preceding disclosures on the mission-critical systems, which the Year 2000 Competency Center identified, the following organizations made disclosures on Year 2000 issues affecting their mission-critical systems in their respective separately issued financial reports.

- As of June 30, 1999, the Ohio Building Authority had completed the awareness, assessment, remediation, and validation/testing stages for its Fundware operating software, which controls the Authority's data files and reporting capabilities.
- The Bureau of Workers' Compensation had completed the awareness, assessment, and remediation stages for all of its mission-critical systems. As of June 30, 1999, the Bureau was engaged in the validation/testing stage for its Actuarial System and Rates System. As of its fiscal year-end, the Bureau had completed the validation/testing stage for its Claims Management System, Payments System, Employer Policies and Premiums System, and Investments System.

YEAR 2000 ISSUES (Continued)

- As of June 30, 1999, the Ohio Lottery Commission had completed the awareness, assessment, remediation, and validation/testing stages for its On-Line Gaming System, Instant Ticket Gaming System, and Administrative Support System.

- The State Highway Patrol Retirement System (SHPRS) had completed the awareness and assessment stages for the systems listed below by its fiscal year-end and was in the following stages of work in process, as of December 31, 1998.

SHPRS System	Stage
Benefit	Remediation
Financial Reporting	Remediation
Investment Reporting	Validation/Testing
Member	Validation/Testing

- STAROhio, through the Office of the Treasurer of State, STAROhio's investment adviser and administrator, had completed an inventory of STAROhio's computer systems. The inventory included Carnegie Capital Management Company, STAROhio's co administrator, and Provident Bank, STAROhio's custodian and transfer agent. STAROhio reported that the Treasurer's portfolio management system, Provident Bank's transfer agency system, the Federal Reserve Bank's wire system, and Carnegie Capital's portfolio and dividend accounting system are critical to conducting operations.

  Carnegie Capital Management Company contracted with Analysts International to upgrade its portfolio and dividend accounting system, which was in the testing and validation stage, as of June 30, 1999.

As of June 30, 1999, the primary government had contractual commitments totaling approximately $142.9 million to make computer systems and other equipment Year 2000-compliant.

The primary government's Year 2000 remediation efforts have been aimed primarily at ensuring unimpeded and uninterrupted operation, including tax collections, investment activities, and timely payment of its obligations. However, because of the unprecedented nature of the Year 2000 issues, the effects and the success of the primary government's remediation efforts cannot be fully determinable until the Year 2000 arrives. Consequently, management cannot assure that the primary government will be Year 2000 ready, that its remediation efforts will be successful in whole or in part, or that parties with whom the primary government does business will be Year 2000 ready.

Major Discretely Presented Component Units
The Ohio Water Development Authority disclosed that it had completed the awareness and assessment stages for its mission-critical systems by its fiscal year-end of December 31, 1998. The Authority also reported it had $155 thousand committed, as of December 31, 1998, to make its computer systems Year 2000-compliant.

As of June 30, 1999, the Ohio State University disclosed that it had not completed the awareness stage for two of its 64 mission-critical systems while the remaining 62 systems were in varying stages of work in process beyond the awareness stage. As of June 30, 1999, the University reported no significant contractual agreements with respect to making its computer systems Year 2000-compliant.

As of June 30, 1999, the University of Cincinnati disclosed that it completed the awareness, assessment, and remediation stages for all of its mission-critical systems, and it had contractual commitments totaling $95 thousand to make its computer systems Year 2000-compliant.

Additional information on Year 2000 issues for each of the above discretely presented major component units can be found in their respective separately issued financial reports.