Ohio Office of Budget and Management

State of Ohio

Bob Taft

Governor

OHIO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2000

STATE OF OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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STATE OF OHIO

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JUNE 30, 2000

(dollars in thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS				
Cash Equity with Treasurer	$ 2,944,434	$ 3,661,491	$ 58,357	$ 665,172
Cash and Cash Equivalents	10,496	18,697	1,692	—
Investments	—	113,437	90,599	7,133
Collateral on Lent Securities	194,129	240,831	3,903	43,840
Deposit with Federal Government	—	—	—	—
Receivables:				
Taxes	831,150	196,070	—	—
Intergovernmental	770,524	530,340	—	—
Premiums and Assessments	—	—	—	—
Investment Trade	—	—	—	—
Loans, Net	35,273	477,190	3,058	175,331
Other	16,787	57,224	983	2,841
Due from Other Funds	15,504	25,668	1,236	1,211
Inventories	1,511	34,125	—	—
Food Stamps	—	19,878	—	—
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	378	4,525	—	—
Amount Available for Debt Service	—	—	—	—
Amount to be Provided for General Long-Term Obligations	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	**$ 4,820,186**	**$ 5,379,476**	**$ 159,828**	**$ 895,528**
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$ 153,314	$ 306,960	$ —	$ 75,940
Medicaid Claims Payable	699,316	9,070	—	—
Accrued Liabilities	90,753	44,852	995	27
Obligations Under Securities Lending	194,129	240,831	3,903	43,840
Intergovernmental Payable	259,370	488,537	—	929
Investment Trade Payable	—	—	—	—
Due to Other Funds	37,325	5,606	—	2,158
Deferred Revenue	114	135,142	—	—
Benefits Payable	—	—	—	—
Refund and Other Liabilities	663,580	77,601	968	—
Liability for Escheat Property	—	—	—	—
Liabilities Payable from Restricted Assets	—	—	—	—
Advances from Other Funds	—	168,494	—	—
General Obligation Bonds	—	—	—	—
Revenue Bonds and Notes	—	—	—	—
Special Obligation Bonds	—	—	—	—
Certificates of Participation	—	—	—	—
Other General Long-Term Obligations	—	—	—	—
Total Liabilities	2,097,901	1,477,093	5,866	122,894
Fund Equity and Other Credits:				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Reserved Retained Earnings	—	—	—	—
Unreserved Retained Earnings	—	—	—	—
Fund Balances:				
Reserved for:				
Debt Service	1,545	—	150,345	—
Encumbrances	631,901	4,638,771	—	592,413
Budget Stabilization	953,291	—	—	—
Noncurrent Portion of Loans Receivable	33,539	475,950	3,058	173,961
Employees' Pension and Other Postemployment Benefits	—	—	—	—
Unemployment Benefits	—	—	—	—
External Investment Pool Participants	—	—	—	—
Restricted Fund Balances	—	—	—	—
Other	118,097	34,345	559	60,394
Unreserved/Designated	659,600	—	—	—
Unreserved/Undesignated (Deficits)	324,312	(1,246,683)	—	(54,134)
Total Fund Equity and Other Credits	2,722,285	3,902,383	153,962	772,634
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	**$ 4,820,186**	**$ 5,379,476**	**$ 159,828**	**$ 895,528**

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)
	$ 111,385	$ 47,175	$ 213,921	$ —	$ —	$ 7,701,935	$ 252	$ 7,702,187
	1,745,654	191	139,603	—	—	1,916,333	273,109	2,189,442
	17,679,290	1,712	139,707,740	—	—	157,599,911	4,410,121	162,010,032
	2,334,145	3,068	1,151,228	—	—	3,971,144	—	3,971,144
	—	—	2,251,169	—	—	2,251,169	—	2,251,169
	—	—	143,155	—	—	1,170,375	—	1,170,375
	—	2,610	12	—	—	1,303,486	31,814	1,335,300
	2,547,108	—	—	—	—	2,547,108	—	2,547,108
	368,174	—	—	—	—	368,174	—	368,174
	—	—	—	—	—	690,852	2,198,345	2,889,197
	326,809	31,297	43,936	—	—	479,877	504,716	984,593
	1,788	39,842	1,397	—	—	86,646	502,450	589,096
	25,768	18,912	—	—	—	80,316	44,418	124,734
	—	—	—	—	—	19,878	—	19,878
	—	—	168,494	—	—	168,494	—	168,494
	17,504	—	—	—	—	17,504	—	17,504
	31	—	—	—	—	31	4,813	4,844
	—	41,824	—	—	—	41,824	123,963	165,787
	1,607,828	—	—	—	—	1,607,828	—	1,607,828
	209,710	—	—	—	—	209,710	—	209,710
	6,774	—	—	—	—	6,774	—	6,774
	214,643	29,398	178	4,158,230	—	4,402,449	9,265,194	13,667,643
	21,330	376	465,797	—	—	492,406	787,619	1,280,025
	—	—	—	—	151,890	151,890	—	151,890
	—	—	—	—	8,508,974	8,508,974	—	8,508,974
	$ 27,217,941	**$ 216,405**	**$ 144,286,630**	**$ 4,158,230**	**$ 8,660,864**	**$ 195,795,088**	**$ 18,146,814**	**$ 213,941,902**
	$ 40,643	$ 29,881	$ 1,256	$ —	$ —	$ 607,994	$ 284,007	$ 892,001
	—	—	—	—	—	708,386	—	708,386
	36,826	10,709	1,043	—	—	185,205	665,264	850,469
	2,334,144	3,068	1,151,228	—	—	3,971,143	—	3,971,143
	—	—	80,314	—	—	829,150	490	829,640
	1,286,871	—	136,512	—	—	1,423,383	—	1,423,383
	2,479	5,205	33,885	—	—	86,658	502,450	589,108
	438,207	378	—	—	—	573,841	215,108	788,949
	12,044,911	—	24,680	—	—	12,069,591	—	12,069,591
	2,368,449	—	134,069,468	—	—	137,180,066	150,989	137,331,055
	—	—	81,020	—	—	81,020	—	81,020
	1,774,772	—	—	—	—	1,774,772	—	1,774,772
	—	—	—	—	—	168,494	—	168,494
	—	—	—	—	2,461,673	2,461,673	—	2,461,673
	185,155	28,808	—	—	232,785	446,748	2,611,607	3,058,355
	—	—	—	—	4,973,657	4,973,657	—	4,973,657
	—	—	—	—	14,590	14,590	12,175	26,765
	—	—	—	—	978,159	978,159	—	978,159
	20,512,457	78,049	135,579,406	—	8,660,864	168,534,530	4,442,090	172,976,620
	—	—	—	4,158,230	—	4,158,230	8,145,868	12,304,098
	411	61,020	—	—	—	61,431	—	61,431
	179,974	—	—	—	—	179,974	—	179,974
	6,525,099	77,336	—	—	—	6,602,435	1,465,789	8,068,224
	—	—	—	—	—	151,890	—	151,890
	—	—	—	—	—	5,863,085	—	5,863,085
	—	—	—	—	—	953,291	—	953,291
	—	—	—	—	—	686,508	—	686,508
	—	—	634,770	—	—	634,770	—	634,770
	—	—	2,535,513	—	—	2,535,513	—	2,535,513
	—	—	5,250,689	—	—	5,250,689	—	5,250,689
	—	—	—	—	—	—	3,096,864	3,096,864
	—	—	168,494	—	—	381,889	—	381,889
	—	—	—	—	—	659,600	433,985	1,093,585
	—	—	117,758	—	—	(858,747)	562,218	(296,529)
	6,705,484	138,356	8,707,224	4,158,230	—	27,260,558	13,704,724	40,965,282
	$ 27,217,941	**$ 216,405**	**$ 144,286,630**	**$ 4,158,230**	**$ 8,660,864**	**$ 195,795,088**	**$ 18,146,814**	**$ 213,941,902**

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, 2000
(dollars in thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
Income Taxes	$ 7,243,856	$ 854,299	$ —
Sales Taxes	5,919,129	313,960	—
Corporate and Public Utility Taxes	1,604,604	93,366	—
Motor Vehicle Fuel Taxes	—	1,424,686	34,688
Unemployment Taxes	—	—	—
Other Taxes	861,597	51,489	—
Licenses, Permits and Fees	96,954	1,046,945	12,481
Sales, Services and Charges	45,738	41,260	—
Federal Government	3,993,184	5,328,050	—
Tobacco Settlement	—	412,270	—
Investment Income	287,937	161,451	11,769
Other	189,241	291,017	784
TOTAL REVENUES	**20,242,240**	**10,018,793**	**59,722**
EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	5,108,498	1,528,071	—
Higher Education Support	398,414	13,439	—
Public Assistance and Medicaid	7,232,963	2,255,416	—
Health and Human Services	1,062,145	1,551,708	—
Justice and Public Protection	1,685,095	482,307	—
Environmental Protection and Natural Resources	130,031	224,149	—
Transportation	37,917	1,642,819	—
General Government	447,943	127,633	—
Community and Economic Development	119,060	332,626	—
INTERGOVERNMENTAL	1,081,828	1,944,492	—
CAPITAL OUTLAY	24,862	448,508	—
DEBT SERVICE	2,320	—	1,051,628
TOTAL EXPENDITURES	**17,331,076**	**10,551,168**	**1,051,628**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**2,911,164**	**(532,375)**	**(991,906)**
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	—	154,036	—
Capital Leases	2,668	830	—
Operating Transfers-in	142,267	1,968,534	1,033,631
Operating Transfers-out	(1,302,412)	(1,036,354)	(43,573)
Operating Transfers to Component Units	(1,671,985)	—	—
TOTAL OTHER FINANCING SOURCES (USES)	**(2,829,462)**	**1,087,046**	**990,058**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**81,702**	**554,671**	**(1,848)**
FUND BALANCES, JULY 1 (as restated)	2,640,072	3,346,856	155,810
Increase (Decrease) for Changes in Inventories	511	856	—
Residual Equity Transfers-out	—	—	—
FUND BALANCES, JUNE 30	**$ 2,722,285**	**$ 3,902,383**	**$ 153,962**

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

		FIDUCIARY FUND TYPE	
	CAPITAL PROJECTS	EXPENDABLE TRUST	TOTAL (memorandum only)
	$ —	$ —	$ 8,098,155
	—	—	6,233,089
	—	—	1,697,970
	—	—	1,459,374
	—	700,415	700,415
	—	—	913,086
	—	—	1,156,380
	—	—	86,998
	—	11,650	9,332,884
	—	—	412,270
	33,906	161,375	656,438
	1,227	76,892	559,161
	35,133	**950,332**	**31,306,220**
	—	—	6,636,569
	—	—	411,853
	—	—	9,488,379
	—	734,162	3,348,015
	—	—	2,167,402
	—	—	354,180
	—	—	1,680,736
	—	34,672	610,248
	830	—	452,516
	—	—	3,026,320
	1,018,251	—	1,491,621
	47	—	1,053,995
	1,019,128	**768,834**	**30,721,834**
	(983,995)	**181,498**	**584,386**
	948,338	—	1,102,374
	1,426	—	4,924
	265,442	—	3,409,874
	(265,807)	—	(2,648,146)
	—	—	(1,671,985)
	949,399	**—**	**197,041**
	(34,596)	**181,498**	**781,427**
	810,962	2,640,267	9,593,967
	—	—	1,367
	(3,732)	—	(3,732)
	$ 772,634	**$ 2,821,765**	**$ 10,373,029**

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, 2000

(dollars in thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Income Taxes	$ 6,916,901	$ 7,231,989	$ 315,088	$ 852,584	$ 852,584	$ —
Sales Taxes	5,705,001	5,913,683	208,682	313,550	313,550	—
Corporate and Public Utility Taxes	1,704,400	1,611,510	(92,890)	93,714	93,714	—
Motor Vehicle Fuel Taxes	—	—	—	1,437,146	1,437,146	—
Other Taxes	854,805	861,394	6,589	51,935	51,935	—
Licenses, Permits and Fees	108,836	104,009	(4,827)	1,231,630	1,231,630	—
Sales, Services and Charges	40,075	40,943	868	35,320	35,320	—
Federal Government	3,836,168	3,850,114	13,946	5,354,304	5,354,304	—
Tobacco Settlement	—	—	—	412,270	412,270	—
Investment Income	121,813	125,922	4,109	167,887	167,887	—
Other	412,450	391,452	(20,998)	494,855	494,855	—
TOTAL REVENUES	**19,700,449**	**20,131,016**	**430,567**	**10,445,195**	**10,445,195**	**—**
BUDGETARY EXPENDITURES:						
CURRENT:						
Primary, Secondary and Other Education	5,271,497	5,150,140	121,357	1,812,636	1,785,811	26,825
Higher Education Support	2,091,942	2,079,880	12,062	8,982	6,775	2,207
Public Assistance and Medicaid	7,180,966	7,174,189	6,777	3,348,465	3,214,829	133,636
Health and Human Services	1,158,026	1,137,181	20,845	1,918,621	1,667,793	250,828
Justice and Public Protection	1,722,506	1,695,824	26,682	577,270	523,668	53,602
Environmental Protection and Natural Resources	159,050	151,481	7,569	274,134	237,809	36,325
Transportation	56,396	54,276	2,120	2,570,368	1,995,213	575,155
General Government	482,583	440,713	41,870	145,202	133,950	11,252
Community and Economic Development	186,678	173,385	13,293	387,578	333,665	53,913
INTERGOVERNMENTAL	1,117,935	1,096,897	21,038	2,159,002	2,157,528	1,474
CAPITAL OUTLAY	38,149	31,112	7,037	1,068,521	872,330	196,191
DEBT SERVICE	887,566	854,334	33,232	54,268	35,561	18,707
TOTAL BUDGETARY EXPENDITURES	**20,353,294**	**20,039,412**	**313,882**	**14,325,047**	**12,964,932**	**1,360,115**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(652,845)**	**91,604**	**744,449**	**(3,879,852)**	**(2,519,737)**	**1,360,115**
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	—	—	—	154,036	154,036	—
Operating Transfers-in	107,434	501,165	393,731	1,927,225	1,927,225	—
Operating Transfers-out	(331,776)	(742,680)	(410,904)	(983,776)	(983,776)	—
Encumbrance Reversions	—	88,027	88,027	468,011	468,011	—
TOTAL OTHER FINANCING SOURCES (USES)	**(224,342)**	**(153,488)**	**70,854**	**1,565,496**	**1,565,496**	**—**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) BUDGETARY EXPENDITURES AND OTHER FINANCING USES	**(877,187)**	**(61,884)**	**815,303**	**$ (2,314,356)**	**(954,241)**	**$ 1,360,115**
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JULY 1	487,071	487,071	—		(341,686)	
Decrease (Increase) in Budgetary Designations	49,259	49,259	—		—	
UNRESERVED, UNDESIGNATED BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	(340,857)	474,446	815,303		(1,295,927)	
Budgetary Designations, June 30	1,712,891	1,712,891	—		—	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	**$ 1,372,034**	**$ 2,187,337**	**$ 815,303**		**$ (1,295,927)**	

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)
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
34,689	34,689	—	—	—	—
—	—	—	—	—	—
12,343	12,343	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
5,974	5,974	—	34,035	34,035	—
146,386	146,386	—	14,326	14,326	—
199,392	**199,392**	**—**	**48,361**	**48,361**	**—**
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	929	851	78
—	—	—	—	—	—
—	—	—	2,228,140	905,739	1,322,401
297,516	281,163	16,353	105	105	—
297,516	**281,163**	**16,353**	**2,229,174**	**906,695**	**1,322,479**
(98,124)	**(81,771)**	**16,353**	**(2,180,813)**	**(858,334)**	**1,322,479**
1,519	1,519	—	948,413	948,413	—
78,160	78,160	—	16,141	16,141	—
—	—	—	(16,445)	(16,445)	—
—	—	—	38,249	38,249	—
79,679	**79,679**	**—**	**986,358**	**986,358**	**—**
$ (18,445)	**(2,092)**	**$ 16,353**	**$ (1,194,455)**	**128,024**	**$ 1,322,479**
	62,195			(115,176)	
	—			—	
	60,103			12,848	
	—			—	
	$ 60,103			**$ 12,848**	

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, 2000

(dollars in thousands)

	PROPRIETARY FUND TYPES		
	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
OPERATING REVENUES:			
Charges for Sales and Services	$ 2,680,544	$ 281,354	$ 2,961,898
Premium and Assessment Income	2,720,282	—	2,720,282
Investment Income	1,724,677	—	1,724,677
Other	23,626	4,936	28,562
TOTAL OPERATING REVENUES	7,149,129	286,290	7,435,419
OPERATING EXPENSES:			
Costs of Sales and Services	322,739	131,696	454,435
Administration	211,957	159,276	371,233
Premium Dividend Credits and Rebates	1,328,207	—	1,328,207
Bonuses and Commissions	135,003	—	135,003
Prizes	1,274,979	—	1,274,979
Benefits and Claims	1,572,398	—	1,572,398
Depreciation	27,548	10,736	38,284
Other	381,598	12,959	394,557
TOTAL OPERATING EXPENSES	5,254,429	314,667	5,569,096
OPERATING INCOME (LOSS)	1,894,700	(28,377)	1,866,323
NONOPERATING REVENUES (EXPENSES):			
Investment Income	99	2,271	2,370
Interest Expense	(186)	(1,876)	(2,062)
Federal Grants	—	—	—
Other	(3,017)	(136)	(3,153)
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,104)	259	(2,845)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,891,596	(28,118)	1,863,478
OPERATING TRANSFERS:			
Operating Transfers-in	35,282	42,497	77,779
Operating Transfers-out	(807,882)	(31,620)	(839,502)
TOTAL OPERATING TRANSFERS	(772,600)	10,877	(761,723)
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	1,118,996	(17,241)	1,101,755
EXTRAORDINARY GAIN ON DEFERRED LOTTERY PRIZE PAYOUT OPTION	7,408	—	7,408
NET INCOME (LOSS)	1,126,404	(17,241)	1,109,163
RETAINED EARNINGS, JULY 1 (as restated)	5,578,669	100,576	5,679,245
Residual Equity Transfers-out	—	(5,999)	(5,999)
RETAINED EARNINGS, JUNE 30	$ 6,705,073	$ 77,336	$ 6,782,409

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

COMPONENT UNIT OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 108,019	$ 3,069,917
—	2,720,282
48,374	1,773,051
2,330	30,892
158,723	**7,594,142**
82,907	537,342
8,874	380,107
—	1,328,207
—	135,003
—	1,274,979
—	1,572,398
94	38,378
781	395,338
92,656	**5,661,752**
66,067	**1,932,390**
—	2,370
—	(2,062)
86,087	86,087
—	(3,153)
86,087	**83,242**
152,154	**2,015,632**
—	77,779
—	(839,502)
—	**(761,723)**
152,154	**1,253,909**
—	7,408
152,154	**1,261,317**
1,313,635	6,992,880
—	(5,999)
$ 1,465,789	**$ 8,248,198**

STATE OF OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(dollars in thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 2,668,148	$ 39,979	$ 2,708,127
Cash Received from Premiums and Assessments	750,411	—	750,411
Cash Received from Quasi-External Transactions with Other Funds	7,714	242,751	250,465
Other Operating Cash Receipts	42,525	19,111	61,636
Cash Payments to Suppliers for Goods and Services	(457,301)	(205,247)	(662,548)
Cash Payments to Employees for Services	(335,325)	(68,443)	(403,768)
Cash Payments for Benefits and Claims	(1,744,253)	—	(1,744,253)
Cash Payments for Lottery Prizes	(1,532,930)	—	(1,532,930)
Cash Payments for Bonuses and Commissions	(134,988)	—	(134,988)
Cash Payments for Premium Dividend Credits and Rebates	(250,962)	—	(250,962)
Cash Payments for Quasi-External Transactions with Other Funds	(4,569)	(24,892)	(29,461)
Other Operating Cash Payments	(517)	(16,356)	(16,873)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(992,047)**	**(13,097)**	**(1,005,144)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers-in	37,300	42,497	79,797
Operating Transfers-out	(807,882)	(31,620)	(839,502)
Residual Equity Transfers-in	—	4,148	4,148
Residual Equity Transfers-out	—	(4,248)	(4,248)
Cash Overdrafts	—	—	—
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	**(770,582)**	**10,777**	**(759,805)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(8,352)	(3,039)	(11,391)
Interest Paid	(9,423)	(1,882)	(11,305)
Principal Receipts on Capital Leases	—	3,039	3,039
Acquisition and Construction of Capital Assets	(17,247)	(8,099)	(25,346)
Proceeds from Sales of Fixed Assets	14,616	3	14,619
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(20,406)**	**(9,978)**	**(30,384)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(32,807,093)	(103,128)	(32,910,221)
Proceeds from the Sales and Maturities of Investments	33,497,985	105,437	33,603,422
Investment Income Received	1,035,498	2,833	1,038,331
Borrower Rebates and Agent Fees	(165,817)	—	(165,817)
Loan Disbursements	—	—	—
Loan Principal Repayments Received	—	—	—
Loan Interest Received	—	—	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**1,560,573**	**5,142**	**1,565,715**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(222,462)**	**(7,156)**	**(229,618)**
CASH AND CASH EQUIVALENTS, JULY 1	2,097,036	54,522	2,151,558
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 1,874,574**	**$ 47,366**	**$ 1,921,940**

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

COMPONENT UNIT OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 2,405	$ 2,710,532
—	750,411
—	250,465
—	61,636
(5,016)	(667,564)
(976)	(404,744)
—	(1,744,253)
—	(1,532,930)
—	(134,988)
—	(250,962)
—	(29,461)
—	(16,873)
(3,587)	***(1,008,731)***
—	79,797
—	(839,502)
—	4,148
—	(4,248)
1,176	1,176
13,205	13,205
86,108	86,108
(480)	(480)
(114,355)	(114,355)
(79,039)	(79,039)
(154)	(154)
(93,539)	***(853,344)***
—	(11,391)
—	(11,305)
—	3,039
(396)	(25,742)
—	14,619
(396)	***(30,780)***
(9,250,285)	(42,160,506)
9,298,604	42,902,026
50,388	1,088,719
—	(165,817)
(219,321)	(219,321)
109,101	109,101
97,186	97,186
85,673	***1,651,388***
(11,849)	***(241,467)***
15,960	2,167,518
$ 4,111	***$ 1,926,051***

(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, 2000

(dollars in thousands)
(continued)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ 1,894,700	$ (28,377)	$ 1,866,323
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	(1,724,677)	—	(1,724,677)
Borrower Rebates and Agent Fees	165,817	—	165,817
Depreciation	27,548	10,736	38,284
Provision for Uncollectible Accounts	77,296	—	77,296
Amortization of Premiums and Discounts	86,258	—	86,258
Amortization of Bond Issuance Costs	—	—	—
Interest on Bonds, Notes and Capital Leases	9,238	—	9,238
Interest Received on Loans	—	—	—
Loss on Early Debt Extinguishment	—	—	—
Operating Expense Classified as Noncapital Financing Activities (Grants to Local Governments)	—	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable	—	(272)	(272)
Premiums and Assessments Receivable	(1,266,718)	—	(1,266,718)
Other Receivables	(97,346)	(139)	(97,485)
Due from Other Funds	79	715	794
Inventories	(312)	155	(157)
Other Assets	6,551	(35)	6,516
Increase (Decrease) in Liabilities:			
Accounts Payable	(113,995)	2,473	(111,522)
Accrued Liabilities	(370)	(681)	(1,051)
Intergovernmental Payable	—	(1,277)	(1,277)
Due to Other Funds	192	3,680	3,872
Deferred Revenue	(7,179)	(75)	(7,254)
Benefits Payable	(536,419)	—	(536,419)
Refund and Other Liabilities	675,090	—	675,090
Liabilities Payable from Restricted Assets	(187,800)	—	(187,800)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (992,047)**	**$ (13,097)**	**$ (1,005,144)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 696,505	$ —	$ 696,505
Fixed Assets Acquired under Capital Leases	690	—	690
Extraordinary Gain on Deferred Lottery Prize Payout Option	7,408	—	7,408
Net Assets Donated from Other Funds	—	5,513	5,513
Net Assets Donated to Other Funds	—	(1,751)	(1,751)

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

Proprietary-Ohio Water Development Authority	$ 4,111
Colleges and Universities	274,063
TOTAL	**$ 278,174**

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

COMPONENT UNIT	
OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 66,067	$ 1,932,390
(48,374)	(1,773,051)
—	165,817
94	38,378
776	78,072
—	86,258
1,215	1,215
80,451	89,689
(108,019)	(108,019)
1,242	1,242
461	461
74	(198)
—	(1,266,718)
49	(97,436)
(3,944)	(3,150)
—	(157)
—	6,516
2,377	(109,145)
—	(1,051)
—	(1,277)
3,944	7,816
—	(7,254)
—	(536,419)
—	675,090
—	(187,800)
$ (3,587)	$ (1,008,731)
$ —	$ 696,505
—	690
—	7,408
—	5,513
—	(1,751)

STATE OF OHIO
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(dollars in thousands)

	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the year ended December 31, 1999)		
	PENSION	POST-EMPLOYMENT	TOTAL
ADDITIONS:			
Contributions:			
Employer	$ 13,570	$ 2,783	$ 16,353
Employees	6,708	—	6,708
Other Contributions	440	5	445
Total Contributions	20,718	2,788	23,506
Investment Income:			
Net Appreciation in Fair Value of Investments	22,013	4,842	26,855
Interest	7,906	1,388	9,294
Dividends	4,951	869	5,820
Other Investment Income	670	118	788
	35,540	7,217	42,757
Less: Investment Expense	1,928	338	2,266
Net Investment Income	33,612	6,879	40,491
TOTAL ADDITIONS	**54,330**	**9,667**	**63,997**
DEDUCTIONS:			
Benefits and Claims	24,324	5,498	29,822
Refunds of Employee Contributions	530	—	530
Administrative Expenses	449	79	528
Transfers to Other Retirement Systems	196	—	196
TOTAL DEDUCTIONS	**25,499**	**5,577**	**31,076**
NET INCREASE (DECREASE)	**28,831**	**4,090**	**32,921**
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
JANUARY 1 (as restated)	511,969	89,880	601,849
DECEMBER 31	**$ 540,800**	**$ 93,970**	**$ 634,770**

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, 2000
(dollars in thousands)

	STAROHIO
OPERATIONS:	
Investment Income	$ 309,614
Expenses:	
Administration Fees	1,263
Custodian and Transfer Agent Fees and Related Expenses	1,014
Security Lending Fees	897
Management Fees	448
Other	235
Total Expenses	3,857
Net Investment Income	305,757
Dividends to Shareholders from Net Investment Income	(305,757)
INCREASE (DECREASE) FROM OPERATIONS	—
CAPITAL SHARE TRANSACTIONS	
(dollar amounts and number of shares are the same):	
Shares Sold	18,884,918
Shares Issued on Reinvestment of Distributions	305,757
Less: Shares Redeemed	19,275,432
INCREASE (DECREASE) FROM CAPITAL SHARE TRANSACTIONS	**(84,757)**
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS	
JULY 1	5,335,446
JUNE 30	**$ 5,250,689**

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, 2000

(dollars in thousands)

	COMPONENT UNITS
REVENUES AND OTHER ADDITIONS:	
Unrestricted Current Fund Revenues	$ 3,229,612
Local Appropriations-Restricted	17,305
Federal Grants and Contracts-Restricted	503,604
State Grants and Contracts-Restricted	137,129
Local Grants and Contracts-Restricted	8,195
Private Gifts, Grants and Contracts-Restricted	398,515
Endowment Income-Restricted	33,688
Investment Income-Restricted	312,811
Interest on Loans Receivable	5,035
Investment in Plant-Additions	936,035
Other	20,572
TOTAL REVENUES AND OTHER ADDITIONS	**5,602,501**
EXPENDITURES AND OTHER DEDUCTIONS:	
Educational and General Expenditures	4,231,808
Auxiliary Enterprises Expenditures	597,104
Hospital Expenditures	750,114
Indirect Costs Recovered	86,278
Grant Refunds and Adjustments	1,111
Loan Cancellations and Write-offs	3,713
Administrative and Collection Costs	2,420
Expended for Plant Facilities	306,016
Retirement of Indebtedness	76,831
Interest on Indebtedness	62,190
Investment in Plant-Deductions	478,538
Other	18,649
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**6,614,772**
TRANSFERS:	
Operating Transfers from Primary Government	1,671,985
NET INCREASE (DECREASE) FOR THE YEAR	**659,714**
FUND BALANCE AND OTHER CREDITS, JULY 1	11,579,221
FUND BALANCE AND OTHER CREDITS, JUNE 30	**$ 12,238,935**

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, 2000

(dollars in thousands)

	COMPONENT UNITS
REVENUES:	
Tuition, Fees and Other Student Charges	$ 1,563,009
Local Appropriations	17,817
Federal Grants and Contracts	497,399
State Grants and Contracts	121,207
Local Grants and Contracts	7,353
Private Gifts, Grants and Contracts	295,901
Endowment Income	76,430
Sales and Services	1,349,376
Investment Income	72,378
Other Sources	112,850
TOTAL REVENUES	**4,113,720**
EXPENDITURES AND MANDATORY TRANSFERS:	
EDUCATIONAL AND GENERAL:	
Instruction and Departmental Research	1,754,435
Separately Budgeted Research	426,797
Public Service	241,054
Academic Support	421,207
Student Services	248,555
Institutional Support	437,361
Operation and Maintenance of Plant	301,383
Scholarships and Fellowships	401,622
TOTAL EDUCATIONAL AND GENERAL	4,232,414
AUXILIARY ENTERPRISES	597,127
HOSPITALS	750,114
TOTAL EXPENDITURES	**5,579,655**
MANDATORY TRANSFERS, NET:	
Principal and Interest	105,471
Renewals and Replacements	3,017
Other	801
TOTAL MANDATORY TRANSFERS, NET	**109,289**
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	**5,688,944**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	1,651,280
NONMANDATORY TRANSFERS, NET:	
Capital Improvements	(71,741)
Other	25,835
ADDITIONS/(DEDUCTIONS):	
Excess of Restricted Receipts over Transfers to Revenue	120,671
Indirect Costs Recovered	(82,399)
Other	2,404
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	**1,646,050**
NET INCREASE (DECREASE) IN FUND BALANCES	**$ 70,826**

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, 2000, 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, 1999.

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 Fire Pension Fund, for their fiscal years ended December 31, 1999.

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, 1999.

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

Investment income includes the net increase (decrease) in the fair value of investments.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ohio Office of Budget and Management, provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

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, 2000, that were committed during the current fiscal year. Encumbrance reversions represent lapses of prior years' appropriations. For the Capital Projects Fund, amounts reported under the "budget" column include unexpended appropriations carried forward into the second year of the fiscal year 1999-2000 biennial budget.

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 remaining maturities 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

from the federal government. The State reports intergovernmental receivable balances and recognizes revenue when it incurs the related grant expenditures/expenses.

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 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 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	5-40 years
Land Improvements	5-25 years
Machinery and Equipment	1-20 years
State Vehicles	3-6 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 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, contin-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

gencies, leases, and workers' compensation benefits. The proprietary funds and college and university funds account for long-term liabilities expected to be financed from operations.

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 the governmental funds, the State reports the current portion of the compensated absences liability as a fund liability that is included under the "Accrued Liabilities" account while the noncurrent portion is reported in the General Long-Term Obligations Account Group. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability under the "Accrued Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves 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's primary government 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 primary government's share of Medicare taxes.

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

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).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 1999, (December 31, 1998 for the State Highway Patrol Retirement System) are summarized for the primary government as follows.

Restatements of Beginning Balance
July 1, 1999
(dollars in thousands)

Fund	Fund Balance/ Retained Earnings as Previously Reported, June 30, 1999	Increase/ (Decrease) for Restatement	Fund Balance/ Retained Earnings as Restated, July 1, 1999
Special Revenue Fund:			
Human Services	$ 174,486	$ 86,387	$ 260,873
Education	789,841	(15,215)	774,626
All Other Special Revenue Funds	2,311,357	-	2,311,357
Total Special Revenue Fund	$3,275,684	$ 71,172	$3,346,856

(Continued)

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

Fund	Fund Balance/ Retained Earnings as Previously Reported, June 30, 1999	Increase/ (Decrease) for Restatement	Fund Balance/ Retained Earnings as Restated, July 1, 1999
Enterprise Fund:			
Tuition Trust Authority	$ 110,497	$ (2,192)	$ 108,305
All Other Enterprise Funds	5,470,364	-	5,470,364
Total Enterprise Fund	$5,580,861	$ (2,192)	$5,578,669
Internal Service Fund:			
Ohio Penal Industries	$ 41,925	$ 756	$ 42,681
All Other Internal Service Funds	57,895	-	57,895
Total Internal Service Fund	$ 99,820	$ 756	$ 100,576
Trust and Agency Funds:			
State Highway Patrol Retirement System Pension Trust	$ 600,099	$ 1,750	$ 601,849
All Other Trust and Agency Funds	7,975,713	-	7,975,713
Total Trust and Agency Funds	$8,575,812	$ 1,750	$8,577,562

The Special Revenue Fund reports a $71.2 million net increase in opening fund balance to reflect:

- a correction in the calculation of the intergovernmental receivable reported for the federal Food Stamp, Child Support, and Social Services Block Grant programs in the Human Services Special Revenue Fund, resulting in an increase in the receivable balance in the amount of $86.4 million.

- a $15.2 million decrease in the public school building loans receivable balance reported in the Education Special Revenue Fund for loans that had been cancelled in prior years.

For the Enterprise Fund, the $2.2 million decrease in opening fund balance is due to an overstatement of marketable securities reported for the Tuition Trust Authority.

The $756 thousand increase in the Internal Service Fund is attributable to the net book value of fixed assets not previously reported for the Ohio Penal Industries.

Prior to calendar year 1999, the State Highway Patrol Retirement System reported the real estate it owned and occupied at depreciated cost. For calendar year 1999, in conformity with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the system began accounting for its real estate holding as an investment to be stated at fair value, thereby increasing the pension trust fund's opening fund balance by approximately $1.8 million, as of December 31, 1998.

Additionally, the July 1, 1999 beginning balance of general fixed assets reported in the General Fixed Assets Account Group was increased by $67.5 million (See NOTE 8). The net increase resulted from fixed asset additions and deletions not reported in prior years.

B. 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.

Later, the GASB amended paragraph 28 of GASB Statement No. 33 when it adopted GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Transactions* in April 2000. GASB Statement No. 36 provides symmetrical accounting

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

treatment for certain shared revenues by requiring recipient governments to account for the sharing of revenues in the same manner as provider governments. GASB Statement No. 36 also removes the guidance in GASB Statement No. 33 that required recipient governments to accrue revenues equal to cash received if notification of the amount was not available in a timely manner; instead, recipient governments must use a reasonable estimate of the amount to be accrued.

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.

In November 1999, the GASB established accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34 when the Board issued GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities.*

Management has not yet determined the impact that GASB Statements No. 33 through 36 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 $174.5 million, $2.36 billion, $18.2 million, and $45.3 million 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, 2000
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects
Total Fund Balances - GAAP Basis	$2,722,285	$ 3,902,383	$153,962	$ 772,634
Less: Unbudgeted Fund Balances	—	104,680 *	95,459	7,187
Total Budgeted Fund Balances - GAAP Basis	2,722,285	3,797,703	58,503	765,447
Less: Reserved Fund Balances	1,738,373	4,969,476	58,503	826,768
Less: Designated Fund Balances	659,600	—	—	—
Unreserved/Undesignated Fund Balances - GAAP Basis	324,312	(1,171,773)	—	(61,321)
BASIS DIFFERENCES				
Revenue Accruals/Adjustments:				
Cash Equity with Treasurer	36,115	47,543	1,747	10,114
Taxes Receivable	(831,150)	(196,070)	—	—
Intergovernmental Receivable	(770,524)	(530,340)	—	—
Loans Receivable	(35,273)	(303,129)	—	(175,331)
Other Receivables	(16,787)	(45,655)	(299)	(2,787)
Due from Other Funds	(15,504)	(25,649)	(121)	(1,211)
Inventories	(1,511)	(33,588)	—	—
Other Assets	(378)	(3,851)	—	—
Deferred Revenue	114	114,590	—	—
Total Revenue Accruals/Adjustments	(1,634,898)	(976,149)	1,327	(169,215)
Expenditure Accruals/Adjustments:				
Accounts Payable	153,314	277,341	—	75,940
Medicaid Claims Payable	699,316	9,070	—	—
Accrued Liabilities	90,753	44,129	674	27
Intergovernmental Payable	259,370	488,537	—	929
Due to Other Funds	37,325	4,404	18	2,158
Refund and Other Liabilities	663,580	77,581	933	—
Total Expenditure Accruals/Adjustments	1,903,658	901,062	1,625	79,054
Other Adjustments:				
Fund Balance Reclassifications:				
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:				
Debt Service	1,545	—	57,947	—
Budget Stabilization	953,291	—	—	—
Noncurrent Portion of Loans Receivable	33,539	301,889	—	173,961
Other	118,097	33,808	556	60,394
From Undesignated (Non-GAAP Budgetary Basis) to Designated	659,600	—	—	—
Cash and Investments Held Outside of State Treasury	(10,496)	(18,007)	(1,353)	—
Other	—	(1)	1	—
Total Other Adjustments	1,755,576	317,689	57,151	234,355
Total Basis Differences	2,024,336	242,602	60,103	144,194
TIMING DIFFERENCES				
Encumbrances	(161,311)	(366,756)	—	(70,025)
Unreserved/Undesignated and Designated Fund Balances (Deficits) — Non-GAAP Budgetary Basis	$2,187,337	$(1,295,927)	$ 60,103	$ 12,848

*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 Fire 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, 2000, the carrying amount of deposits was (dollars in thousands) $898,256, and the bank balance was $933,818. Of the bank balance, $58,457 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), $855,979 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 $19,382, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units
As of June 30, 2000, the carrying amount of deposits was (dollars in thousands) $274,310, and the bank balance was $285,008. Of the bank balance, $47,315 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), $195,559 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 $42,134, 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 mutual funds, real estate, venture capital and limited partnerships, direct mortgage loans, investment contracts, 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, 2000, 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	$ 33,151,074	$ 35,000	$ 7,295,725	$ 40,481,799
On Securities Loan	—	—	249,887	249,887
Common and Preferred Stock:				
Not on Securities Loan	51,386,545	—	6,539,642	57,926,187
On Securities Loan	—	—	19,955	19,955
Corporate Bonds and Notes	14,305,915	—	2,111,377	16,417,292
Foreign Stocks and Bonds	24,830,718	—	—	24,830,718
Commercial Paper	2,127,391	—	1,724,737	3,852,128
Repurchase Agreements	73,045	101,125	258	174,428
Bankers' Acceptances	5,938	—	—	5,938
Municipal Obligations	293	—	—	293
Securities Lending Collateral:				
U.S. Government & Agency Obligations	50,000	—	1,478,056	1,528,056
Repurchase Agreements	1,547,175	—	—	1,547,175
Common and Preferred Stock	—	—	849,348	849,348
Corporate Bonds and Notes	363,504	—	—	363,504
	$127,841,598	$136,125	$20,268,985	148,246,708
Investments Held by Broker-dealers under Securities Loans with Cash Collateral:				
U.S. Government and Agency Obligations				3,350,272
Common and Preferred Stock				839,381
Mutual Funds				5,980,618
Real Estate				13,097,979
Venture Capital				1,038,823
Limited Partnerships				185,690
Direct Mortgage Loans				12,700
Investment Contracts				5,090
Securities Lending Collateral — Mutual Funds				3,521
Deposit with Federal Government				2,251,169
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAROhio)				(264,593)
Total Investments — Primary Government				$174,747,358

Component Units
(dollars in thousands)

	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations	$286,862	$ 728,299	$372,868	$1,388,029
Common and Preferred Stock	189,308	1,046,525	12,271	1,248,104
Corporate Bonds and Notes	297,768	143,760	34,186	475,714
Foreign Stocks and Bonds	9,373	—	—	9,373
Commercial Paper	—	—	9,406	9,406
Repurchase Agreements	—	19,281	201,735	221,016
Municipal Obligations	38	—	32	70
Negotiable Certificates of Deposit	—	—	8,500	8,500
Other Investments	181	9,892	340	10,413
	$783,530	$1,947,757	$639,338	3,370,625
Mutual Funds				544,062
Investment in the State Treasury Asset Reserve of Ohio (STAROhio)				264,593
Real Estate				35,362
Life Insurance				9,674
Limited Partnerships				16,041
Investment Contracts				297,339
Total Investments — Component Units				$4,537,696

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2000, reported for the primary government and its component units is (dollars in thousands) $180,129,647. The total carrying amount of deposits and investments categorized and disclosed in this note is $180,457,620. A reconciliation of the difference follows.

Reconciliation of Deposits and Investments Disclosure with Combined Balance Sheet As of June 30, 2000
(dollars in thousands)

	Deposits	Investments	Total
Cash Equity with Treasurer (unrestricted and restricted)....	$ 470,949	$ 7,248,742	$ 7,719,691
Cash and Cash Equivalents (unrestricted and restricted)....	451,100	1,743,186	2,194,286
Investments........	7,834	162,002,198	162,010,032
Collateral on Lent Securities (unrestricted and restricted)....	—	4,180,854	4,180,854
Deposit with Federal Government.......	—	2,251,169	2,251,169
Restricted Assets:			
Investments.....	—	165,787	165,787
Dedicated Investments.....	—	1,607,828	1,607,828
Carrying Amount per Combined Balance Sheet....	929,883	179,199,764	180,129,647
Outstanding Warrants and Other Reconciling Items	242,683	85,290	327,973
Total Reporting Entity.................	$1,172,566	$179,285,054	$180,457,620

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 requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of market value. Consequently, as of June 30, 2000, the State had no credit exposure since the amount the State owed to borrowers exceeded the amount borrowers owed the State.

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 2000, 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, 2000, refund liabilities for income and corporation franchise taxes, totaling approximately $734 million, are reported as "Refunds and Other Liabilities," of which $663.6 million is reported in the General Fund and $70.4 million is reported in the Special Revenue Fund.

Primary Government
Taxes Receivable
As of June 30, 2000
(dollars in thousands)

	General	Special Revenue	Trust and Agency	Total
Income Taxes	$311,479	$ 36,717	$ —	$ 348,196
Sales Taxes	519,671	27,395	—	547,066
Motor Vehicle Fuel Taxes	—	121,125	—	121,125
Unemployment Taxes	—	—	143,155	143,155
Other Taxes	—	10,833	—	10,833
Total Taxes Receivable	$831,150	$196,070	$143,155	$1,170,375

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, 2000, consist of the following.

Primary Government
Loans Receivable
As of June 30, 2000
(dollars in thousands)

Loan Type	General	Special Revenue	Debt Service	Capital Projects	Total
Primary, Secondary and Other Education:					
School District Solvency Assistance	$14,802	$ —	$ —	$ —	$ 14,802
Vocational Education	522	147	—	—	669
Wayne Trace Local School District	5,333	—	—	—	5,333
Vocational School Assistance	—	8,599	—	—	8,599
Teacher Education	—	1,167	—	—	1,167
Nurses Education Assistance	—	273	—	—	273
Total Primary, Secondary and Other Education	20,657	10,186	—	—	30,843
Community and Economic Development:					
Office of Minority Financial Incentives	3,734	—	—	—	3,734
Rail Development	—	5,846	—	—	5,846
Local Government Y2K Assistance	1,501	—	—	—	1,501
Office of Financial Incentives	—	247,281	—	—	247,281
Ohio Housing Finance Agency	—	172,592	—	—	172,592
Small Government Fire Departments	458	—	—	—	458
Total Community and Economic Development	5,693	425,719	—	—	431,412
Higher Education Research Investment Loans	—	—	3,058	—	3,058
Highway, Transit, and Aviation Infrastructure Bank	—	40,998	—	—	40,998
Natural Resources	—	287	—	—	287
Local Infrastructure Improvements	—	—	—	175,331	175,331
Columbiana County Economic Stabilization	2,673	—	—	—	2,673
State Workforce Development	6,250	—	—	—	6,250
Total Loans Receivable	$35,273	$477,190	$3,058	$175,331	$690,852

NOTE 6 LOANS AND OTHER RECEIVABLES (Continued)

Component Units
Loans Receivable
As of June 30, 2000
(dollars in thousands)

Loan Type	Ohio Water Develop-ment Authority (12/31/99)	Ohio State University	University of Cincinnati	Kent State University	Other Com-ponent Units	Total Com-ponent Units
Water and Wastewater Treatment	$2,005,994	$ —	$ —	$ —	$ —	$2,005,994
Student	—	60,982	28,650	19,094	82,536	191,262
Other	—	—	625	—	464	1,089
Total Loans Receivable	$2,005,994	$60,982	$29,275	$19,094	$83,000	$2,198,345

B. Other Receivables

Other receivables for the primary government and its component units consist of the following.

Primary Government
Other Receivables
As of June 30, 2000
(dollars in thousands)

Unrestricted:	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total
Accounts Receivable	$ 1,462	$ 10,410	$ —	$ —	$171,687	$ 3,276	$ —	$186,835
Interest and Dividends Receivable	15,322	16,204	983	2,841	121,641	217	22,587	179,795
Women, Infants and Children Program Rebate Receivable	—	15,825	—	—	—	—	—	15,825
Nursing Facility Bed Assessments Receivable	—	12,769	—	—	—	—	—	12,769
Leases Receivable	—	—	—	—	—	26,281	—	26,281
Receivables from Lottery Sales Agents	—	—	—	—	33,475	—	—	33,475
Claims & Settlements Receivable	—	—	—	—	—	—	20,771	20,771
Employer Interest and Penalties on Unemployment Taxes	—	1,514	—	—	—	—	—	1,514
Refunds from Academic Grants and Scholarships Programs	3	—	—	—	—	—	—	3
Miscellaneous Receivables	—	502	—	—	6	1,523	578	2,609
Total Unrestricted	16,787	57,224	983	2,841	326,809	31,297	43,936	479,877
Restricted:								
Interest Receivable	—	—	—	—	6,774	—	—	6,774
Total Unrestricted and Restricted	$16,787	$57,224	$983	$2,841	$333,583	$31,297	$43,936	$486,651

Component Units
Other Receivables
As of June 30, 2000
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Miami University	Other Com-ponent Units	Total Com-ponent Units
Accounts Receivable	$250,941	$37,761	$18,905	$17,441	$109,523	$434,571
Interest Receivable	13,522	4,749	931	705	7,019	26,926
Pledges Receivable	—	36,243	—	—	—	36,243
Miscellaneous Receivable	—	278	—	—	6,698	6,976
Total Other Receivables	$264,463	$79,031	$19,836	$18,146	$123,240	$504,716

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
2001	$ 5,001
2002	5,008
2003	5,012
2004	5,036
2005	4,187
Thereafter	16,670
Total minimum lease payments	40,914
Amount representing interest	(14,633)
Present value of net minimum lease payments	$26,281

NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS

Interfund balances, as of June 30, 2000, and operating transfers among the primary government's funds, for the year ended June 30, 2000, 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	$ 15,504	$37,325	$ —	$ —	$ 142,267	$1,302,412
Special Revenue:						
Community and Economic Development	2,641	1,385	—	168,494	61,570	64,682
Human Services	160	1,261	—	—	16,393	3,106
Health	62	61	—	—	10,985	347
Mental Health and Retardation	43	1,102	—	—	3,725	—
Employment Services	19	—	—	—	2	1,500
Education	1,872	178	—	—	1,022,443	4,765
Highway Safety	2,268	921	—	—	169,856	10,086
Highway Operating	2,453	404	—	—	582,787	212,887
Natural Resources	550	106	—	—	5,175	2,821
Wildlife and Waterways Safety	133	21	—	—	1,615	16
Revenue Distribution	14,430	165	—	—	30,786	736,144
Local Transportation Improvements	178	2	—	—	63,197	—
Tobacco Settlement	859	—	—	—	—	—
Total Special Revenue Fund	25,668	5,606	—	168,494	1,968,534	1,036,354
Debt Service:						
Economic Development Bond Service	—	—	—	—	15,803	—
Coal Research/Development Bond Retirement	—	—	—	—	5,680	37
Improvements Bond Retirement	1	—	—	—	—	—
Development Bond Retirement	—	—	—	—	—	25
Highway Obligations Bond Retirement	115	—	—	—	—	49
Public Improvements Bond Retirement	—	—	—	—	—	13
Local Infrastructure Improvements Bond Retirement	—	—	—	—	115,307	—
Ohio Public Facilities Commission	1,115	—	—	—	430,280	—
Ohio Building Authority	—	—	—	—	271,380	8,091
Enterprise Bond Retirement	—	—	—	—	40,029	35,209
State Projects Bond Service	—	—	—	—	12,328	37
School Building Program Bond Service	—	—	—	—	41,690	—
Highway Capital Improvements Bond Service	4	—	—	—	78,160	112
Infrastructure Bank Bond Service	—	—	—	—	9,904	—
Higher Education Capital Facilities Bond Service	1	—	—	—	—	—
Common Schools Capital Facilities Bond Service	—	—	—	—	13,070	—
Total Debt Service Fund	1,236	—	—	—	1,033,631	43,573

(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	45	—	—	—	—	70
Higher Education Improvements	173	1,115	—	—	285	320
Highway Obligations Construction	—	—	—	—	—	9,929
Mental Health/Mental Retardation Facilities Improvements	25	—	—	—	—	—
Parks and Recreation Improvements	23	—	—	—	—	237
Local Infrastructure Improvements	211	4	—	—	—	1
Ohio Building Authority	—	—	—	—	—	255,250
Administrative Services Building Improvements	90	4	—	—	2,959	—
Youth Services Building Improvements	41	167	—	—	—	—
Transportation Building Improvements	1	—	—	—	—	—
Adult Correctional Building Improvements	172	767	—	—	252,269	—
Highway Safety Building Improvements	11	101	—	—	—	—
Ohio Parks and Natural Resources	22	—	—	—	—	—
Highway Capital Improvement	358	—	—	—	9,929	—
Sports Facilities Building	11	—	—	—	—	—
Infrastructure Bank Obligations	28	—	—	—	—	—
Total Capital Projects Fund	1,211	2,158	—	—	265,442	265,807
Enterprise:						
Liquor Control	5	2,479	—	—	—	114,443
Ohio Lottery Commission	—	—	—	—	—	686,020
Workers' Compensation	—	—	—	—	—	6,646
Underground Parking Garage	—	—	—	—	—	773
Office of Auditor of State	1,783	—	—	—	35,282	—
Total Enterprise Fund	1,788	2,479	—	—	35,282	807,882
Internal Service:						
Ohio Building Authority	—	—	—	—	33,233	31,620
Information Technology	9,773	3,332	—	—	6	—
Ohio Penal Industries	21,812	1,831	—	—	9,258	—
Support Services	8,257	42	—	—	—	—
Total Internal Service Fund	39,842	5,205	—	—	42,497	31,620
Expendable Trust:						
Unclaimed Funds	1,202	—	168,494	—	—	—
Agency:						
Holding and Distribution	—	30,677	—	—	—	—
Payroll Withholding and Fringe Benefits	93	3,208	—	—	—	—
Other	102	—	—	—	—	—
Total Trust and Agency Funds	1,397	33,885	168,494	—	—	—
Total per Financial Statements — Primary Government	86,646	86,658	168,494	168,494	3,487,653	3,487,648
Reconciliation for :						
Timing Differences for Funds with December 31, 1999 Year-Ends	14	—	—	—	—	—
Rounding Differences	(2)	—	—	—	—	5
Reconciled Total for the Primary Government	86,658	86,658	$168,494	$168,494	$3,487,653	$3,487,653
Component Units:						
Ohio State University	268,758	268,758				
University of Cincinnati	115,247	115,247				
Other Component Units	118,445	118,445				
Total per Financial Statements — Component Units	502,450	502,450				
Total Reporting Entity	$589,108	$589,108				

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

For the fiscal year ended June 30, 2000, the Capital Projects Fund reports $3.7 million in residual equity transfers-out. The transfer represents capital contributions to the Internal Service funds, as more detailed in NOTE 18. Additionally, the Internal Service Fund reports residual equity transfers-out in the amount of $6 million. The transfers resulted when

- The Ohio Penal Industries Internal Service Fund donated $100 thousand in fixed assets to the General Fixed Assets Account Group, and
- The Telecommunications Internal Service Fund ceased operations on July 1, 1999, and its $5.9 million in net assets were transferred to the Information Technology Internal Service Fund.

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, 2000 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	$ —	$1,671,985
Component Units:		
College and University Funds		
Ohio State University	448,019	—
University of Cincinnati	195,395	—
Ohio University	142,790	—
Miami University	82,312	—
University of Akron	104,089	—
Bowling Green State University	84,379	—
Kent State University	117,517	—
University of Toledo	87,706	—
Cleveland State University	74,099	—
Youngstown State University	48,187	—
Wright State University	93,402	—
Shawnee State University	15,587	—
Central State University	18,193	—
Medical College of Ohio	37,978	—
Terra State Community College	6,722	—
Columbus State Community College	39,680	—
Clark State Community College	6,950	—
Edison State Community College	4,971	—
Southern State Community College	4,056	—
Washington State Community College	4,716	—
Cincinnati State Community College	19,423	—
Northwest State Community College	5,070	—
Owens State Community College	30,744	—
Total Reporting Entity	$1,671,985	$1,671,985

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, 2000, and the changes in the primary government's general fixed assets for the year ended June 30, 2000. No projects were under construction during fiscal year 2000 that resulted in capitalized interest for the proprietary and fiduciary fund types.

Primary Government
Fixed Assets
As of June 30, 2000
(dollars in thousands)

	Enterprise	Internal Service	Pension Trust	General Fixed Assets	Total Primary Government
Land	$ 12,631	$ —	$ —	$ 223,556	$ 236,187
Buildings	242,766	5,733	—	2,694,149	2,942,648
Land Improvements	66	771	—	165,090	165,927
Machinery and Equipment	173,179	76,653	316	258,690	508,838
State Vehicles	6,258	985	—	256,300	263,543
Construction-in-Progress	—	—	—	560,445	560,445
Total Fixed Assets (at cost)	434,900	84,142	316	4,158,230	4,677,588
Accumulated Depreciation	(220,257)	(54,744)	(138)	—	(275,139)
Total Fixed Assets (net)	$214,643	$29,398	$ 178	$4,158,230	$4,402,449

NOTE 8 FIXED ASSETS (Continued)

Primary Government
Changes in General Fixed Assets
For the Fiscal Year Ended June 30, 2000
(dollars in thousands)

	Balance July 1, 1999	Beginning Balance Adjustments	Additions	Deletions/ Net Transfers	Balance June 30, 2000
Land	$ 212,421	$ 32	$ 11,476	$ (373)	$ 223,556
Buildings	2,476,320	26,598	206,258	(15,027)	2,694,149
Land Improvements	159,514	988	9,018	(4,430)	165,090
Machinery and Equipment	263,611	(16,767)	25,998	(14,152)	258,690
State Vehicles	241,854	70	41,059	(26,683)	256,300
Construction-in-Progress	535,645	56,549	456,029	(487,778)	560,445
Total General Fixed Assets	$3,889,365	$ 67,470	$749,838	$(548,443)	$4,158,230

Component Units
Fixed Assets
As of June 30, 2000
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Miami University	University of Akron
Land	$ 35,041	$ 17,092	$ 10,656	$ 2,294	$ 17,060
Buildings	1,634,789	990,214	353,452	349,141	320,975
Land Improvements	156,099	41,309	55,124	62,275	37,434
Machinery, Equipment, and Vehicles	620,445	111,188	94,823	100,073	97,466
Library Books and Publications	139,238	98,745	55,995	43,922	54,008
Construction-in-Progress	246,010	49,028	28,156	18,634	5,190
Total Fixed Assets (at cost)	2,831,622	1,307,576	598,206	576,339	532,133
Accumulated Depreciation	—	—	—	—	—
Total Fixed Assets (net)	$2,831,622	$1,307,576	$598,206	$576,339	$532,133

	Kent State University	University of Toledo	Cleveland State University	Other Component Units	Total Component Units
Land	$ 6,747	$ 17,798	$ 51,778	$ 58,724	$ 217,190
Buildings	305,331	320,232	304,780	1,349,220	5,928,134
Land Improvements	39,727	29,542	14,934	97,505	533,949
Machinery, Equipment, and Vehicles	79,990	45,332	40,957	354,003	1,544,277
Library Books and Publications	51,407	20,062	49,330	100,279	612,986
Construction-in-Progress	27,471	9,342	12,184	32,879	428,894
Total Fixed Assets (at cost)	510,673	442,308	473,963	1,992,610	9,265,430
Accumulated Depreciation	—	—	—	(236)	(236)
Total Fixed Assets (net)	$510,673	$442,308	$473,963	$1,992,374	$9,265,194

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.

Regular employees may retire after 30 years of credited service regardless of age, at age 55 or after with 25 years of credited service, or at age 60 or after with five years of credited service. Regular employees retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 52 with 25 or more years of credited service, or, under qualifying circumstances, as early as age 48.

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 for regular employees is determined by multiplying the final average salary by 2.1 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 20 years of Ohio contributing service, and by 2.1 percent for each year of service over 20 years.

Under legislation that takes effect in fiscal year 2001, the annual allowance for regular employees will be determined by multiplying the final average salary by 2.2 percent instead of 2.1 percent for each year of contributing service in Ohio up to 30 years. For law enforcement employees, the annual allowance will be determined by multiplying the final average salary by 2.5 percent for the first 25 years of service instead of the first 20 years.

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 1999 are as follows:

	Contribution Rates — Calendar Year 1999	
	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
1999	$221,791	$3,094
1998	212,114	2,970
1997	218,984	2,747

Component Units

For the Year Ended June 30,	Employer's Contribution for Regular Employees
2000	$101,154
1999	100,392
1998	97,944

Effective July 1, 2000 to December 31, 2000, the employer's required contribution to PERS for regular employees will be reduced from 13.31 percent to 7.99 percent, while the required contribution for law enforcement employees will be reduced from 16.7 percent to 14.7 percent. Employee's required contribution rates remain unchanged. This temporary rate reduction was made possible by higher-than-anticipated returns on investments.

Recent legislation also grants PERS the authority to establish a defined contribution plan as an alternative to the current defined benefit plan. PERS is currently developing such a plan, which is expected to become operational sometime in calendar year 2002.

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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 1999, 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, 1999, the unaudited estimate of the value of net assets available for future healthcare benefits is $9.9 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, 1999)	
Regular Employees	$102,253
Law Enforcement Employees	1,040
Total	$103,293
Component Units:	
(for the year ended June 30, 2000)	$ 46,995

The number of eligible benefit recipients for PERS as a whole is 118,062, as of December 31, 1999; a breakout of the number of eligible recipients for the primary government and its component units, as of December 31, 1999, 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.

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 for each year of Ohio contributing service in excess of 30 years and by 2.2 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary. Each year over 30 years is increased incrementally by .1 percent starting at 2.5 percent for the 31st year of Ohio service. For teachers with 35 or more years of earned service, the annual allowance is determined by multiplying the final average salary by 2.5 percent for the first 30 years of service.

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.

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 2000 were 14 percent for employers and 9.3 percent for employees. For

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

STRS, six 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
2000	$3,028	$ 59,841
1999	2,876	59,593
1998	4,384	101,964

Recent legislation grants STRS the authority to establish a defined contribution plan as an alternative to both the current defined benefit plan and the Alternative Retirement Plan (See NOTE 9D). STRS is currently developing such a plan, which is expected to be operational by July 1, 2001.

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.

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 eight 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, 1999 (the most recent information available), net assets available for future healthcare benefits are $2.8 billion. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 2000, totaled approximately $4 million and $74.2 million, respectively. The number of eligible benefit recipients for STRS as a whole is 108,386, as of June 30, 1999; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 1999, 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.

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.

Contribution rates for calendar year 1999 are as follows:

	Contribution Rates	
	Employee Share	Employer Share
January 1, 1999 through June 30, 1999..........	10.00%	24.00%
July 1, 1999 through December 31, 1999.	10.00	23.50

During calendar year 1999, all of the employees' contributions funded pension benefits while 19.87 and 19.5 percent of the employer's contributions funded pension benefits during the first half and second half of calendar year 1999, respectively. The difference in the total employer rates charged during the first half and second half of calendar year 1999

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

and the employer rates applicable to the funding of pension benefits during these periods is applied to the funding of postemployment healthcare benefits.

SHPRS's financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned. All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller–that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments are based on the estimated current value and on independent appraisals. For actuarial purposes, 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
1999	$13,351	100%
1998	13,060	100
1997	12,202	100

SHPRS used the entry-age normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 1999. 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 20 years.

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

Other Postemployment Benefits

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 1999, was 1,445. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 1999 expense was $5.5 million.

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)
1999 (a)	$577,010	$546,511	$30,499	94.7%	$66,017	46.2%
1999	564,673	546,511	18,162	96.8	66,017	27.5
1998	532,957	509,860	23,097	95.7	65,154	35.4
1997 (b)	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

(a) The plan was amended in 1999.
(b) The plan was amended in 1997.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 1999 was $96.1 million, and include investments, which are carried at fair value, as previously described.

As of December 31, 1999, 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 $107.1 million; the actuarial accrued liability for healthcare benefits at that date was $11 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement for 1999 was approximately $2.8 million or 4.13 percent and 4 percent of active member payroll for the periods, January 1 through June 30, 1999 and July 1 through December 31, 1999, 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.

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.

From July 1, 1999 through April 30, 2000, each public institution of higher education contributed 6.0 percent of the employees' gross salary to the retirement plan in which the employee would have otherwise been enrolled. Beginning May 1, 2000, the higher education institutions were no longer required to contribute to PERS, and their contribution rate for STRS was reduced to 5.76 percent. 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, 2000 totaled $34 million and $25.9 million, respectively.

NOTE 10 GENERAL OBLIGATION BONDS

The State has pledged its full 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 16 constitutional amendments (the last adopted in November 1999), 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, state facilities, and common school and higher education 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, 2000, the General Assembly had authorized $1.2 billion of these bonds to be sold, of which approximately $1.2 billion had been issued and $927.2 million (net of unaccreted discount of $120.5 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, 2000, the General Assembly had authorized $360 million in Infrastructure Bonds to be issued under the provisions of the 1995 constitutional amendment, of which $240 million had been issued and $231.2 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, 2000, for Highway Obligations, was approximately $1.85 billion, of which $1.75 billion had been issued and $174 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.

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, 2000, the General Assembly had authorized the issuance of approximately $1.1 billion in Highway Capital Improvements Bonds, of which $800 million had been issued and $682.5 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, 2000, the General Assembly had authorized the issuance of $150 million in Coal Research and Development Bonds, of which $107 million had been issued and $31.3 million was outstanding. Legislative authorizations for the issuance of Parks, Recreation, and Natural Resources Bonds totaled $228 million, as of June 30, 2000, of which $160 million had been issued and $135.3 million was outstanding.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2000, the General Assembly had authorized the issuance of $150 million in Common Schools Capital Facilities Bonds, of which $140 million had been issued and $130.2 million was outstanding. As of June 30, 2000, the General Assembly had also authorized the issuance of $150 million in Higher Education Capital Facilities Bonds, of which $150 million had been issued and was outstanding.

General obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2000, are presented in the table on the following page.

For the year ended June 30, 2000, NOTE 15 summarizes changes in general obligation bonds reported in the General Long-Term Obligations Account Group.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government
General Obligation Bonds
As of June 30, 2000
(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	1990-00	4.0%-7.6%*	2019	$1,158,413	$120,014
Highway Obligations	1993-97	4.5%-4.8%	2005	174,000	—
Highway Capital Improvements	1997-00	4.4%-5.0%	2010	682,500	292,500
Coal Research and Development	1992-00	4.5%-5.6%	2010	31,300	43,000
Parks, Recreation, and Natural Resources	1995-00	4.5%-5.6%	2015	135,300	68,000
Common Schools Capital Facilities	2000	5.4%	2014	130,160	10,000
Higher Education Capital Facilities	2000	5.4%	2015	150,000	—
Total General Obligation Bonds				$2,461,673	$533,514

*Coupon rates

Future general obligation debt service requirements, as of June 30, 2000, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	$ 232,325	$110,349	$ 342,674
2002	234,035	99,952	333,987
2003	238,455	89,876	328,331
2004	228,960	79,722	308,682
2005	197,440	70,037	267,477
Thereafter	1,450,980	328,408	1,779,388
	2,582,195	778,344	3,360,539
Unaccreted Discount	(120,522)	—	(120,522)
Total	$2,461,673	$778,344	$3,240,017

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, 2000, $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 Akron.

A. Primary Government

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

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

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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 Division 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, 2000, approximately $154.6 million in economic development bonds payable from liquor profits were outstanding.

Additionally, taxable economic development bonds in the amount of $1.3 million, issued by the Treasurer of State in connection with the Ohio Enterprise Bond Program, were outstanding, as of June 30, 2000. 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 2000, $14.8 million of Ohio Enterprise Bonds were issued under the authority of Section 166.09, Ohio Revised Code, to provide private entities with capital financing for economic development projects. The Ohio Enterprise Bonds, which are reported as "no commitment" debt in NOTE 16, are primarily secured by the property financed, and payments by the borrowing entities are used to retire the debt and to service interest payments.

In fiscal years 1998 and 2000, the Treasurer of State issued a total of $90 million in State Infrastructure Bank Bonds for the Department of Transportation, of which $76.9 million was outstanding, as of June 30, 2000. 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, 2000, are presented in the table below.

For the year ended June 30, 2000, 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, 2000, are as follows (dollars in thousands):

Year Ending June 30,	Enterprise Fund Principal	Interest	Total
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
2005	12,000	7,240	19,240
Thereafter....	137,255	34,079	171,334
	187,255	74,714	261,969
Unamortized Discount	(2,100)	—	(2,100)
Total	$185,155	$74,714	$259,869

Primary Government
Revenue Bonds
As of June 30, 2000
(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	$185,155
Internal Service:				
Ohio Building Authority...	1986-97	4.5%-9.8%	2008	28,808
General Long-Term Obligations:				
Treasurer of State:				
Economic Development	1988-97	6.4%-9.7%	2022	155,880
State Infrastructure Bank...	1998-00	4.5%-5.0%	2009	76,905
Total General Long-Term Obligations				232,785
Total Revenue Bonds..				$446,748

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Year Ending June 30,	Internal Service Fund Principal	Interest	Total
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
2005	3,888	2,446	6,334
Thereafter	11,466	2,512	13,978
	29,168	10,841	40,009
Unamortized Discount	(360)	—	(360)
Total	$28,808	$10,841	$39,649

Year Ending June 30,	General Long-Term Obligations Account Group Principal	Interest	Total
2001	$ 13,885	$ 15,059	$ 28,944
2002	13,250	14,293	27,543
2003	14,005	13,539	27,544
2004	14,790	12,735	27,525
2005	15,655	11,874	27,529
Thereafter	161,200	95,085	256,285
Total	$232,785	$162,585	$395,370

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, 2000, $8.5 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 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, 2000, 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, 1999, approximately $534.4 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, 1999, are as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2000	$ 19,910	$ 28,087	$ 47,997
2001	21,535	27,057	48,592
2002	22,860	25,984	48,844
2003	24,270	24,750	49,020
2004	25,840	23,360	49,200
Thereafter	418,855	148,585	567,440
	533,270	277,823	811,093
Net Unamortized Premium	1,160	—	1,160
Total	$534,430	$277,823	$812,253

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2000, are presented in the table below.

Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2000
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/99) Principal	Interest	Total	Ohio State University Principal	Interest	Total	University of Cincinnati Principal	Interest	Total
2000	$ 103,500	$ 73,238	$ 176,738						
2001	90,045	68,715	158,760	$ 45,316	$ 15,267	$ 60,583	$ 57,978	$ 13,824	$ 71,802
2002	89,815	64,616	154,431	13,596	13,805	27,401	13,011	11,443	24,454
2003	88,895	60,175	149,070	9,246	12,681	21,927	13,736	10,796	24,532
2004	89,950	55,587	145,537	9,518	11,698	21,216	12,686	10,112	22,798
2005	—	—	—	10,020	10,729	20,749	12,841	9,461	22,302
Thereafter	967,610	336,419	1,304,029	284,969	93,232	378,201	162,640	65,211	227,851
	1,429,815	658,750	2,088,565	372,665	157,412	530,077	272,892	120,847	393,739
Net Unamortized Premium/(Discount)	(19,642)	—	(19,642)	—	—	—	—	—	—
Unamortized Loss	(4,647)	—	(4,647)	—	—	—	—	—	—
Total	$1,405,526	$658,750	$2,064,276	$372,665	$157,412	$530,077	$272,892	$120,847	$393,739

Year Ending December 31 or June 30,	University of Akron Principal	Interest	Total	Other Component Units Principal	Interest	Total	Total Component Units Principal	Interest	Total
2000							$ 103,500	$ 73,238	$ 176,738
2001	$ 1,726	$ 8,886	$ 10,612	$ 39,037	$ 19,783	$ 58,820	234,102	126,475	360,577
2002	1,697	8,802	10,499	20,746	18,056	38,802	138,865	116,722	255,587
2003	2,897	8,695	11,592	21,282	17,067	38,349	136,056	109,414	245,470
2004	4,065	8,536	12,601	21,417	16,031	37,448	137,636	101,964	239,600
2005	4,255	8,338	12,593	20,891	14,992	35,883	48,007	43,520	91,527
Thereafter	148,240	111,288	259,528	274,596	129,216	403,812	1,838,055	735,366	2,573,421
	162,880	154,545	317,425	397,969	215,145	613,114	2,636,221	1,306,699	3,942,920
Net Unamortized Premium/(Discount)	—	—	—	(325)	—	(325)	(19,967)	—	(19,967)
Unamortized Loss	—	—	—	—	—	—	(4,647)	—	(4,647)
Total	$162,880	$154,545	$317,425	$397,644	$215,145	$612,789	$2,611,607	$1,306,699	$3,918,306

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

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

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, 2000, are presented in the table below.

For the year ended June 30, 2000, NOTE 15 summarizes changes in special obligation bonds reported in the General Long-Term Obligations Account Group.

Future special obligation debt service requirements, as of June 30, 2000, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2001	$ 486,890	$ 246,287	$ 733,177
2002	460,656	219,977	680,633
2003	449,609	197,420	647,029
2004	446,925	175,015	621,940
2005	424,409	161,021	585,430
Thereafter......	2,705,168	608,957	3,314,125
Total	$4,973,657	$1,608,677	$6,582,334

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, 2000, $271.3 million and $73.2 million of OBA and OPFC bonds outstanding, respectively, are considered defeased.

Primary Government
Special Obligation Bonds
As of June 30, 2000
(dollars in thousands)

Organization	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1986-00	3.1%-9.8%	2019	$2,364,587	$498,200
Ohio Public Facilities Commission.............	1992-00	4.4%-6.1%*	2015	2,383,535	210,015
Elementary and Secondary Education	1996-99	3.7%-5.8%	2008	225,535	—
Total Special Obligation Bonds				$4,973,657	$708,215

*Average effective interest rates

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2000, approximately $14.6 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.

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

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Primary Government
Certificate of Participation Obligations
As of June 30, 2000
(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	6.1%-6.5%	2012	$ 6,580
Waterfront Transit Line Project	1996	4.6%-4.8%	2003	4,860
Rickenbacker Port Authority Improvements	1996	6.1%	2007	3,150
Total Certificates of Participation Obligations				$14,590

principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under certificate of participation financing arrangements, as of June 30, 2000, are presented in the table above.

For the year ended June 30, 2000, NOTE 15 summarizes changes in certificate of participation obligations reported in the General Long-Term Obligations Account Group.

As of June 30, 2000, 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
2001	$ 2,285	$ 803	$ 3,088
2002	2,405	685	3,090
2003	2,530	558	3,088
2004	890	465	1,355
2005	945	408	1,353
Thereafter	5,535	1,484	7,019
Total	$14,590	$4,403	$18,993

For the State's component units, approximately $12.2 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, 2000, 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, 2000
(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
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
2005	720	321	1,041	90	46	136	810	367	1,177
Thereafter	6,180	2,204	8,384	750	187	937	6,930	2,391	9,321
Total	$10,495	$4,195	$14,690	$1,680	$ 509	$2,189	$12,175	$4,704	$16,879

NOTE 14 OTHER LONG-TERM OBLIGATIONS

As of June 30, 2000, 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.)	$331,577
Lease Agreements (B.)	6,190
Judgments, Settlements, and Claims (C.)	65,092
Litigation Liabilities (C.)	27,000
Workers' Compensation Obligation (D.)	548,300
Total Other General Long-Term Obligations	$978,159

For the year ended June 30, 2000, 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, 2000 was approximately $24 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, 2000, was $393.3 million, of which $40.2 million is allocable to the proprietary funds and $353.1 million is allocable to the General Long-Term Obligations Account Group. The net (after reduction of the $24 million) compensated absence liability, as of June 30, 2000, was $369.3 million, of which $37.7 million is reported in the proprietary funds and $331.6 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, 2000, in the amount of $197 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 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 2000 were approximately $87.5 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, 2000, are as follows (dollars in thousands):

Primary Government

Year Ending June 30,	Operating Leases
2001	$12,448
2002	2,084
2003	57
2004	2
Total minimum lease payments	$14,591

Year Ending June 30,	Capital Leases: Enterprise Funds	Capital Leases: General Long-Term Obligations	Capital Leases: Total
2001	$1,877	$2,168	$ 4,045
2002	1,290	2,019	3,309
2003	37	1,495	1,532
2004	37	795	832
2005	34	360	394
Thereafter	—	202	202
Total minimum lease payments	3,275	7,039	10,314
Amount representing interest	(203)	(849)	(1,052)
Present value of net minimum lease payments	$3,072	$6,190	$ 9,262

As of June 30, 2000, 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	$3,573	$9,420	$12,993

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, 2000, 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, 2000
(dollars in thousands)

Year Ending June 30,	Ohio State University	University of Cincinnati	Kent State University	Other Component Units	Total Component Units
2001	$ 2,863	$ 7,922	$ 2,249	$ 8,629	$ 21,663
2002	1,918	7,924	1,890	10,248	21,980
2003	1,918	7,923	1,652	4,209	15,702
2004	902	7,921	1,635	2,702	13,160
2005	240	7,920	819	2,104	11,083
Thereafter	721	127,522	8,165	3,978	140,386
Total Minimum Lease Payments	8,562	167,132	16,410	31,870	223,974
Amount Representing Interest	(897)	(66,492)	(3,741)	(4,011)	(75,141)
Present Value of Net Minimum Lease Payments	$ 7,665	$100,640	$12,669	$27,859	$148,833
Land	$ —	$ —	$ —	$ 346	$ 346
Buildings	—	76,908	—	8,151	85,059
Land Improvements	—	—	—	5,340	5,340
Equipment	12,050	—	14,800	33,707	60,557
Vehicles	—	—	—	6,645	6,645
Total	$12,050	$ 76,908	$14,800	$54,189	$157,947

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, 2000, the State was responsible for an estimated $11.8 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 $49.1 million and $4.1 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 of $548.3 million for the State's portion of its actuarially determined liability for compensation. The State records all of this liability in the General Long-Term Obligations Account Group, since the current portion of the liability is not measurable.

E. Liabilities Payable from Restricted Assets

Deferred Prize Awards

Deferred prize awards payable in installments over future years totaling approximately $1.18 billion, as of June 30, 2000, 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, 2000, is as follows (dollars in thousands):

Year Ending June 30,	
2001	$ 153,628
2002	151,314
2003	151,416
2004	148,304
2005	142,139
Thereafter	1,198,914
	1,945,715
Unamortized Discount	(766,353)
Net Prize Liability	$1,179,362

The State reduces prize liabilities by an estimate of the amount of prizes that will ultimately be unclaimed.

In May 1999, the Lottery Commission adopted an administrative rule, which allows winners of annuity prizes the option to cash out their remaining deferred prize payments at a discounted lump-sum amount. This rule is a response to a temporary change in the Internal Revenue Code to allow discounted lump-sum cash payments to be made to certain annuity prizewinners without the constraints of "constructive receipt." During fiscal year 2000, the Commission cashed out 421 deferred prize payments totaling $168.3 million. The carrying value at the original annuity rate was $175.7 million, resulting in a gain of $7.4 million. This option has provided an alternative for annuity winners who did not have a cash option at the time they won or now experience a changed circumstance from the time they elected the annuity option. The option began July 1, 1999 and expires December 31, 2000.

Tuition Benefits

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund totaling $385.7 million, as of June 30, 2000, 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 annu-

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

ally; and a 2.5 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, 2000, in the amount of $12 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, 2000, are presented in the following table.

Fiscal year 2000 additions to the general obligation bonds and special obligation bonds do not include premiums/(discounts) and bond issuance costs totaling $5.4 million. These costs came to approximately $4.8 million and $615 thousand, respectively for each type of bond issuance, and are netted with 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, 2000
(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, 1999	$1,962,402	$224,760	$5,062,344	$16,765	$1,012,136	$8,278,407
Additions:						
Debt Issues	677,000	20,000	400,000	—	—	1,097,000
Deep-Discount Accretions	16,381	—	933	—	—	17,314
Increase in Compensated Absences	—	—	—	—	19,931	19,931
Increase in Lease Obligations	—	—	—	—	4,923	4,923
Increase in Judgments, Settlements, and Claims	—	—	—	—	50,297	50,297
Increase in Litigation Liabilities	—	—	—	—	18,000	18,000
Total Additions	693,381	20,000	400,933	—	93,151	1,207,465
Deductions:						
Debt Retirements, Terminations, and Defeasances	194,110	11,975	489,620	2,175	—	697,880
Decrease in Workers' Compensation Obligation	—	—	—	—	19,800	19,800
Decrease in Lease Obligations	—	—	—	—	4,820	4,820
Decrease in Judgments, Settlements, and Claims	—	—	—	—	49,135	49,135
Decrease in Litigation Liabilities	—	—	—	—	53,373	53,373
Total Deductions	194,110	11,975	489,620	2,175	127,128	825,008
Balance, as of June 30, 2000	$2,461,673	$232,785	$4,973,657	$14,590	$ 978,159	$8,660,864

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, 2000, 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.......	$2,285,787
Ohio Enterprise Bond Program......	103,390
Hospital Facilities Bonds................	8,470
Total No Commitment Debt	$2,397,647

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, 2000, 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............	$ 90,035	$428,085	$2,229,629	$ 4,361,511	$2,644	$37,225	$ 7,149,129
Depreciation........................	132	847	8,123	13,179	420	4,847	27,548
Amortization of Premiums....	—	—	85,967	291	—	—	86,258
Operating Income (Loss)......	475	116,618	593,145	1,219,609	726	(35,873)	1,894,700
Operating Transfers-in	—	—	—	—	—	35,282	35,282
Operating Transfers-out.......	—	114,443	686,020	6,646	773	—	807,882
Net Income (Loss)................	474	2,151	(85,737)	1,210,635	52	(1,171)	1,126,404
Fixed Asset Additions	96	945	1,996	9,655	85	3,272	16,049
Fixed Asset Disposals..........	13	555	1,220	14,182	—	2,277	18,247
Net Working Capital	36,976	14,128	99,095	868,314	2,299	16,476	1,037,288
Increase (Decrease) in Cash & Cash Equivalents .	(479)	(15)	(54,281)	(167,026)	368	(1,029)	(222,462)
Total Assets	496,744	43,358	1,540,476	25,099,759	9,635	27,969	27,217,941
Liabilities Payable from Restricted Assets.............	385,700	—	1,389,072	—	—	—	1,774,772
Bonds and Other Non-current Liabilities Payable from Operating Revenues .	—	2,291	3,184	12,241,616	116	6,404	12,253,611
Total Equity..........................	108,779	14,550	106,785	6,449,322	9,294	16,754	6,705,484

NOTE 18 CHANGES IN CONTRIBUTED CAPITAL

For the fiscal year ended June 30, 2000, 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	Information Technology	Ohio Penal Industries	Support Services	Total Internal Service Fund	Total Proprietary Funds
Contributed Capital Balance, July 1, 1999	$411	$44,065	$1,762	$5,532	$51,359	$51,770
Additions:						
Transfer of Fixed Assets from the General Fixed Assets Account Group	—	—	—	30	30	30
Capital Contributions from Other Funds (reported as Residual Equity Transfers-out):						
Telecommunications Internal Service Fund	—	5,899	—	—	5,899	5,899
Administrative Services Building Improvements	—	3,732	—	—	3,732	3,732
Total Additions	—	9,631	—	30	9,661	9,661
Contributed Capital Balance, June 30, 2000	$411	$53,696	$1,762	$5,562	$61,020	$61,431

NOTE 19 FUND EQUITY

A. Fund Deficits

The Information Technology Internal Service Fund reports a deficit of $5.5 million, as of June 30, 2000.

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, 2000, are presented in the table below and on the following page.

Primary Government
Reserved for Other Fund Balance
As of June 30, 2000
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total
Inventories	$ 1,511	$34,125	$ —	$ —	$ —	$ 35,636
Other Assets — Prepaids	378	220	—	—	—	598
Human Services Stabilization	100,000	—	—	—	—	100,000
Loan Commitments	—	—	—	60,394	—	60,394
Advances to Other Funds	—	—	—	—	168,494	168,494
Assets in Excess of Debt Service Requirements	—	—	559	—	—	559
Advances to Subrecipients	15,505	—	—	—	—	15,505
Department of Development's Office of Minority Financial Incentives — Mini-Loan Program Deposits	703	—	—	—	—	703
Total Reserved for Other	$118,097	$34,345	$559	$60,394	$168,494	$381,889

NOTE 19 FUND EQUITY (Continued)

Component Units
Restricted Fund Balance
As of June 30, 2000
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
General Operations (includes Auxiliary Enterprises)	$ 169,946	$ 84,934	$ 104,358	$ 359,238
Loan Programs	55,140	31,853	106,962	193,955
Endowment and Quasi-Endowment Activities	1,195,536	1,070,121	194,629	2,460,286
Plant Operations	—	9,768	7,836	17,604
Annuity and Life Income	—	4,370	—	4,370
University Foundations	—	54,789	2,935	57,724
Grants and Contracts	—	—	3,380	3,380
Auxiliary Enterprises	—	—	272	272
Student Organizations and Support Services	—	—	35	35
Total Restricted Fund Balance	$1,420,622	$1,255,835	$420,407	$3,096,864

Retained earnings for the Enterprise Fund, as of June 30, 2000, are reserved for the payment of tuition benefits from the Tuition Trust Authority Enterprise Fund and insurance claims payable from the Workers' Compensation Fund in the amounts of $71.5 million and $108.4 million, respectively.

As of June 30, 2000, 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	$610,400
Budget Stabilization	49,200
Total Designations	$659,600

As of June 30, 2000, designations of unreserved fund balance for the component unit funds are presented in the table below.

Component Units
Designated Fund Balance
As of June 30, 2000
(dollars in thousands)

Designated for:	Ohio University	Miami University	Other Component Units	Total Component Units
Educational and General Programs	$20,647	$ 40,857	$123,216	$184,720
Auxiliary Enterprises	3,442	1,819	14,325	19,586
Hospital Operations	—	—	858	858
Loan Programs	1,119	842	2,374	4,335
Endowment and Quasi-Endowment Activities	13,207	38,583	71,331	123,121
Plant Operations	34,879	23,122	43,364	101,365
Total Designated Balance	$73,294	$105,223	$255,468	$433,985

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, 2000
(dollars in thousands)

	Ohio Water Development Authority (12/31/99)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Assets					
Cash Equity with Treasurer	$ 252	$ —	$ —	$ —	$ 252
Cash and Cash Equivalents	3,859	81,287	35,924	152,039	273,109
Investments	883,335	1,818,333	746,685	961,768	4,410,121
Receivables	2,006,168	329,375	108,306	291,026	2,734,875
Due from Other Funds	5,849	268,758	115,247	112,596	502,450
Inventories	—	20,178	4,079	20,161	44,418
Restricted Assets	—	2,214	—	126,562	128,776
Fixed Assets (net of accumulated depreciation, as applicable)	679	2,831,622	1,307,576	5,125,317	9,265,194
Other Assets	17,744	30,147	694,158	45,570	787,619
Total Assets	$2,917,886	$5,381,914	$3,011,975	$6,835,039	$18,146,814
Liabilities					
Accounts Payable	$ 29,162	$ 148,738	$ 31,036	$ 75,071	$ 284,007
Accrued Liabilities	6,178	189,660	195,386	274,040	665,264
Intergovernmental Payable	—	—	—	490	490
Due to Other Funds	5,849	268,758	115,247	112,596	502,450
Deferred Revenue	—	96,086	7,788	111,234	215,108
Refund and Other Liabilities	5,382	28,479	69,933	47,195	150,989
Revenue Bonds and Notes	1,405,526	372,665	272,892	560,524	2,611,607
Certificates of Participation	—	10,495	1,680	—	12,175
Total Liabilities	1,452,097	1,114,881	693,962	1,181,150	4,442,090
Fund Equity and Other Credits					
Investment in General Fixed Assets	—	2,485,526	994,462	4,665,880	8,145,868
Total Unreserved Retained Earnings	1,465,789	—	—	—	1,465,789
Total Fund Balance	—	1,781,507	1,323,551	988,009	4,093,067
Total Fund Equity and Other Credits	1,465,789	4,267,033	2,318,013	5,653,889	13,704,724
Total Liabilities, Fund Equity and Other Credits	$2,917,886	$5,381,914	$3,011,975	$6,835,039	$18,146,814

Colleges and Universities
Condensed Statement of Changes in Fund Balances
For the Year Ended June 30, 2000
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues and Other Additions	$ 2,213,433	$ 850,852	$ 2,538,216	$ 5,602,501
Total Expenditures and Other Deductions	(2,422,258)	(940,575)	(3,251,939)	(6,614,772)
Operating Transfers from Primary Government	448,019	195,395	1,028,571	1,671,985
Net Increase (Decrease) for the Year	239,194	105,672	314,848	659,714
Fund Balance and Other Credits, July 1 *(as restated)*	4,027,839	2,212,341	5,339,041	11,579,221
Fund Balance and Other Credits, June 30	$ 4,267,033	$2,318,013	$ 5,653,889	$12,238,935

NOTE 20 COMPONENT UNIT FUNDS (Continued)

Colleges and Universities
Condensed Statement of Current Funds Revenues, Expenditures and Other Changes
For the Year Ended June 30, 2000
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues	$1,575,555	$463,481	$2,074,684	$4,113,720
Expenditures:				
Educational and General	1,235,650	569,187	2,427,577	4,232,414
Auxiliary Enterprises	144,501	64,565	388,061	597,127
Hospitals	608,722	—	141,392	750,114
Total Expenditures	1,988,873	633,752	2,957,030	5,579,655
Mandatory Transfers, Net	31,591	28,779	48,919	109,289
Total Expenditures and Mandatory Transfers	2,020,464	662,531	3,005,949	5,688,944
Other Transfers and Additions (Deductions):				
Operating Transfers from Primary Government	433,751	193,300	1,024,229	1,651,280
Nonmandatory Transfers, Net	831	(795)	(45,942)	(45,906)
Additions (Deductions)	12,794	5,326	22,556	40,676
Total Other Transfers and Additions (Deductions)	447,376	197,831	1,000,843	1,646,050
Net Increase (Decrease) in Fund Balances	$ 2,467	$ (1,219)	$ 69,578	$ 70,826

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 binational Great Lakes Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board except when restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio has applied its distribution (approximately $781 thousand for the year ended December 31, 1999) 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, 1999 (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.

NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Summary financial information for the GLPF, for the fiscal year ended December 31, 1999, is as follows (dollars in thousands):

Cash and Investments	$136,923
Other Assets	416
Total Assets	$137,339
Total Liabilities	$ 3,754
Total Fund Equity	133,585
Total Liabilities and Fund Equity	$137,339
Total Revenues and Other Additions	$ 17,136
Total Expenditures	(8,655)
Net Increase in Fund Equity	$ 8,481

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 Capital Facilities general and special obligation bonds issued by the Ohio Public Facilities Commission (OPFC) for these purposes. The capital outlay expenditures for the projects financed by the OPFC bond issuances are included in the Higher Education Improvements Capital Projects Fund.

During fiscal year 2000, 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	$ 43,470	$ 2,822	$ 46,292
Jefferson Community College	3,929	44	3,973
Lakeland Community College	14,996	3,532	18,528
Lorain County Community College	19,632	438	20,070
Rio Grande Community College	4,213	1,663	5,876
Sinclair Community College	39,225	3,504	42,729
Total Local Community Colleges	125,465	12,003	137,468
Technical Colleges:			
Belmont Technical College	5,114	525	5,639
Central Ohio Technical College	4,386	413	4,799
Hocking Technical College	17,462	1,901	19,363
Lima Technical College	7,199	2,534	9,733
Marion Technical College	3,647	—	3,647
Muskingum Technical College	5,553	892	6,445
North Central Technical College	7,191	167	7,358
Stark State College of Technology	10,723	1,728	12,451
Total Technical Colleges	61,275	8,160	69,435
Total	$186,740	$20,163	$206,903

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

NOTE 21 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 2000,

- The primary government distributed $2.5 million in motor vehicle fuel excise tax collections from the Special Revenue Fund to the Ohio Turnpike Commission. Also, the primary government paid the Commission approximately $708 thousand from the Special Revenue Fund to fund some of its capital project costs.

- 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 $664 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 2000, the Ohio Legal Assistance Foundation received approximately $694 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. As of June 30, 2000, $27 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 and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools." In May 2000, the Ohio Supreme Court in a 4-3 decision concluded, as it had in 1997, that the State, even after crediting significant gubernatorial and legislative steps in recent years, failed to comply with that requirement. It set as general base threshold requirements that every school district have enough funds to operate, an ample number of teachers, sound and safe buildings, and equipment sufficient for all students to be afforded an educational opportunity. The Court maintained continuing jurisdiction and has scheduled for June 2001 further review of the State's responses to its ruling. With respect to funding sources, the Supreme Court repeated its conclusion that property taxes no longer may be the primary means of school funding in Ohio, noting that recent efforts to reduce that historic reliance have been laudable but, in the Court's view, insufficient. The three dissenting justices concluded generally, as they had in 1997, that compliance with the constitutional requirement was a matter for the legislative branch, not the state judiciary.

In its 1997 opinion, the Court had held that major aspects of the system (including basic operating assistance and state loans) were not in compliance with the constitutional requirement. On remand to hear evidence and opine on the sufficiency of then intervening legislation and executive actions, early in 1999 the trial court judge again concluded that the State was not in compliance with the constitutional requirements. The recent Supreme Court action was on an appeal from that decision.

NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

It is not possible at this time to state what further actions may be taken by the State to effect compliance, or what effect those actions may have on the State's overall financial condition.

In response to the ongoing litigation, the General Assembly has significantly increased state funding for public schools. In addition, at the November 1999 election, electors approved a constitutional amendment authorizing the issuance of general obligation debt for school buildings and for higher education facilities.

Other litigation pending in the Ohio Court of Claims contests the Ohio Department of Jobs and Family Services' (formerly 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 2001) 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 2000, a court of appeals reversed the Court of Claims' grant of the motion to decertify the action there as a class action; the State has appealed this decision to the Ohio Supreme Court. No liability has been reported in the State's financial statements for this matter.

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 (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 fiscal year 1999 State of Ohio Single Audit (completed in January 2000), approximately $15 million of federal expenditures are 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, 2000.

C. Construction Commitments

As of June 30, 2000, the Department of Transportation had contractual commitments of approximately $1.64 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 amounts of $953.2 million, $358.4 million, $291.7 million, and $35.6 million, respectively.

As of June 30, 2000, 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	$ 7,841
Higher Education Improvements	155,937
Mental Health/Mental Retardation Facilities Improvements	26,853
Parks and Recreation Improvements	20,400
Administrative Services Building Improvements	40,108
Youth Services Building Improvements	33,956
Transportation Building Improvements	2,885
Adult Correctional Building Improvements	54,728
Highway Safety Building Improvements	4,778
Ohio Parks and Natural Resources	19,590
Sports Facilities Building	3,607
Total	$370,683

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, 2000, in the amount of approximately $12 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 $1.6 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care 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. While management uses available information to estimate the liabilities, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. 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.

Benefits payable and the compensation adjustment expenses liability are discounted at 6.0 percent in fiscal year 2000 and 6.25 percent in fiscal year 1999 to reflect the present value of future benefit payments. The undiscounted reserves for the benefits and compensation adjustment expenses totaled $28.5 billion, as of June 30, 2000, and $30.2 billion, as of June 30, 1999. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2000.

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.

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

	Fiscal Year 2000	Fiscal Year 1999
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$14,041	$14,517
Incurred Compensation and Compensation Adjustment Benefits	1,177	1,110
Incurred Compensation and Compensation Adjustment Benefit Payments	(1,886)	(1,900)
Change in Liability Due to Decrease in Discount Rate	306	314
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$13,638	$14,041

NOTE 23 RISK FINANCING (Continued)

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.

As of June 30, 2000, approximately $15.3 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 2000	Fiscal Year 1999
Claims Liabilities, as of July 1	$20,092	$20,054
Incurred Claims	102,635	84,916
Claims Payments	(98,573)	(84,878)
Claims Liabilities, as of June 30	$24,154	$20,092

As of June 30, 2000, the estimated claims liability exceeded the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims by approximately $8.9 million, thereby, resulting in a funding deficit. The net claims liability, which is payable from expendable available financial resources in the governmental funds, as of June 30, 2000, is reported as a fund liability in the governmental and proprietary funds and is included under "Accrued Liabilities."

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.

While Ohio's share of the total base payments to the states through 2025 will not change over time, the amount of the annual payment is subject to a number of adjustments, including 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, *NOTE 24 TOBACCO SETTLEMENT (Continued)*

domestic cigarette sales 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 pre-adjusted base payment amounts that have been projected for the future.

In addition to the base payments, Ohio will receive payments 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 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.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-adjusted Payments from Strategic Contribution Fund	Total
2001............	$ 348,780	$ —	$ 348,780
2002............	418,783	—	418,783
2003............	422,746	—	422,746
2004............	352,827	—	352,827
2005............	352,827	—	352,827
Thereafter ...	7,529,566	239,500	7,769,066
Total............	$9,425,529	$239,500	$9,665,029

During fiscal year 2000, the first year when base payments were made to the states under the settlement, Ohio received $412.3 million, which was 7.1 percent less than the pre-adjusted base payment projected for the year.

In fiscal year 2000, the State enacted legislation to allocate its anticipated share of the proceeds of the national tobacco settlement. A comprehensive allocation had been made through fiscal year 2012 and a partial allocation has been made through fiscal year 2025. (In light of the constitutional two-year limitation on appropriations, those allocations are subject to the General Assembly making biennial appropriations to fund them.) None of the moneys are to be applied to existing operating programs of the State. The main portion of the moneys will go to assist the financing of elementary and secondary school capital facilities. Other amounts are targeted for new programs for smoking cessation and other health-related purposes, biomedical research and technology transfer, and assistance to the tobacco-growing areas in Ohio.

NOTE 25 SUBSEQUENT EVENTS

A. Debt Issuances

Subsequent to June 30, 2000 (December 31, 1999 for the Ohio Water Development Authority), the State issued major debt as detailed in the table on the following page.

On November 7, 2000, Ohio voters approved a constitutional amendment (Section 2o of Article VIII) that authorizes the State to issue $200 million in general obligation bonds over the course of 25 years. The bonds will finance the purchase of additional "greenspace" land or interest in land devoted to natural areas, open spaces, and agriculture.

The amendment also approves the issuance of another $200 million in revenue bonds to finance the cleanup of public or privately owned "brownfields," which are defined as properties that are environmentally contaminated.

The amendment limits the amount of obligations issued within a single fiscal year to $50 million for each bond type, plus the principal amount of obligations that in any prior fiscal year could have been but were not issued within the $50 million fiscal year limit.

NOTE 25 SUBSEQUENT EVENTS (Continued)

Debt Issuances
Subsequent to June 30, 2000
(dollars in thousands)

Organization/Issue	Date of Bond	Interest Coupon Rates	Amount	Type of Debt
Primary Government:				
Ohio Public Facilities Commission*				
Higher Education Capital Facilities Bonds, Series 2000B	November 1, 2000	4.30-4.75%	$150,000	General Obligation
Treasurer of State				
Infrastructure Improvement Bonds, Series 2000	November 15, 2000	4.25-5.75%	120,000	General Obligation
Total Primary Government			$270,000	
Component Units:				
Ohio Water Development Authority				
Water Pollution Control Loan Fund Revenue Bonds, State Match Series 2000	June 30, 2000	5.13-5.50%	$ 78,250	Revenue

* Effective September 14, 2000, the Ohio Public Facilities Commission is designated under Ohio law as issuer of Higher Education Capital Facilities bonds. Prior to this time, the Treasurer of State was the designated issuing authority.

B. Interest Rate Swap Agreement

On February 2, 2000, the Ohio Water Development Authority, a component unit fund with a December 31, 1999 year-end, entered into a five-year interest rate swap agreement for $50 million of its Pure Water Refunding and Improvement Series bonds. As a result of the agreement, which terminates on December 1, 2004, the Authority makes interest payments to a counterparty based on the weekly BMA Municipal Bond Index and receives payment from the counterparty at a fixed rate of 4.68 percent. The rate used to calculate the payment to the counterparty is not to exceed 7.32 percent.

C. Workers' Compensation Premium Credit

Effective July 1, 2000, the Bureau of Workers' Compensation will include a 75 percent premium credit in its bills to private employers for their workers' compensation insurance coverage during the first and second half of state fiscal year 2001. The credit, which the Workers' Compensation Oversight Commission approved on June 28, 2000, will return an estimated $1.3 billion to these employers.