Ohio Office of Budget and Management

State of Ohio

Robert H. Taft

Governor

OHIO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2001

STATE OF OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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JUNE 30, 2001
(dollars in thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS				
Cash Equity with Treasurer	$ 2,280,736	$ 2,904,804	$ 59,696	$ 605,064
Cash and Cash Equivalents	10,752	37,373	1,605	—
Investments	—	434,934	56,706	10,286
Collateral on Lent Securities	1,003,251	1,342,627	26,995	265,663
Deposit with Federal Government	—	—	—	—
Receivables:				
Taxes	1,018,309	288,777	—	—
Intergovernmental	503,498	683,682	—	—
Premiums and Assessments	—	—	—	—
Investment Trade	—	—	—	—
Loans, Net	27,580	728,172	2,571	—
Other	10,953	75,102	696	1,974
Due from Other Funds	16,052	17,752	130	1,366
Inventories	770	30,368	—	—
Advances to Other Funds	—	20,000	—	—
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	243	4,473	—	—
Amount Available for Debt Service	—	—	—	—
Amount to be Provided for General Long-Term Obligations	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	**$ 4,872,144**	**$ 6,568,064**	**$ 148,399**	**$ 884,353**
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$ 138,374	$ 307,252	$ —	$ 63,309
Medicaid Claims Payable	716,019	—	—	—
Accrued Liabilities	81,464	46,006	2,576	—
Obligations Under Securities Lending	1,003,251	1,342,627	26,995	265,663
Intergovernmental Payable	382,066	594,593	—	—
Investment Trade Payable	—	—	—	—
Due to Other Funds	36,899	3,579	—	200
Deferred Revenue	133,549	397,303	—	—
Benefits Payable	—	—	—	—
Refund and Other Liabilities	499,624	78,595	805	—
Liability for Escheat Property	—	—	—	—
Liabilities Payable from Restricted Assets	—	—	—	—
Advances from Other Funds	—	190,858	—	20,000
General Obligation Bonds	—	—	—	—
Revenue Bonds and Notes	—	—	—	—
Special Obligation Bonds	—	—	—	—
Certificates of Participation	—	—	—	—
Other General Long-Term Obligations	—	—	—	—
Total Liabilities	2,991,246	2,960,813	30,376	349,172
Fund Equity and Other Credits:				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Reserved Retained Earnings	—	—	—	—
Unreserved Retained Earnings	—	—	—	—
Fund Balances:				
Reserved for:				
Debt Service	1,620	—	115,088	—
Encumbrances	560,560	3,364,727	—	629,457
Budget Stabilization	1,002,491	—	—	—
Variable College Savings Plan Participants	—	—	—	—
Noncurrent Portion of Loans Receivable	25,517	668,669	2,571	—
Employees' Pension and Other Postemployment Healthcare Benefits	—	—	—	—
Unemployment Benefits	—	—	—	—
External Investment Pool Participants	—	—	—	—
Restricted Fund Balances	—	—	—	—
Other	109,687	370,695	837	521
Unreserved/Designated	13,104	—	—	—
Unreserved/Undesignated (Deficits)	167,919	(796,840)	(473)	(94,797)
Total Fund Equity and Other Credits	1,880,898	3,607,251	118,023	535,181
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	**$ 4,872,144**	**$ 6,568,064**	**$ 148,399**	**$ 884,353**

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)
$ 69,176	$ 55,205	$ 168,674	$ —	$ —	$ 6,143,355	$ 723,279	$ 6,866,634
1,697,933	235	250,584	—	—	1,998,482	291,640	2,290,122
17,240,178	1,626	136,503,192	—	—	154,246,922	4,512,683	158,759,605
1,995,855	24,335	1,778,447	—	—	6,437,173	315,784	6,752,957
—	—	2,214,245	—	—	2,214,245	—	2,214,245
—	—	136,476	—	—	1,443,562	—	1,443,562
—	2,207	24	—	—	1,189,411	46,463	1,235,874
1,138,723	—	—	—	—	1,138,723	—	1,138,723
506,890	—	—	—	—	506,890	—	506,890
—	—	—	—	—	758,323	2,371,808	3,130,131
321,512	27,210	44,896	—	—	482,343	615,635	1,097,978
1,688	36,903	3,826	—	—	77,717	722,553	800,270
26,829	18,803	—	—	—	76,770	43,392	120,162
—	—	190,858	—	—	210,858	—	210,858
19,565	—	—	—	—	19,565	—	19,565
—	—	—	—	—	—	6,193	6,193
—	38,667	—	—	—	38,667	156,117	194,784
1,614,467	—	—	—	—	1,614,467	—	1,614,467
508,251	—	—	—	—	508,251	—	508,251
5,625	—	—	—	—	5,625	—	5,625
193,390	26,010	171	4,205,159	—	4,424,730	9,918,387	14,343,117
19,885	437	447,592	—	—	472,630	785,610	1,258,240
—	—	—	—	116,708	116,708	—	116,708
—	—	—	—	8,874,370	8,874,370	—	8,874,370
$ 25,359,967	**$ 231,638**	**$ 141,738,985**	**$ 4,205,159**	**$ 8,991,078**	**$ 192,999,787**	**$ 20,509,544**	**$ 213,509,331**
$ 44,374	$ 27,877	$ 1,509	$ —	$ —	$ 582,695	$ 259,463	$ 842,158
—	—	—	—	—	716,019	—	716,019
34,510	10,606	1,315	—	—	176,477	746,674	923,151
1,995,854	24,335	1,778,447	—	—	6,437,172	315,784	6,752,956
—	—	90,281	—	—	1,066,940	1,006,715	2,073,655
1,538,047	—	137,951	—	—	1,675,998	—	1,675,998
2,473	4,025	29,317	—	—	76,493	722,553	799,046
428,788	243	—	—	—	959,883	229,626	1,189,509
12,504,943	—	44,937	—	—	12,549,880	—	12,549,880
1,818,386	—	127,490,129	—	—	129,887,539	159,429	130,046,968
—	—	102,218	—	—	102,218	—	102,218
2,062,996	—	—	—	—	2,062,996	—	2,062,996
—	—	—	—	—	210,858	—	210,858
—	—	—	—	3,034,037	3,034,037	—	3,034,037
177,472	25,646	—	—	218,900	422,018	3,053,107	3,475,125
—	—	—	—	4,744,055	4,744,055	—	4,744,055
—	—	—	—	12,305	12,305	11,105	23,410
—	—	—	—	981,781	981,781	—	981,781
20,607,843	92,732	129,676,104	—	8,991,078	165,699,364	6,504,456	172,203,820
—	—	—	4,205,159	—	4,205,159	8,645,415	12,850,574
411	63,232	—	—	—	63,643	—	63,643
197,254	—	—	—	—	197,254	—	197,254
4,554,459	75,674	—	—	—	4,630,133	1,661,293	6,291,426
—	—	—	—	—	116,708	—	116,708
—	—	—	—	—	4,554,744	157	4,554,901
—	—	—	—	—	1,002,491	—	1,002,491
—	—	427,732	—	—	427,732	—	427,732
—	—	—	—	—	696,757	—	696,757
—	—	608,318	—	—	608,318	—	608,318
—	—	2,285,549	—	—	2,285,549	—	2,285,549
—	—	8,397,663	—	—	8,397,663	—	8,397,663
—	—	—	—	—	—	2,991,243	2,991,243
—	—	190,858	—	—	672,598	—	672,598
—	—	—	—	—	13,104	541,332	554,436
—	—	152,761	—	—	(571,430)	165,648	(405,782)
4,752,124	138,906	12,062,881	4,205,159	—	27,300,423	14,005,088	41,305,511
$ 25,359,967	**$ 231,638**	**$ 141,738,985**	**$ 4,205,159**	**$ 8,991,078**	**$ 192,999,787**	**$ 20,509,544**	**$ 213,509,331**

STATE OF OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(dollars in thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES:			
Income Taxes	$ 7,446,990	$ 855,902	$ —
Sales Taxes	5,922,333	326,372	—
Corporate and Public Utility Taxes	1,604,402	121,861	—
Motor Vehicle Fuel Taxes	—	1,428,441	29,013
Unemployment Taxes	—	—	—
Other Taxes	872,706	57,632	—
Licenses, Permits and Fees	101,352	1,103,122	15,131
Sales, Services and Charges	40,895	42,996	—
Federal Government	4,508,747	5,924,921	—
Tobacco Settlement	—	315,812	—
Contributions from Plan Participants	—	—	—
Investment Income	234,590	197,336	16,696
Other	197,029	309,452	1,088
TOTAL REVENUES	**20,929,044**	**10,683,847**	**61,928**
EXPENDITURES:			
CURRENT:			
Primary, Secondary and Other Education	5,559,113	1,635,770	—
Higher Education Support	437,525	15,714	—
Public Assistance and Medicaid	8,180,367	2,714,575	—
Health and Human Services	1,089,168	1,466,053	—
Justice and Public Protection	1,738,164	494,257	—
Environmental Protection and Natural Resources	125,878	214,696	—
Transportation	47,078	1,709,123	—
General Government	336,374	132,417	—
Community and Economic Development	144,320	396,846	—
INTERGOVERNMENTAL	1,189,845	2,171,339	—
CAPITAL OUTLAY	—	14,636	—
DEBT SERVICE	2,276	—	1,134,191
TOTAL EXPENDITURES	**18,850,108**	**10,965,426**	**1,134,191**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**2,078,936**	**(281,579)**	**(1,072,263)**
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	—	122,968	5,230
Refunding Bond Proceeds	—	—	504,786
Payment to Refunded Bond Escrow Agents	—	—	(499,750)
Operating Transfers-in	207,488	1,658,581	1,062,978
Operating Transfers-out	(1,061,119)	(1,039,383)	(12,977)
Operating Transfers from Primary Government	—	—	—
Operating Transfers to Component Units	(1,864,717)	(138,063)	—
TOTAL OTHER FINANCING SOURCES (USES)	**(2,718,348)**	**604,103**	**1,060,267**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**(639,412)**	**322,524**	**(11,996)**
FUND BALANCES, JULY 1 (as restated)	2,521,051	3,264,004	153,962
Increase (Decrease) for Changes in Inventories	(741)	(3,220)	—
Residual Equity Transfers-in	—	23,943	—
Residual Equity Transfers-out	—	—	(23,943)
FUND BALANCES, JUNE 30	**$ 1,880,898**	**$ 3,607,251**	**$ 118,023**

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

	FIDUCIARY FUND TYPE		COMPONENT UNIT	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTAL PRIMARY GOVERNMENT (memorandum only)	SCHOOL FACILITIES COMMISSION	TOTAL REPORTING ENTITY (memorandum only)
$ —	$ —	$ 8,302,892	$ —	$ 8,302,892
—	—	6,248,705	—	6,248,705
—	—	1,726,263	—	1,726,263
—	—	1,457,454	—	1,457,454
—	666,125	666,125	—	666,125
—	—	930,338	—	930,338
—	—	1,219,605	—	1,219,605
—	—	83,891	15	83,906
—	16,333	10,450,001	—	10,450,001
—	—	315,812	—	315,812
—	433,544	433,544	—	433,544
38,195	155,600	642,417	84,484	726,901
6,975	107,707	622,251	3,039	625,290
45,170	**1,379,309**	**33,099,298**	**87,538**	**33,186,836**
—	—	7,194,883	4,247	7,199,130
53,272	—	506,511	—	506,511
—	1,056,026	11,950,968	—	11,950,968
—	—	2,555,221	—	2,555,221
—	—	2,232,421	—	2,232,421
—	—	340,574	—	340,574
—	—	1,756,201	—	1,756,201
—	54,456	523,247	—	523,247
—	—	541,166	—	541,166
—	—	3,361,184	574,919	3,936,103
397,181	—	411,817	—	411,817
1,070	—	1,137,537	—	1,137,537
451,523	**1,110,482**	**32,511,730**	**579,166**	**33,090,896**
(406,353)	**268,827**	**587,568**	**(491,628)**	**95,940**
775,630	—	903,828	203,393	1,107,221
—	—	504,786	—	504,786
—	—	(499,750)	—	(499,750)
192,238	—	3,121,285	—	3,121,285
(247,600)	(33,692)	(2,394,771)	—	(2,394,771)
—	—	—	258,063	258,063
(248,134)	—	(2,250,914)	—	(2,250,914)
472,134	**(33,692)**	**(615,536)**	**461,456**	**(154,080)**
65,781	**235,135**	**(27,968)**	**(30,172)**	**(58,140)**
471,568	2,821,765	9,232,350	(250,453)	8,981,897
—	—	(3,961)	—	(3,961)
—	—	23,943	—	23,943
(2,168)	—	(26,111)	—	(26,111)
$ 535,181	**$ 3,056,900**	**$ 9,198,253**	**$ (280,625)**	**$ 8,917,628**

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, 2001

(dollars in thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Income Taxes	$ 7,380,600	$ 7,263,428	$ (117,172)	$ 855,882	$ 855,882	$ —
Sales Taxes	6,175,000	5,935,582	(239,418)	315,131	315,131	—
Corporate and Public Utility Taxes	1,550,000	1,578,613	28,613	106,695	106,695	—
Motor Vehicle Fuel Taxes	—	—	—	1,353,574	1,353,574	—
Other Taxes	873,343	872,717	(626)	57,509	57,509	—
Licenses, Permits and Fees	110,328	108,240	(2,088)	1,281,931	1,281,931	—
Sales, Services and Charges	40,229	41,050	821	36,432	36,432	—
Federal Government	4,671,187	4,652,844	(18,343)	6,138,490	6,138,490	—
Tobacco Settlement	—	—	—	315,812	315,812	—
Investment Income	117,946	156,297	38,351	144,101	144,101	—
Other	445,769	461,644	15,875	552,451	552,451	—
TOTAL REVENUES	**21,364,402**	**21,070,415**	**(293,987)**	**11,158,008**	**11,158,008**	**—**
BUDGETARY EXPENDITURES:						
CURRENT:						
Primary, Secondary and Other Education	5,728,200	5,675,865	52,335	1,930,165	1,502,499	427,666
Higher Education Support	2,226,362	2,219,461	6,901	14,687	7,660	7,027
Public Assistance and Medicaid	8,241,454	8,190,868	50,586	3,247,819	2,969,469	278,350
Health and Human Services	1,148,533	1,131,616	16,917	1,905,219	1,765,063	140,156
Justice and Public Protection	1,767,608	1,747,221	20,387	603,490	519,755	83,735
Environmental Protection and Natural Resources	150,109	144,932	5,177	287,470	236,894	50,576
Transportation	52,981	52,890	91	2,581,279	1,901,545	679,734
General Government	510,118	461,989	48,129	154,512	143,021	11,491
Community and Economic Development	174,833	170,003	4,830	592,099	522,575	69,524
INTERGOVERNMENTAL	1,248,634	1,185,398	63,236	2,969,494	2,433,423	536,071
CAPITAL OUTLAY	—	—	—	61,433	26,455	34,978
DEBT SERVICE	953,074	894,539	58,535	63,114	36,341	26,773
TOTAL BUDGETARY EXPENDITURES	**22,201,906**	**21,874,782**	**327,124**	**14,410,781**	**12,064,700**	**2,346,081**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(837,504)**	**(804,367)**	**33,137**	**(3,252,773)**	**(906,692)**	**2,346,081**
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	—	—	—	177,399	177,399	—
Operating Transfers-in	109,685	809,095	699,410	1,652,116	1,652,116	—
Operating Transfers-out	(148,208)	(892,598)	(744,390)	(1,216,078)	(1,216,078)	—
Encumbrance Reversions	—	206,894	206,894	290,680	290,680	—
TOTAL OTHER FINANCING SOURCES (USES)	**(38,523)**	**123,391**	**161,914**	**904,117**	**904,117**	**—**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) BUDGETARY EXPENDITURES AND OTHER FINANCING USES	**(876,027)**	**(680,976)**	**195,051**	**(2,348,656)**	**(2,575)**	**2,346,081**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated)	2,186,679	2,186,679	—	(933,140)	(933,140)	—
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	**$ 1,310,652**	**$ 1,505,703**	**$ 195,051**	**$ (3,281,796)**	**$ (935,715)**	**$ 2,346,081**

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)
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
29,013	29,013	—	—	—	—
—	—	—	—	—	—
15,131	15,131	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
8,110	8,110	—	25,435	25,435	—
210,700	210,700	—	5,478	5,478	—
262,954	**262,954**	**—**	**30,913**	**30,913**	**—**
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	2,262,121	781,064	1,481,057
392,000	383,263	8,737	1,070	1,070	—
392,000	**383,263**	**8,737**	**2,263,191**	**782,134**	**1,481,057**
(129,046)	**(120,309)**	**8,737**	**(2,232,278)**	**(751,221)**	**1,481,057**
7,342	7,342	—	722,701	722,701	—
111,528	111,528	—	35,537	35,537	—
—	—	—	(15,537)	(15,537)	—
—	—	—	27,639	27,639	—
118,870	**118,870**	**—**	**770,340**	**770,340**	**—**
(10,176)	**(1,439)**	**8,737**	**(1,461,938)**	**19,119**	**1,481,057**
60,103	60,103	—	(107,478)	(107,478)	—
$ 49,927	**$ 58,664**	**$ 8,737**	**$ (1,569,416)**	**$ (88,359)**	**$ 1,481,057**

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, 2001

(dollars in thousands)

	PROPRIETARY FUND TYPES		
	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
OPERATING REVENUES:			
Charges for Sales and Services	$ 2,486,090	$ 299,141	$ 2,785,231
Premium and Assessment Income	2,021,058	—	2,021,058
Investment Income	695,189	—	695,189
Other	19,627	4,208	23,835
TOTAL OPERATING REVENUES	**5,221,964**	**303,349**	**5,525,313**
OPERATING EXPENSES:			
Costs of Sales and Services	338,763	126,188	464,951
Administration	218,653	163,575	382,228
Premium Dividend Credits and Rebates	1,624,921	—	1,624,921
Bonuses and Commissions	120,210	—	120,210
Prizes	1,112,824	—	1,112,824
Benefits and Claims	2,622,519	—	2,622,519
Depreciation	28,318	9,521	37,839
Other	380,673	8,265	388,938
TOTAL OPERATING EXPENSES	**6,446,881**	**307,549**	**6,754,430**
OPERATING INCOME (LOSS)	**(1,224,917)**	**(4,200)**	**(1,229,117)**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	173	2,656	2,829
Interest Expense	(151)	(1,720)	(1,871)
Federal Grants	—	—	—
Other	(2,665)	(1,034)	(3,699)
TOTAL NONOPERATING REVENUES (EXPENSES)	**(2,643)**	**(98)**	**(2,741)**
INCOME (LOSS) BEFORE OPERATING TRANSFERS	**(1,227,560)**	**(4,298)**	**(1,231,858)**
OPERATING TRANSFERS:			
Operating Transfers-in	36,715	39,415	76,130
Operating Transfers-out	(765,865)	(36,779)	(802,644)
TOTAL OPERATING TRANSFERS	**(729,150)**	**2,636**	**(726,514)**
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	**(1,956,710)**	**(1,662)**	**(1,958,372)**
EXTRAORDINARY GAIN ON DEFERRED LOTTERY PRIZE PAYOUT OPTION	3,350	—	3,350
NET INCOME (LOSS)	**(1,953,360)**	**(1,662)**	**(1,955,022)**
RETAINED EARNINGS, JULY 1	6,705,073	77,336	6,782,409
RETAINED EARNINGS, JUNE 30	**$ 4,751,713**	**$ 75,674**	**$ 4,827,387**

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

COMPONENT UNIT	
OHIO WATER DEVELOPMENT AUTHORITY	**TOTAL REPORTING ENTITY (memorandum only)**
$ 111,415	$ 2,896,646
—	2,021,058
56,275	751,464
1,855	25,690
169,545	**5,694,858**
78,610	543,561
8,004	390,232
—	1,624,921
—	120,210
—	1,112,824
—	2,622,519
259	38,098
3,745	392,683
90,618	**6,845,048**
78,927	**(1,150,190)**
—	2,829
—	(1,871)
116,298	116,298
279	(3,420)
116,577	**113,836**
195,504	**(1,036,354)**
—	76,130
—	(802,644)
—	**(726,514)**
195,504	**(1,762,868)**
—	3,350
195,504	**(1,759,518)**
1,465,789	8,248,198
$ 1,661,293	**$ 6,488,680**

STATE OF OHIO

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(dollars in thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 2,471,986	$ 42,667	$ 2,514,653
Cash Received from Premiums and Assessments	1,453,410	—	1,453,410
Cash Received from Quasi-External Transactions with Other Funds	9,187	261,152	270,339
Other Operating Cash Receipts	38,407	21,084	59,491
Cash Payments to Suppliers for Goods and Services	(491,492)	(205,868)	(697,360)
Cash Payments to Employees for Services	(351,887)	(69,452)	(421,339)
Cash Payments for Benefits and Claims	(1,839,866)	—	(1,839,866)
Cash Payments for Lottery Prizes	(1,301,844)	—	(1,301,844)
Cash Payments for Bonuses and Commissions	(120,268)	—	(120,268)
Cash Payments for Premium Dividend Credits and Rebates	(268,957)	—	(268,957)
Cash Payments for Quasi-External Transactions with Other Funds	(4,477)	(25,130)	(29,607)
Other Operating Cash Payments	(403)	(18,943)	(19,346)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(406,204)**	**5,510**	**(400,694)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers-in	35,852	39,415	75,267
Operating Transfers-out	(765,865)	(36,779)	(802,644)
Interfund Loan Repayment	—	—	—
Bond Proceeds	—	—	—
Federal Grants	—	—	—
Grants to Local Subdivisions	—	—	—
Retirement of Revenue Bond Principal	—	—	—
Interest Paid	—	—	—
Return of Deposits in Excess of Bond Escrow Requirements	—	—	—
Bond and Note Issuance Costs	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(730,013)**	**2,636**	**(727,377)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(10,900)	(3,205)	(14,105)
Interest Paid	(9,060)	(1,728)	(10,788)
Principal Receipts on Capital Leases	—	3,194	3,194
Acquisition and Construction of Capital Assets	(10,439)	(4,938)	(15,377)
Proceeds from Sales of Fixed Assets	1,264	10	1,274
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(29,135)**	**(6,667)**	**(35,802)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(39,547,406)	(114,922)	(39,662,328)
Proceeds from the Sales and Maturities of Investments	39,679,095	118,150	39,797,245
Investment Income Received	1,119,095	3,367	1,122,462
Borrower Rebates and Agent Fees	(173,332)	—	(173,332)
Loan Disbursements	—	—	—
Loan Principal Repayments Received	—	—	—
Loan Interest Received	—	—	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**1,077,452**	**6,595**	**1,084,047**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(87,900)**	**8,074**	**(79,826)**
CASH AND CASH EQUIVALENTS, JULY 1	1,874,574	47,366	1,921,940
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 1,786,674**	**$ 55,440**	**$ 1,842,114**

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

COMPONENT UNIT OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 1,751	$ 2,516,404
—	1,453,410
—	270,339
—	59,491
(6,990)	(704,350)
(973)	(422,312)
—	(1,839,866)
—	(1,301,844)
—	(120,268)
—	(268,957)
—	(29,607)
(1,493)	(20,839)
(7,705)	**(408,399)**
—	75,267
—	(802,644)
(1,184)	(1,184)
86,696	86,696
116,298	116,298
(441)	(441)
(96,520)	(96,520)
(74,975)	(74,975)
279	279
(764)	(764)
29,389	**(697,988)**
—	(14,105)
—	(10,788)
—	3,194
(198)	(15,575)
—	1,274
(198)	**(36,000)**
(11,569,697)	(51,232,025)
11,551,071	51,348,316
52,640	1,175,102
—	(173,332)
(278,174)	(278,174)
128,312	128,312
104,978	104,978
(10,870)	**1,073,177**
10,616	**(69,210)**
4,111	1,926,051
$ 14,727	**$ 1,856,841**

(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, 2001
(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)	$ (1,224,917)	$ (4,200)	$ (1,229,117)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	(695,189)	—	(695,189)
Borrower Rebates and Agent Fees	173,332	—	173,332
Depreciation	28,318	9,521	37,839
Provision for Uncollectible Accounts	65,418	—	65,418
Amortization of Premiums and Discounts	81,491	—	81,491
Amortization of Bond Issuance Costs	—	—	—
Interest on Bonds, Notes and Capital Leases	8,915	—	8,915
Interest Received on Loans	—	—	—
Operating Expense Classified as Noncapital Financing Activities (Grants to Local Governments)	—	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable	—	406	406
Premiums and Assessments Receivable	1,408,385	—	1,408,385
Other Receivables	(62,400)	851	(61,549)
Due from Other Funds	(2)	2,971	2,969
Inventories	(1,061)	109	(952)
Other Assets	1,368	(61)	1,307
Increase (Decrease) in Liabilities:			
Accounts Payable	4,134	(2,681)	1,453
Accrued Liabilities	164	(91)	73
Intergovernmental Payable	—	—	—
Due to Other Funds	(2)	(1,180)	(1,182)
Deferred Revenue	(9,423)	(135)	(9,558)
Benefits Payable	460,032	—	460,032
Refund and Other Liabilities	(556,626)	—	(556,626)
Liabilities Payable from Restricted Assets	(88,141)	—	(88,141)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (406,204)**	**$ 5,510**	**$ (400,694)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ (467,152)	$ 46	$ (467,106)
Fixed Assets Acquired under Capital Leases	—	39	39
Extraordinary Gain on Deferred Lottery Prize Payout Option	3,350	—	3,350
Increase in Contributed Capital	—	2,212	2,212

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

Proprietary-Ohio Water Development Authority:	
Cash Equity with Treasurer	$ 68
Cash and Cash Equivalents	14,659
Total Proprietary	**14,727**
Governmental-School Facilities Commission:	
Cash Equity with Treasurer	**723,211**
Colleges and Universities:	
Cash and Cash Equivalents	276,981
Restricted Assets-Cash and Cash Equivalents	6,193
Total Colleges and Universities	**283,174**
TOTAL COMPONENT UNITS	**$ 1,021,112**

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

COMPONENT UNIT	
OHIO WATER DEVELOPMENT AUTHORITY	TOTAL REPORTING ENTITY (memorandum only)
$ 78,927	$ (1,150,190)
(56,275)	(751,464)
—	173,332
259	38,098
357	65,775
203	81,694
1,187	1,187
77,220	86,135
(111,415)	(111,415)
441	441
(138)	268
—	1,408,385
(3)	(61,552)
5,664	8,633
—	(952)
—	1,307
44	1,497
—	73
1,488	1,488
(5,664)	(6,846)
—	(9,558)
—	460,032
—	(556,626)
—	(88,141)
$ (7,705)	**$ (408,399)**
$ 1,450	$ (465,656)
—	39
—	3,350
—	2,212

STATE OF OHIO

STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(dollars in thousands)

	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the year ended December 31, 2000)		
	PENSION	POST-EMPLOYMENT	TOTAL
ADDITIONS:			
Contributions:			
Employer	$ 13,210	$ 3,347	$ 16,557
Employees	6,954	—	6,954
Other Contributions	944	4	948
Total Contributions	21,108	3,351	24,459
Investment Income:			
Net Depreciation in Fair Value of Investments	(23,713)	(4,782)	(28,495)
Interest	7,897	1,372	9,269
Dividends	2,502	435	2,937
Other Investment Income	401	70	471
	(12,913)	(2,905)	(15,818)
Less: Investment Expense	1,207	210	1,417
Net Investment Income	(14,120)	(3,115)	(17,235)
TOTAL ADDITIONS	**6,988**	**236**	**7,224**
DEDUCTIONS:			
Benefits and Claims	27,043	4,720	31,763
Refunds of Employee Contributions	363	—	363
Administrative Expenses	549	96	645
Transfers to Other Retirement Systems	905	—	905
TOTAL DEDUCTIONS	**28,860**	**4,816**	**33,676**
NET INCREASE (DECREASE)	**(21,872)**	**(4,580)**	**(26,452)**
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS			
JANUARY 1	540,800	93,970	634,770
DECEMBER 31	**$ 518,928**	**$ 89,390**	**$ 608,318**

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, 2001
(dollars in thousands)

	STAROHIO
OPERATIONS:	
Investment Income	$ 375,766
Expenses:	
Administration Fees	1,358
Custodian and Transfer Agent Fees and Related Expenses	1,192
Security Lending Fees	571
Management Fees	453
Other	272
Total Expenses	3,846
Net Investment Income	371,920
Dividends to Shareholders from Net Investment Income	(371,920)
INCREASE (DECREASE) FROM OPERATIONS	—
CAPITAL SHARE TRANSACTIONS	
(dollar amounts and number of shares are the same):	
Shares Sold	22,982,889
Shares Issued on Reinvestment of Distributions	371,920
Less: Shares Redeemed	20,207,835
INCREASE (DECREASE) FROM CAPITAL SHARE TRANSACTIONS	**3,146,974**
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS	
JULY 1	5,250,689
JUNE 30	**$ 8,397,663**

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, 2001

(dollars in thousands)

	COMPONENT UNITS
REVENUES AND OTHER ADDITIONS:	
Unrestricted Current Fund Revenues	$ 3,465,065
Local Appropriations-Restricted	17,912
Federal Grants and Contracts-Restricted	582,031
State Grants and Contracts-Restricted	132,552
Local Grants and Contracts-Restricted	9,483
Private Gifts, Grants and Contracts-Restricted	570,905
Endowment Income-Restricted	53,114
Investment Income-Restricted	(294,282)
Interest on Loans Receivable	5,343
Investment in Plant-Additions	772,834
Other	140,151
TOTAL REVENUES AND OTHER ADDITIONS	**5,455,108**
EXPENDITURES AND OTHER DEDUCTIONS:	
Educational and General Expenditures	4,537,956
Auxiliary Enterprises Expenditures	631,251
Hospital Expenditures	786,294
Indirect Costs Recovered	99,094
Grant Refunds and Adjustments	817
Loan Cancellations and Write-offs	2,192
Administrative and Collection Costs	2,129
Expended for Plant Facilities	539,111
Retirement of Indebtedness	101,181
Interest on Indebtedness	70,101
Investment in Plant-Deductions	213,163
Other	43,882
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**7,027,171**
TRANSFERS:	
Operating Transfers from Primary Government	1,992,851
NET INCREASE (DECREASE) FOR THE YEAR BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**420,788**
Cumulative Effect of Change in Accounting Principle	(45,770)
NET INCREASE (DECREASE) FOR THE YEAR	**375,018**
FUND BALANCE AND OTHER CREDITS, JULY 1 (as restated)	12,249,402
FUND BALANCE AND OTHER CREDITS, JUNE 30	**$ 12,624,420**

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, 2001

(dollars in thousands)

	COMPONENT UNITS
REVENUES:	
Tuition, Fees and Other Student Charges	$ 1,647,773
Local Appropriations	14,670
Federal Grants and Contracts	574,342
State Grants and Contracts	134,695
Local Grants and Contracts	9,834
Private Gifts, Grants and Contracts	371,832
Endowment Income	65,612
Sales and Services	1,465,456
Investment Income	93,333
Other Sources	122,136
TOTAL REVENUES	**4,499,683**
EXPENDITURES AND MANDATORY TRANSFERS:	
EDUCATIONAL AND GENERAL:	
Instruction and Departmental Research	1,837,458
Separately Budgeted Research	485,705
Public Service	256,600
Academic Support	446,912
Student Services	266,061
Institutional Support	479,108
Operation and Maintenance of Plant	321,750
Scholarships and Fellowships	449,978
TOTAL EDUCATIONAL AND GENERAL	4,543,572
AUXILIARY ENTERPRISES	632,168
HOSPITALS	786,294
TOTAL EXPENDITURES	**5,962,034**
MANDATORY TRANSFERS, NET:	
Principal and Interest	116,198
Renewals and Replacements	2,821
Other	850
TOTAL MANDATORY TRANSFERS, NET	**119,869**
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	**6,081,903**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	1,725,879
NONMANDATORY TRANSFERS, NET:	
Capital Improvements	(88,292)
Other	24,677
ADDITIONS/(DEDUCTIONS):	
Excess of Restricted Receipts over Transfers to Revenue	183,763
Indirect Costs Recovered	(93,479)
Other	(3,581)
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	**1,748,967**
NET INCREASE (DECREASE) IN FUND BALANCES	**$ 166,747**

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, 2001, 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 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.

The primary government has the ability to impose its will on the following organization by modifying or approving its budget.

Governmental

School Facilities Commission

The following 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
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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 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, 2000.

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, 2000.

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.

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 School Facilities Commission Fund is a discretely presented governmental component unit that uses special revenue fund reporting. The financial presentation of the underlying fund types of the other 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, 2000.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. For government-mandated and voluntary nonexchanges, the State recognizes liabilities and expenditures when recipients have met applicable eligibility requirements, including timing requirements.

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
- Federal government grants
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenue until the period of the exchange.

The State recognizes federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as deferred revenue. Also, the State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period (within 60-days of year-end).

For revenue arising from exchange transactions (i.e., charges for goods and services), the State defers revenue recognition when resources are received in advance of the exchange.

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.

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 set forth in the American Institute of Certified Public Accountants College Guide 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an employee of OBM designated by the director, can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code. As provided by Section 127.14, Ohio Revised Code, the Board has delegated to the director of OBM authority to approve transfers within a state agency among items of appropriations for the same fiscal year not to exceed a cumulative fiscal year transfer of $50,000 (or $75,000 for certain institutional departments) from each item of appropriation. The OBM director cannot make transfers for the purpose of effecting new or changed levels of program service not authorized by the General Assembly.

All governmental funds are budgeted except the following activities within the fund types:

Special Revenue Fund

Certain activities within the Community and Economic Development Special Revenue Fund, as discussed in NOTE 3

Debt Service Fund

Economic Development Revenue Bonds
Transportation Certificates of Participation
Vietnam Conflict Compensation
General Obligations
Higher Education Facilities Special Obligations
Mental Health Facilities Special Obligations
Parks and Recreation Facilities Special Obligations
School Building Program Special Obligations
Infrastructure Bank Revenue Bonds
Ohio Building Authority Special Obligations
Enterprise Revenue Bonds

Capital Projects Fund

Ohio Building Authority

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2001, that were committed during the current fiscal year. Encumbrance reversions represent lapses of prior years' appropriations. For certain activities in the General and Special Revenue funds and for the Capital Projects Fund, amounts reported under the "Budget" column include total unexpended appropriations for both the first and second years of the current 2001-2002 biennial budget.

The Unemployment Compensation and Variable College Savings Plan expendable trust funds, State Highway Patrol Retirement System Pension Trust Fund, and the 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 Receivables

Intergovernmental receivables are primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables.

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. Restricted Assets

The primary government reports assets restricted for payment of deferred prize awards (Ohio Lotto) and

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

J. 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	2-20 years
State Vehicles	3-6 years

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

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.

K. Long-Term Obligations

Governmental funds recognize long-term obligations as liabilities when due. The State reports only the portion expected to be financed from expendable available financial resources as a liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Included among these liabilities are the noncurrent portions of liabilities resulting from debt issuances, certificate of participation financing arrangements, compensated absences, judgments, settlements, claims, litigation, contingencies, leases, and workers' compensation benefits. The proprietary funds and college and university funds account for long-term liabilities expected to be financed from operations.

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.

L. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

M. 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.

N. Risk Management

The State's primary government is self-insured for claims under its traditional healthcare plan and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. While not the predominant participant, the State's primary government participates in a public entity risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of its workers' compensation liability (See NOTE 23A).

Estimates for significant incurred but not reported claims or contingent liabilities are included in accrued liabilities and in the General Long-Term Obligations Account Group.

O. 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.

P. 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 — Primary Government's Funds

Restatements of fund balances, as of June 30, 2000, are summarized for the primary government below.

		Special Revenue Fund				
	General Fund	Community & Economic Develop-ment	Job, Family & Other Human Services	Health	Mental Health and Retardation	Education
Fund Balance, as previously reported, June 30, 2000	$2,722,285	$697,394	$264,992	$32,496	$73,549	$955,902
GASB 33 Implementation:						
Increase/(Decrease) to Assets:						
Intergovernmental Receivables	—	—	16,299	—	—	—
Other Receivables	3,293	—	—	—	—	(607)
(Increase)/Decrease to Liabilities:						
Intergovernmental Payable	(119,674)	—	(16,817)	—	—	—
Deferred Revenue	(132,733)	(3,394)	(63,747)	(380)	(21,124)	(26,022)
	(249,114)	(3,394)	(64,265)	(380)	(21,124)	(26,629)
Corrections:						
Increase/(Decrease) to Assets:						
Cash and Cash Equivalents	—	(59)	—	—	—	—
Intergovernmental Receivable	—	—	—	—	1,157	—
Taxes Receivable (Sales Taxes)	48,526	—	—	—	—	—
Loans Receivable	—	2,532	—	—	—	—
(Increase)/Decrease to Liabilities:						
Accounts Payable	—	—	—	—	—	—
Deferred Revenue	—	(6,987)	—	—	—	—
	48,526	(4,514)	—	—	1,157	—
Fund Reclassification of Net Assets	(646)	—	—	—	—	(818,021)
Increase/(Decrease) for Restatement	(201,234)	(7,908)	(64,265)	(380)	(19,967)	(844,650)
Fund Balance, as restated, July 1, 2000	$2,521,051	$689,486	$200,727	$32,116	$53,582	$111,252

	Special Revenue Fund (Continued)					
	Highway Operating	Wildlife and Waterways Safety	Local Infra-structure & Transportation Improvements	Arts Facilities Improve-ments	Sports Facilities Improve-ments	All Other Special Revenue Funds
Fund Balance, as previously reported, June 30, 2000	$ 954,138	$ 51,922	$ 82,931	$ —	$ —	$789,059
GASB 33 Implementation:						
Increase/(Decrease) to Assets:						
Intergovernmental Receivables	—	(1,200)	—	—	—	—
Other Receivables	—	—	—	—	—	—
(Increase)/Decrease to Liabilities:						—
Intergovernmental Payable	—	—	—	—	—	—
Deferred Revenue	—	(1,983)	—	—	—	—
	—	(3,183)	—	—	—	—
Corrections:						
Increase/(Decrease) to Assets:						
Cash and Cash Equivalents	—	—	—	—	—	—
Intergovernmental Receivable	—	—	—	—	—	—
Taxes Receivable (Sales Taxes)	—	—	—	—	—	—
Loans Receivable	908	—	—	—	—	—
(Increase)/Decrease to Liabilities:				—	—	—
Accounts Payable	—	—	—	—	—	—
Deferred Revenue	—	—	—	—	—	—
	908	—	—	—	—	—
Fund Reclassification of Net Assets	—	—	274,991	21,163	4,912	—
Increase/(Decrease) for Restatement	908	(3,183)	274,991	21,163	4,912	—
Fund Balance, as restated, July 1, 2000	$ 955,046	$ 48,739	$357,922	$21,163	$4,912	$789,059

(Continued)

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

		Capital Projects Fund				
Primary Government (Cont'd)	Total Special Revenue Funds	Local Infrastructure Improve-ments	Arts Facilities Improve-ments	Sports Facilities Improve-ments	All Other Capital Projects Funds	Total Capital Projects Funds
Fund Balance, as previously reported, June 30, 2000	$3,902,383	$274,991	$21,163	$4,912	$471,568	$772,634
GASB 33 Implementation:						
Increase/(Decrease) to Assets:						
Intergovernmental Receivables	15,099	—	—	—	—	—
Other Receivables	(607)	—	—	—	—	—
(Increase)/Decrease to Liabilities:						
Intergovernmental Payable	(16,817)	—	—	—	—	—
Deferred Revenue	(116,650)	—	—	—	—	—
	(118,975)	—	—	—	—	—
Corrections:						
Increase/(Decrease) to Assets:						
Cash and Cash Equivalents	(59)	—	—	—	—	—
Intergovernmental Receivable	1,157	—	—	—		
Taxes Receivable (Sales Taxes)	—	—	—	—	—	—
Loans Receivable	3,440	—	—	—	—	—
(Increase)/Decrease to Liabilities:				—	—	—
Accounts Payable		—	—			
Deferred Revenue	(6,987)	—	—	—	—	—
	(2,449)	—	—	—	—	—
Fund Reclassification of Net Assets	(516,955)	(274,991)	(21,163)	(4,912)	—	(301,066)
Increase/(Decrease) for Restatement	(638,379)	(274,991)	(21,163)	(4,912)	—	(301,066)
Fund Balance, as restated, July 1, 2000	$3,264,004	$ —	$ —	$ —	$471,568	$471,568

For the year ended June 30, 2001, the State implemented the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB 33 principally addresses the timing of recognition of nonexchange transactions involving financial or capital resources (e.g., most taxes, grants, fines and penalties, and private donations) in a government's financial statements. Restatements for the primary government resulting from the implementation of the new standard are detailed in the foregoing table under the "GASB 33 Implementation" caption. GASB 33 restatements for the college and university component unit funds are detailed in the table on the following page.

For the General Fund, the sales taxes receivable balance reported, as of June 30, 2000, was increased by $48.5 million to properly reflect earned sales tax revenue collected in August 2000.

Beginning balance adjustments have been included to correct the following balances reported in the Special Revenue Fund, as of June 30, 2000.

- The cash and cash equivalents balance reported by the Department of Development's Office of Business Development was corrected for a $59 thousand overstatement.
- The intergovernmental receivable balance was increased by $1.2 million because state-earned cash had mistakenly been included in the year-end calculation of the federal receivable balance for the Medicaid Program at the Department of Mental Health; thereby, causing an offset that resulted in an understatement of the balance owed by the federal government to the State.
- The increase in the loans receivable balance in the amount of $3.4 million represents corrections for loan programs at the Department of Development ($2.5 million) and the Department of Transportation ($908 thousand).
- The deferred revenue balance was understated by $7 million because unearned federal revenue on deposit at the Office of Criminal Justice Services had not been recognized.

Net assets reported for the Local Infrastructure, Arts Facilities Improvements, and Sports Facilities Improvements capital projects funds, as of June 30, 2000, have been reclassified to the Special Revenue Fund because a significant amount of expenditures reported in these funds are comprised of capital grants to local governments, which do not qualify as capital outlay expenditures for the primary government.

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

Net assets in the amount of $646 thousand and $818 million reported for the General and Education Special Revenue funds, respectively, as of June 30, 2000, have been reclassified and presented under the School Facilities Commission discretely presented component unit column. Net assets reclassified for this discretely presented component unit in NOTE 2B in the amount of $(250.5) million has been restated for a $1.07 billion increase in intergovernmental payables, as required for the implementation of GASB 33, and a $1.2 million increase in the loans receivable balance for loans not reported, as of June 30, 2000.

Additionally, the July 1, 2000 beginning balance of general fixed assets reported in the General Fixed Assets Account Group was decreased by approximately $13.1 million (See NOTE 8). The net decrease resulted from fixed asset additions and deletions not reported in prior years.

B. Restatements — Component Unit Funds

Restatements of fund balances, as of June 30, 2000, are summarized for the component unit funds below.

		Colleges and Universities				
	School Facilities Commission	Ohio State University	Ohio University	Miami University	University of Akron	Bowling Green State University
Fund Balance, as previously reported, June 30, 2000	$ —	$4,267,033	$648,365	$741,077	$571,092	$434,526
GASB 33 Implementation:						
Increase/(Decrease) to Assets:						
Intergovernmental Receivables	—	15,398	—	—	—	—
Other Receivables	—	—	—	1,377	613	—
Fixed Assets	—	—	2,073	—	580	589
(Increase)/Decrease to Liabilities:						
Deferred Revenue	—	—	—	—	—	(10,234)
	—	15,398	2,073	1,377	1,193	(9,645)
Corrections:						
Increase/(Decrease) to Assets:						
Investments	—	—	—	—	—	—
Other Receivables	—	—	—	—	—	—
Fixed Assets	—	—	—	—	—	—
	—	—	—	—	—	—
Fund Reclassification of Net Assets	(250,453)	—	—	—	—	—
Change in Reporting Entity	—	—	845	—	—	—
Increase/(Decrease) for Restatement	(250,453)	15,398	2,918	1,377	1,193	(9,645)
Fund Balance, as restated, July 1, 2000	$(250,453)	$4,282,431	$651,283	$742,454	$572,285	$424,881

	Colleges and Universities (Continued)					
	University of Toledo	Clark State Community College	Washington State Community College	Northwest State Community College	All Other Colleges and Universities	Total Colleges and Universities
Fund Balance, as previously reported, June 30, 2000	$428,956	$47,396	$25,681	$25,977	$5,048,832	$12,238,935
GASB 33 Implementation:						
Increase/(Decrease) to Assets:						
Intergovernmental Receivables	1,370	—	—	—	—	16,768
Other Receivables	—	—	—	—	—	1,990
Fixed Assets	—	—	—	—	—	3,242
(Increase)/Decrease to Liabilities:						
Deferred Revenue	(2,805)	—	—	—	—	(13,039)
	(1,435)	—	—	—	—	8,961
Corrections:						
Increase/(Decrease) to Assets:						
Investments	—	—	114	—	—	114
Other Receivables	—	(12)	—	—	—	(12)
Fixed Assets	—	353	—	206	—	559
	—	341	114	206	—	661
Fund Reclassification of Net Assets	—	—	—	—	—	—
Change in Reporting Entity	—	—	—	—	—	845
Increase/(Decrease) for Restatement	(1,435)	341	114	206	—	10,467
Fund Balance, as restated, July 1, 2000	$427,521	$47,737	$25,795	$26,183	$5,048,832	$12,249,402

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

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

- $9 million as the result of the implementation of GASB 33,
- $661 thousand for the correction of errors in previously reported investments, other receivables, and fixed assets balances, and
- $845 thousand for a change in reporting entity at Ohio University when it included the Ohio University Osteopathic Medical Center for the first time in its fiscal year 2001 financial statements.

C. Changes in Accounting Principle
For fiscal year 2001, Youngstown State University, a component unit fund, changed its capitalization policy for fixed assets. The university increased its thresholds for capitalizing equipment and building and other improvements. The cumulative effect of the change is recognized as a $45.8 million decrease in the University's net assets.

D. Newly Issued Accounting Pronouncements
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. 34 and 35 will have on the State's financial statements.

NOTE 3 GAAP versus 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 $1.11 billion, $1.43 billion, $49.5 million, and $2.11 billion increases in the budgets of the General, Special Revenue, Debt Service, and Capital Projects funds, respectively.

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

NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)

Primary Government
Reconciliation of GAAP Basis Fund Balances to
Non-GAAP Budgetary Basis Fund Balances
As of June 30, 2001
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects
Total Fund Balances - GAAP Basis	$1,880,898	$ 3,607,251	$118,023	$535,181
Less: Unbudgeted Fund Balances	—	151,254 *	59,051	10,085
Total Budgeted Fund Balances - GAAP Basis	1,880,898	3,455,997	58,972	525,096
Less: Reserved Fund Balances	1,699,875	4,156,697	59,445	629,978
Less: Designated Fund Balances	13,104	—	—	—
Unreserved/Undesignated Fund Balances - GAAP Basis	167,919	(700,700)	(473)	(104,882)
BASIS DIFFERENCES				
Revenue Accruals/Adjustments:				
Cash Equity with Treasurer	(19,088)	(16,946)	(1,033)	(3,298)
Taxes Receivable	(1,018,309)	(288,777)	—	—
Intergovernmental Receivable	(503,498)	(683,682)	—	—
Loans Receivable	(27,580)	(490,311)	—	—
Other Receivables	(10,953)	(62,757)	(185)	(1,932)
Due from Other Funds	(16,052)	(17,752)	(130)	(1,366)
Inventories	(770)	(30,368)	—	—
Advances to Other Funds	—	(20,000)	—	—
Other Assets	(243)	(3,241)	—	—
Deferred Revenue	133,549	396,071	—	—
Total Revenue Accruals/Adjustments	(1,462,944)	(1,217,763)	(1,348)	(6,596)
Expenditure Accruals/Adjustments:				
Accounts Payable	138,374	273,707	—	63,066
Medicaid Claims Payable	716,019	—	—	—
Accrued Liabilities	81,464	46,006	1,459	—
Intergovernmental Payable	382,066	594,593	—	—
Due to Other Funds	36,899	3,063	—	200
Refund and Other Liabilities	499,624	78,595	780	—
Advances from Other Funds	—	—	—	20,000
Total Expenditure Accruals/Adjustments	1,854,446	995,964	2,239	83,266
Other Adjustments:				
Fund Balance Reclassifications:				
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:				
Debt Service	1,620	—	58,865	—
Budget Stabilization	1,002,491	—	—	—
Noncurrent Portion of Loans Receivable	25,517	437,485	—	—
Other	109,687	354,485	580	521
From Undesignated (Non-GAAP Budgetary Basis) to Designated	13,104	—	—	—
Cash and Investments Held Outside of State Treasury	(10,752)	(346,340)	(1,200)	—
Other	(2)	2	1	1
Total Other Adjustments	1,141,665	445,632	58,246	522
Total Basis Differences	1,533,167	223,833	59,137	77,192
TIMING DIFFERENCES				
Encumbrances	(195,383)	(458,848)	—	(60,669)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$1,505,703	$(935,715)	$ 58,664	$ (88,359)

*This amount in the Special Revenue Fund includes certain unbudgeted activities within the Community and Economic Development Special Revenue Fund.

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 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 Tuition Trust Authority Enterprise 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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, 2001, the carrying amount of deposits was (dollars in thousands) $1,015,152, and the bank balance was $1,033,446. Of the bank balance, $105,452 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), $897,191 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 $30,803, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units
As of June 30, 2001, the carrying amount of deposits was (dollars in thousands) $259,133, and the bank balance was $384,940. Of the bank balance, $55,118 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), $287,332 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 $42,490, 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 levels 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 levels 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, 2001, are detailed in the tables on the following page.

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	$ 31,312,927	$ —	$ 7,088,689	$ 38,401,616
On Securities Loan	—	—	254,543	254,543
Common and Preferred Stock	48,590,158	—	4,707,447	53,297,605
Corporate Bonds and Notes:				
Not on Securities Loan	14,664,984	—	1,914,884	16,579,868
On Securities Loan	—	—	167,035	167,035
Foreign Stocks and Bonds	22,069,162	—	1,713,685	23,782,847
Commercial Paper	2,346,919	613	1,678,411	4,025,943
Repurchase Agreements	132,840	50,796	259	183,895
Securities Lending Collateral:				
U.S. Government & Agency Obligations	497,500	—	952,778	1,450,278
Repurchase Agreements	2,802,648	—	—	2,802,648
Common and Preferred Stock	—	—	442,057	442,057
Corporate Bonds and Notes	499,993	—	575,587	1,075,580
Commercial Paper	586,000	—	—	586,000
	$123,503,131	$51,409	$19,495,375	143,049,915
Investments Held by Broker-dealers under Securities Loans with Cash Collateral:				
U.S. Government and Agency Obligations				6,130,611
Common and Preferred Stock				436,448
Corporate Bonds and Notes				561,722
Mutual Funds				5,790,823
Real Estate				13,367,281
Venture Capital				1,187,691
Limited Partnerships				247,483
Direct Mortgage Loans				12,715
Investment Contracts				4,348
Securities Lending Collateral — Mutual Funds				904,647
Deposit with Federal Government				2,214,245
Component Units' Equity in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities)				(1,038,995)
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAROhio)				(315,315)
Total Investments — Primary Government				$172,553,619

Component Units
(dollars in thousands)

	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations	$339,791	$ 592,816	$368,543	$1,301,150
Common and Preferred Stock	303,735	939,295	28,178	1,271,208
Corporate Bonds and Notes	196,570	142,723	36,584	375,877
Foreign Stocks and Bonds	21,430	—	—	21,430
Repurchase Agreements	—	170,645	261,258	431,903
Municipal Obligations	12	—	29	41
Negotiable Certificates of Deposit	1,238	—	19,300	20,538
	$862,776	$1,845,479	$713,892	3,422,147
Mutual Funds				678,593
Investment in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities)				1,038,995
Investment in the State Treasury Asset Reserve of Ohio (STAROhio)				315,315
Real Estate				42,167
Life Insurance				12,579
Limited Partnerships				9,046
Investment Contracts				227,183
Mortgages				470
Total Investments — Component Units				$5,746,495

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2001, reported for the primary government and its component units is (dollars in thousands) $179,226,823. The total carrying amount of deposits and investments categorized and disclosed in this note is $179,574,399. A reconciliation of the difference follows.

Reconciliation of Deposits and Investments Disclosure with Combined Balance Sheet As of June 30, 2001
(dollars in thousands)

	Deposits	Investments	Total
Cash Equity with Treasurer (unrestricted and restricted)....	$ 454,414	$ 6,431,785	$ 6,886,199
Cash and Cash Equivalents (unrestricted and restricted)....	564,744	1,731,571	2,296,315
Investments	9,168	158,750,437	158,759,605
Collateral on Lent Securities (unrestricted and restricted)....	—	7,261,208	7,261,208
Deposit with Federal Government	—	2,214,245	2,214,245
Restricted Assets:			
Investments.....	—	194,784	194,784
Dedicated Investments.....	—	1,614,467	1,614,467
Carrying Amount per Combined Balance Sheet ...	1,028,326	178,198,497	179,226,823
Outstanding Warrants and Other Reconciling Items	245,959	101,617	347,576
Total Reporting Entity................	$1,274,285	$178,300,114	$179,574,399

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, 2001, 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 10 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 one business day.

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 2001, 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.

F. Derivatives

Derivatives are generally defined as a contract whose value depends on, or derives, from the values of an underlying asset, reference rate, or index.

During fiscal year 2001, the Bureau of Workers' Compensation Enterprise Fund held certain mortgage and asset-backed securities (included under the "U.S. Government and Agency Obligations" investment type in the amount of approximately $6.0 billion at fair value, as of June 30, 2001), which the fund classified as derivatives. The overall return or yield on mortgage-backed securities depends on the interest amount collected over the life of the security and the change in the fair value. Although the Bureau will receive the full principal amount, if prepaid, the interest income that would have been collected during the remaining period to maturity is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If the market rates fall below a mortgage

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new lower financing.

Through the use of international money managers, the Bureau of Workers' Compensation also entered into various forward currency contracts to manage exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. The international money managers may also enter into foreign currency exchange contracts to provide a quantity of foreign currency needed at a future time at the current exchange rates, if rates are expected to change dramatically. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The fair value of the forward currency contracts payable by the Bureau was $39 thousand, as of June 30, 2001.

Additionally, 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.

NOTE 5 TAXES RECEIVABLE

The following table provides a summary of taxes receivable for the primary government.

Primary Government
Taxes Receivable
As of June 30, 2001
(dollars in thousands)

	General	Special Revenue	Trust and Agency	Total
Income Taxes	$ 385,008	$ 36,737	$ —	$ 421,745
Sales Taxes	559,292	29,926	—	589,218
Motor Vehicle Fuel Taxes	—	204,602	—	204,602
Public Utility Taxes	74,009	15,165	—	89,174
Unemployment Taxes	—	—	136,476	136,476
Other Taxes	—	2,347	—	2,347
Total Taxes Receivable	$1,018,309	$288,777	$136,476	$1,443,562

As of June 30, 2001, approximately $108.1 million of the income taxes receivable balance is also reported as deferred revenue on the balance sheet. Refund liabilities for income and corporation franchise taxes, totaling approximately $567.4 million, are reported as "Refunds and Other Liabilities," of which $497 million is reported in the General Fund and $70.4 million is reported in the Special Revenue Fund.

NOTE 6 INTERGOVERNMENTAL, LOANS, AND OTHER RECEIVABLES

A. Intergovernmental Receivables

Intergovernmental receivables for the primary government, as of June 30, 2001, consist of the following.

Primary Government
Intergovernmental Receivables
As of June 30, 2001
(dollars in thousands)

Type of Intergovernmental Receivable	General	Special Revenue	Internal Service	Trust and Agency	Total
Federal Receivable — Nonexchange Programs ...	$430,079	$ 453,343	$ —	$24	$ 883,446
Advances to Local Governments					
— Nonexchange Programs ...	71,584	228,695	—	—	300,279
Local Government Receivable					
— Exchange Transactions for the					
Sale of State Goods and Services ...	1,835	1,644	2,207	—	5,686
Total Intergovernmental Receivables ...	$503,498	$683,682	$2,207	$24	$1,189,411

B. Loans Receivable

Loans receivable (net of uncollectible amounts) for the primary government and its component units, as of June 30, 2001, consist of the following.

Primary Government
Loans Receivable
As of June 30, 2001
(dollars in thousands)

Loan Program	General	Special Revenue	Debt Service	Total
Primary, Secondary and Other Education:				
School District Solvency Assistance ...	$ 8,175	$ —	$ —	$ 8,175
Vocational Education ...	418	118	—	536
Wayne Trace Local School District ...	5,172	—	—	5,172
Vocational School Assistance ...	—	9,518	—	9,518
Physician Loan Repayment ...	—	523	—	523
Nurses Education Assistance ...	—	251	—	251
Total Primary, Secondary and Other Education ...	13,765	10,410	—	24,175
Community and Economic Development:				
Office of Minority Financial Incentives ...	2,250	—	—	2,250
Rail Development ...	—	5,572	—	5,572
Local Government Y2K Assistance ...	1,427	—	—	1,427
Office of Business Development ...	—	275,939	—	275,939
Ohio Housing Finance Agency ...	—	191,065	—	191,065
Small Government Fire Departments ...	365	—	—	365
Total Community and Economic Development ...	4,042	472,576	—	476,618
Higher Education Research Investment Loans ...	—	—	2,571	2,571
Highway, Transit, and Aviation Infrastructure Bank ...	—	46,899	—	46,899
Natural Resources ...	—	287	—	287
Local Infrastructure Improvements ...	—	198,000	—	198,000
Columbiana County Economic Stabilization ...	2,392	—	—	2,392
State Workforce Development ...	7,381	—	—	7,381
Total Loans Receivable ...	$27,580	$728,172	$2,571	$758,323

NOTE 6 INTERGOVERNMENTAL, LOANS, AND OTHER RECEIVABLES (Continued)

Component Units
Loans Receivable
As of June 30, 2001
(dollars in thousands)

Loan Type	Ohio Water Development Authority (12/31/00)	Ohio State University	University of Cincinnati	Kent State University	Other Component Units	Total Component Units
Water and Wastewater Treatment	$2,171,815	$ —	$ —	$ —	$ —	$2,171,815
Student	—	63,595	29,584	19,690	84,800	197,669
Other	—	—	641	—	1,683	2,324
Total Loans Receivable	$2,171,815	$63,595	$30,225	$19,690	$86,483	$2,371,808

C. Other Receivables

Other receivables for the primary government and its component units, as of June 30, 2001, are as follows.

Primary Government
Other Receivables
As of June 30, 2001
(dollars in thousands)

Unrestricted:	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total
Accounts Receivable	$ 2,584	$13,465	$ —	$ —	$164,825	$ 3,085	$ —	$183,959
Interest and Dividends Receivable	8,184	8,205	696	1,974	119,363	175	18,327	156,924
Women, Infants and Children Program Rebate Receivable	—	17,639	—	—	—	—	—	17,639
Health Facility Bed Assessments Receivable	—	13,052	—	—	—	—	—	13,052
Leases Receivable	—	—	—	—	—	23,086	—	23,086
Receivables from Lottery Sales Agents	—	—	—	—	37,237	—	—	37,237
Claims & Settlements Receivable	—	—	—	—	—	—	20,242	20,242
Employer Interest and Penalties on Unemployment Taxes	—	22,220	—	—	—	—	—	22,220
Refunds from Academic Grants and Scholarships Programs	185	—	—	—	—	—	—	185
Variable College Savings Plan Units Sold	—	—	—	—	—	—	3,360	3,360
Miscellaneous Receivables	—	521	—	—	87	864	2,967	4,439
Total Unrestricted	10,953	75,102	696	1,974	321,512	27,210	44,896	482,343
Restricted:								
Interest Receivable	—	—	—	—	5,625	—	—	5,625
Total Unrestricted and Restricted	$10,953	$75,102	$696	$1,974	$327,137	$27,210	$44,896	$487,968

Component Units
Other Receivables
As of June 30, 2001
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Miami University	Other Component Units	Total Component Units
Accounts Receivable	$305,527	$ 46,704	$23,059	$23,106	$123,521	$521,917
Interest Receivable	12,889	6,533	1,024	720	9,555	30,721
Pledges Receivable	—	49,151	—	1,007	5,915	56,073
Miscellaneous Receivable	—	230	—	—	6,694	6,924
Total Other Receivables	$318,416	$102,618	$24,083	$24,833	$145,685	$615,635

NOTE 6 INTERGOVERNMENTAL, 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 included under "Other Receivables" in the Ohio Building Authority Internal Service Fund, net of executory costs, are as follows (dollars in thousands):

Year Ending June 30,	Leases Receivable
2002	$ 5,008
2003	5,012
2004	5,037
2005	4,187
2006	8,876
Thereafter	7,793
Total minimum lease payments	35,913
Amount representing interest	(12,827)
Present value of net minimum lease payments	$23,086

NOTE 7 INTERFUND AND INTRA-ENTITY BALANCES AND TRANSFERS

Interfund balances, as of June 30, 2001, and operating transfers, for the year ended June 30, 2001, 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	$ 16,052	$ 36,899	$ —	$ —	$ 207,488	$1,061,119
Special Revenue:						
Community and Economic Development	2,696	721	—	190,858	41,284	12,377
Job, Family and Other Human Services	92	474	—	—	47,866	5,319
Health	49	90	—	—	10,322	429
Mental Health and Retardation	27	537	—	—	2,700	—
Education	119	154	—	—	646,740	63,379
Highway Safety	1,790	1,178	—	—	175,101	10,075
Highway Operating	2,579	282	20,000	—	552,392	217,055
Natural Resources	349	81	—	—	170	2,497
Wildlife and Waterways Safety	137	2	—	—	966	11
Revenue Distribution	8,468	53	—	—	64,095	728,241
Local Infrastructure and Transportation Improvements	459	7	—	—	62,516	—
Tobacco Settlement	823	—	—	—	—	—
Arts Facilities Improvements	104	—	—	—	30,342	—
Sports Facilities Improvements	60	—	—	—	24,087	—
Total Special Revenue Fund	17,752	3,579	20,000	190,858	1,658,581	1,039,383
Debt Service:						
Economic Development Revenue Bonds	—	—	—	—	15,818	—
Coal Research/Development General Obligations	—	—	—	—	7,226	20
Improvements General Obligations	1	—	—	—	—	—
Development General Obligations	—	—	—	—	—	9
Highway General Obligations	119	—	—	—	—	35
Public Improvements General Obligations	—	—	—	—	—	9
Local Infrastructure Improvements General Obligations	—	—	—	—	132,095	67
Higher Education Facilities Special Obligations	—	—	—	—	325,135	—
Mental Health Facilities Special Obligations	—	—	—	—	55,131	—
Parks and Recreation Facilities Special Obligations	—	—	—	—	11,844	—
State Projects General Obligations	—	—	—	—	15,517	51
School Building Program Special Obligations	—	—	—	—	41,707	—
Highway Capital Improvements General Obligations	10	—	—	—	111,528	39
Infrastructure Bank Revenue Bonds	—	—	—	—	11,277	—
Higher Education Capital Facilities General Obligations	—	—	—	—	27,968	113

(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
Debt Service (continued):						
Common Schools Capital Facilities General Obligations	—	—	—	—	27,893	85
Ohio Building Authority Special Obligations	—	—	—	—	279,839	4,209
Enterprise Revenue Bonds	—	—	—	—	—	8,340
Total Debt Service Fund	130	—	—	—	1,062,978	12,977
Capital Projects:						
Infrastructure Bank Obligations	24	—	—	20,000	—	—
Higher Education Improvements	223	—	—	—	—	587
Mental Health/Mental Retardation Facilities Improvements	14	—	—	—	—	—
Parks and Recreation Improvements	46	—	—	—	—	—
Ohio Building Authority	—	—	—	—	7,126	239,887
Administrative Services Building Improvements	266	—	—	—	124,067	7,126
Youth Services Building Improvements	83	22	—	—	41,041	—
Transportation Building Improvements	1	—	—	—	—	—
Adult Correctional Building Improvements	172	14	—	—	—	—
Highway Safety Building Improvements	53	—	—	—	20,004	—
Ohio Parks and Natural Resources	24	—	—	—	—	—
Highway Capital Improvement	460	164	—	—	—	—
Total Capital Projects Fund	1,366	200	—	20,000	192,238	247,600
Enterprise:						
Liquor Control	7	2,473	—	—	—	121,261
Ohio Lottery Commission	—	—	—	—	—	637,036
Workers' Compensation	—	—	—	—	—	6,795
Underground Parking Garage	—	—	—	—	—	773
Office of Auditor of State	1,681	—	—	—	36,715	—
Total Enterprise Fund	1,688	2,473	—	—	36,715	765,865
Internal Service:						
Ohio Building Authority	—	—	—	—	29,857	31,779
Information Technology	14,163	2,828	—	—	—	5,000
Ohio Penal Industries	17,670	1,159	—	—	9,558	—
Support Services	5,070	38	—	—	—	—
Total Internal Service Fund	36,903	4,025	—	—	39,415	36,779
Expendable Trust:						
Unemployment Compensation	—	—	—	—	—	33,692
Unclaimed Funds	516	—	190,858	—	—	—
Pension Trust:						
State Highway Patrol	3,078	—	—	—	—	—
Agency:						
Holding and Distribution	—	22,357	—	—	—	—
Payroll Withholding and Fringe Benefits	109	6,960	—	—	—	—
Other	123	—	—	—	—	—
Total Trust and Agency Funds	3,826	29,317	190,858	—	—	33,692
Total per Financial Statements — Primary Government	77,717	76,493	210,858	210,858	3,197,415	3,197,415
Reconciliation for :						
Timing Differences for Funds with December 31, 2000 Year-Ends	(1,225)	—	—	—	—	—
Rounding Differences	1	—	—	—	—	—
Reconciled Total for the Primary Government	76,493	76,493	$210,858	$210,858	$3,197,415	$3,197,415
Component Units:						
Ohio State University	344,801	344,801				
University of Cincinnati	271,725	271,725				
Other Component Units	106,027	106,027				
Total per Financial Statements — Component Units	722,553	722,553				
Total Reporting Entity	$799,046	$799,046				

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

For the fiscal year ended June 30, 2001, the Debt Service Fund reports residual equity transfers-out in the amount of $23.9 million to the Special Revenue Fund. The transfer of remaining assets resulted when debt service activities for the Enterprise Bond Program ceased upon the final retirement of this program's associated debt.

Additionally, the Capital Projects Fund reports $2.2 million in residual equity transfers-out. The transfer represents capital contributions to the Internal Service funds, as more detailed in NOTE 18.

Operating transfers from the General Fund and the Special Revenue Fund to the School Facilities Commission provided funding for capital construction at local school districts.

Operating transfers between the primary government's funds and the colleges and universities represent transfers of moneys from

- the General Fund for instructional and non-instructional financial support, and
- the Capital Projects Fund for the funding of capital facilities on a cost-reimbursement basis

Details of amounts transferred during the year ended June 30, 2001 are presented below.

Intra-Entity Transfers
For the Year Ended June 30, 2001
(dollars in thousands)

Component Unit	Operating Transfers from the General Fund	Operating Transfers From the Special Revenue Fund	Operating Transfers from the Capital Projects Fund	Total Transfers From the Primary Government
Governmental:				
School Facilities Commission	$120,000	$138,063	$ —	$258,063
College and University:				
Ohio State University	467,906	—	47,330	515,236
University of Cincinnati	199,780	—	46,128	245,908
Ohio University	149,319	—	27,757	177,076
Miami University	87,857	—	23,090	110,947
University of Akron	105,441	—	16,011	121,452
Bowling Green State University	89,263	—	13,418	102,681
Kent State University	124,671	—	16,394	141,065
University of Toledo	88,590	—	4,980	93,570
Cleveland State University	77,287	—	25,764	103,051
Youngstown State University	48,429	—	3,927	52,356
Wright State University	97,185	—	10,586	107,771
Shawnee State University	16,294	—	483	16,777
Central State University	19,051	—	2,457	21,508
Medical College of Ohio	38,836	—	3,774	42,610
Terra State Community College	7,098	—	511	7,609
Columbus State Community College	41,372	—	2,620	43,992
Clark State Community College	7,525	—	342	7,867
Edison State Community College	6,210	—	—	6,210
Southern State Community College	4,485	—	502	4,987
Washington State Community College	5,198	—	175	5,373
Cincinnati State Community College	21,596	—	182	21,778
Northwest State Community College	5,673	—	484	6,157
Owens State Community College	35,651	—	1,219	36,870
Total College and University	1,744,717	—	248,134	1,992,851
Total	$1,864,717	$138,063	$248,134	$2,250,914

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, 2001, and the changes in the primary government's general fixed assets for the year ended June 30, 2001. No projects were under construction during fiscal year 2001 that resulted in capitalized interest for the proprietary and fiduciary fund types.

Primary Government
Fixed Assets
As of June 30, 2001
(dollars in thousands)

	Enterprise	Internal Service	Pension Trust	General Fixed Assets	Total Primary Government
Land	$ 12,631	$ —	$ —	$ 234,180	$ 246,811
Buildings	242,766	5,733	—	2,971,739	3,220,238
Land Improvements	66	771	—	185,542	186,379
Machinery and Equipment	113,153	81,594	305	256,155	451,207
State Vehicles	6,367	1,047	—	265,750	273,164
Construction-in-Progress	1,123	—	—	291,793	292,916
Total Fixed Assets (at cost)	376,106	89,145	305	4,205,159	4,670,715
Accumulated Depreciation	(182,716)	(63,135)	(134)	—	(245,985)
Total Fixed Assets (net)	$ 193,390	$ 26,010	$ 171	$4,205,159	$4,424,730

Primary Government
Changes in General Fixed Assets
For the Fiscal Year Ended June 30, 2001
(dollars in thousands)

	Balance July 1, 2000	Beginning Balance Adjustments	Additions	Deletions/ Net Transfers	Balance June 30, 2001
Land	$ 223,556	$ 25	$ 10,782	$ (183)	$ 234,180
Buildings	2,694,149	44,264	241,174	(7,848)	2,971,739
Land Improvements	165,090	6,720	15,296	(1,564)	185,542
Machinery and Equipment	258,690	(18,923)	27,799	(11,411)	256,155
State Vehicles	256,300	(6,667)	34,422	(18,305)	265,750
Construction-in-Progress	560,445	(38,485)	145,127	(375,294)	291,793
Total General Fixed Assets	$4,158,230	$(13,066)	$474,600	$(414,605)	$4,205,159

Component Units
Fixed Assets
As of June 30, 2001
(dollars in thousands)

	Ohio State University	University of Cincinnati	Ohio University	Miami University	University of Akron
Land	$ 37,891	$ 17,912	$ 13,948	$ 2,294	$ 17,542
Buildings	1,906,065	974,861	371,504	353,681	38,102
Land Improvements	170,020	21,998	60,892	65,964	337,608
Machinery, Equipment, and Vehicles	681,674	222,532	102,666	106,957	102,710
Library Books and Publications	151,281	101,984	60,234	48,515	57,356
Construction-in-Progress	153,915	76,064	66,724	48,196	36,324
Total Fixed Assets (at cost)	3,100,846	1,415,351	675,968	625,607	589,642
Accumulated Depreciation	—	—	—	—	—
Total Fixed Assets (net)	$3,100,846	$1,415,351	$675,968	$625,607	$589,642

(Continued)

NOTE 8 FIXED ASSETS (Continued)

	Kent State University	University of Toledo	Cleveland State University	Other Component Units	Total Component Units
Land	$ 7,697	$ 17,798	$ 52,026	$ 54,191	$ 221,299
Buildings	328,931	325,498	329,270	1,386,542	6,014,454
Land Improvements	45,649	37,430	14,934	97,972	852,467
Machinery, Equipment, and Vehicles	84,651	34,846	42,695	339,005	1,717,736
Library Books and Publications	51,407	21,172	51,799	80,130	623,878
Construction-in-Progress	19,392	11,186	—	77,232	489,033
Total Fixed Assets (at cost)	537,727	447,930	490,724	2,035,072	9,918,867
Accumulated Depreciation	—	—	—	(480)	(480)
Total Fixed Assets (net)	$537,727	$447,930	$490,724	$2,034,592	$9,918,387

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

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.

Effective January 1, 2001, legislation established a new class of law enforcement employees under the plan to include sheriffs, deputy sheriffs, and township police officers. This class of employees may retire with at least 25 years of service credit with full benefits at age 48. PERS is developing contribution rates and benefit structures that are separate and distinct from those of other law enforcement employees.

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 2.2 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 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 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 2000 are as follows:

	Contribution Rates	
	Employee Share	Employer Share
January 1 through June 30, 2000:		
Regular Employees	8.50%	13.31%
Law Enforcement Employees	9.00	16.70
July 1 through December 31, 2000:		
Regular Employees	8.50%	7.99%
Law Enforcement Employees	9.00	14.70

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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
2000	$159,528	$2,994
1999	221,791	3,094
1998	212,114	2,970

Component Units

For the Year Ended June 30,	Employer's Contribution for Regular Employees
2001	$ 72,686
2000	101,154
1999	100,392

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. Law enforcement employees will not be eligible to participate in the alternative plan, which will cover classes of employees not currently eligible to participate in the existing PERS alternative retirement plan, as discussed further in Note 9D.

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 or 1-800-222-PERS.

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 2000, the portion of the employer rate that is used to fund healthcare is 4.3 percent of covered payroll for law enforcement and regular employees. Employees do not fund any portion of healthcare costs.

Benefits are advance-funded using the entry-age, normal cost method. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in total payroll for active employees of 4.75 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Healthcare premiums were assumed to increase 4.75 percent annually.

Net assets available for payment of benefits at December 31, 1999 (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $12.5 million and $1.7 billion, respectively. All investments are carried at market value. For the actuarial valuation of net assets available for future healthcare benefits, PERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments.

The State's actuarially required and actual contributions for the PERS healthcare plan are as follows (dollars in thousands):

Primary Government:	
(for the year ended December 31, 2000)	
Regular Employees	$108,945
Law Enforcement Employees	1,133
Total	$110,078
Component Units:	
(for the year ended June 30, 2001)	$ 49,022

The number of active contributing participants for the primary government was 61,281, as of December 31, 2000.

B. State Teachers Retirement System (STRS)

Pension Benefits

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

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent 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 2001 were 14 percent for employers and 9.3 percent for employees. For STRS, 9.5 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
2001	$5,177	$93,410
2000	3,028	59,841
1999	2,876	59,593

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, or by calling (614) 227-4090.

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 4.5 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, 2000 (the most recent information available), net assets available for future healthcare benefits were $3.4 billion. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 2001, totaled approximately $2.5 million and $42.5 million, respectively. The number of eligible benefit recipients for STRS as a whole was 112,092, as of June 30, 2000; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2001, 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-

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 nor be less than the employee's contribution rate.

Contribution rates for calendar year 2000 are as follows:

	Contribution Rates	
	Employee Share	Employer Share
January 1 through June 30, 2000	10.00%	23.50%
July 1 through December 31, 2000	9.50%	23.50%

During calendar year 2000, all of the employees' contributions funded pension benefits while 18.75 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits 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
2000	$11,686	100%
1999	13,351	100
1998	13,060	100

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2000. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an eight percent rate of return on investments; projected salary increase of 4.5 percent attributable to inflation and additional projected salary increases ranging from .3 percent to 3.7 percent a year attributable to seniority and merit; and postretirement 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 eight years.

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

SHPRS Schedule of Funding Progress
Last Three Calendar Years
(dollars in thousands)

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
2000 (a)	$594,223	$570,040	$24,183	95.9%	$69,028	35.0%
2000	607,411	570,040	37,371	93.8	69,028	54.1
1999 (b)	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

(a) Change in assumption or method.
(b) The plan was amended in 1999.

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, 2000, was 1,489. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2000 expense was $4.6 million.

Healthcare benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition, the assumption that projected healthcare premiums would increase at a rate of 4.5 percent, compounded annually, due to inflation was also used in the valuation. Net assets available for benefits allocated to healthcare costs at December 31, 2000 were $98.2 million, and included investments carried at fair value, as previously described.

As of December 31, 2000, 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 $124.9 million; the actuarial accrued liability for healthcare benefits at that date was $26.7 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately $3 million or 4.75 percent of active member payroll for the period, January 1 through December 31, 2000.

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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Ohio law also requires each public institution of higher education contribute 5.76 percent of a participating employee's gross salary for the year ended June 30, 2001 to STRS in cases when the employee would have otherwise been enrolled in STRS.

For the year ended June 30, 2001, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in PERS.

The employer contribution amount 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, 2001 totaled $48.1 million and $35.5 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 17 constitutional amendments (the last adopted in November 2000 for land conservation purposes), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, and natural resources. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2001, the General Assembly had authorized the issuance of $1.25 billion in Common Schools Capital Facilities Bonds, of which $340 million had been issued and $313.2 million was outstanding. As of June 30, 2001, the General Assembly had also authorized the issuance of $1.21 billion in Higher Education Capital Facilities Bonds, of which $450 million had been issued and $427.7 million was outstanding.

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, 2001, the General Assembly had authorized the issuance of approximately $1.1 billion in Highway Capital Improvements Bonds, of which $1.0 billion had been issued and $802.5 million was outstanding.

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, 2001, the General Assembly had authorized $1.2 billion of these bonds to be sold, of which approximately $1.2 billion had been issued and $874.1 million (net of unaccreted discount of $105.5 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, 2001, the General Assembly had authorized $600 million in Infrastructure Bonds to be issued under the provisions of the 1995 constitutional amendment, of which $360 million had been issued and $334.8 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, 2001, for Highway

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Obligations, was approximately $1.75 billion, all of which had been issued and $130.5 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, 2001, the General Assembly had authorized the issuance of $150 million in Coal Research and Development Bonds, of which $107 million had been issued and $25.4 million was outstanding. Legislative authorizations for the issuance of Natural Resources Bonds totaled $272 million, as of June 30, 2001, of which $160 million had been issued and $125.8 million was outstanding.

General obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2001, are presented in the table below.

For the year ended June 30, 2001, NOTE 15 summarizes changes in general obligation bonds reported in the General Long-Term Obligations Account Group.

Future general obligation debt service requirements, as of June 30, 2001, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2002	$ 279,100	$ 141,082	$ 420,182
2003	282,915	127,860	410,775
2004	274,610	115,565	390,175
2005	244,330	103,657	347,987
2006	231,580	93,047	324,627
Thereafter	1,827,010	470,859	2,297,869
	3,139,545	1,052,070	4,191,615
Unaccreted Discount	(105,508)	—	(105,508)
Total	$3,034,037	$1,052,070	$4,086,107

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, 2001, $62.9 million of Infrastructure Improvement Bonds are considered defeased and no longer outstanding.

Primary Government
General Obligation Bonds
As of June 30, 2001
(dollars in thousands)

Description of General Obligation Bond	Fiscal Years Issued	Average Net Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2000-01	4.5%-5.4%	2020	$ 313,195	$ 910,000
Higher Education Capital Facilities	2000-01	4.8%-5.4%	2021	427,680	761,310
Highway Capital Improvements	1997-01	4.1%-5.0%	2011	802,500	92,500
Infrastructure Improvements	1990-01	4.2%-7.6%*	2020	1,208,952	240,014
Highway Obligations	1993-97	4.5%-4.8%	2005	130,500	—
Coal Research and Development	1992-00	4.5%-5.6%	2010	25,400	43,000
Natural Resources	1995-00	4.5%-5.6%	2015	125,810	112,000
Total General Obligation Bonds				$3,034,037	$2,158,824

*Coupon rates

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds that are not supported by the full 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

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Office of Business Development, 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 Kent State University.

A. Primary Government

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

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

Economic development bonds, issued by the Treasurer of State for the Office of Business Development's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State 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, 2001, approximately $149.8 million in economic development bonds payable from liquor profits were outstanding.

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 $69 million was outstanding, as of June 30, 2001. 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, 2001, are presented in the table below.

For the year ended June 30, 2001, 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, 2001, are as follows (dollars in thousands):

Year Ending June 30,	Enterprise Fund Principal	Interest	Total
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
2006	13,000	6,688	19,688
Thereafter....	124,255	27,390	151,645
	179,255	65,798	245,053
Unamortized Discount	(1,783)	—	(1,783)
Total	$177,472	$65,798	$243,270

Primary Government
Revenue Bonds
As of June 30, 2001
(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	$177,472
Internal Service:				
Ohio Building Authority	1986-97	4.5%-9.8%	2008	25,646
General Long-Term Obligations:				
Treasurer of State:				
Economic Development	1997	6.6%-7.7%	2022	149,820
State Infrastructure Bank	1998-00	4.3%-5.0%	2009	69,080
Total General Long-Term Obligations				218,900
Total Revenue Bonds..				$422,018

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Year Ending June 30,	Internal Service Fund Principal	Interest	Total
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
2006	4,320	2,079	6,399
Thereafter....	7,146	433	7,579
	25,974	9,113	35,087
Unamortized Discount.......	(328)	—	(328)
Total	$25,646	$9,113	$34,759

Year Ending June 30,	General Long-Term Obligations Account Group Principal	Interest	Total
2002	$ 13,250	$ 14,294	$ 27,544
2003	14,005	13,538	27,543
2004	14,790	12,735	27,525
2005	15,655	11,874	27,529
2006	17,590	10,953	28,543
Thereafter....	143,610	84,133	227,743
Total	$218,900	$147,527	$366,427

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, 2001, 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, 2000, approximately $593 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, 2000, are as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2001....................	$ 25,200	$ 31,245	$ 56,445
2002....................	30,440	29,904	60,344
2003....................	31,950	28,252	60,202
2004....................	33,175	26,441	59,616
2005....................	34,405	24,554	58,959
Thereafter..............	436,160	139,639	575,799
	591,330	280,035	871,365
Net Unamortized Premium	1,708	—	1,708
Total.......................	$593,038	$280,035	$873,073

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 educational facilities and auxiliary facilities such as dining halls, 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, 2001, are presented in the table on the following page.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2001
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/00) Principal	Interest	Total	Ohio State University Principal	Interest	Total	University of Cincinnati Principal	Interest	Total
2001	$ 100,970	$ 72,903	$ 173,873						
2002	104,495	68,537	173,032	$ 94,596	$ 14,941	$ 109,537	$ 66,816	$ 22,810	$ 89,626
2003	96,575	63,678	160,253	9,246	13,082	22,328	14,230	19,217	33,447
2004	97,285	58,668	155,953	9,518	12,059	21,577	13,136	18,561	31,697
2005	96,865	53,600	150,465	10,020	11,051	21,071	14,921	17,925	32,846
2006	—	—	—	8,623	10,086	18,709	17,031	17,157	34,188
Thereafter	922,455	298,426	1,220,881	263,147	85,349	348,496	308,550	179,302	487,852
	1,418,645	615,812	2,034,457	395,150	146,568	541,718	434,684	274,972	709,656
Net Unamortized Premium/(Discount)	(16,437)	—	(16,437)	—	—	—	—	—	—
Unamortized Loss	(4,066)	—	(4,066)	—	—	—	—	—	—
Total	$1,398,142	$615,812	$2,013,954	$395,150	$146,568	$541,718	$434,684	$274,972	$709,656

Year Ending December 31 or June 30,	Kent State University Principal	Interest	Total	Other Component Units Principal	Interest	Total	Total Component Units Principal	Interest	Total
2001							$ 100,970	$ 72,903	$ 173,873
2002	$ 2,420	$ 11,160	$ 13,580	$ 32,740	$ 30,260	$ 63,000	301,067	147,708	448,775
2003	3,980	11,047	15,027	29,282	28,763	58,045	153,313	135,787	289,100
2004	1,815	10,927	12,742	31,304	27,369	58,673	153,058	127,584	280,642
2005	1,860	10,841	12,701	29,778	25,902	55,680	153,444	119,319	272,763
2006	1,715	10,751	12,466	27,727	24,434	52,161	55,096	62,428	117,524
Thereafter	209,000	164,941	373,941	452,132	225,219	677,351	2,155,284	953,237	3,108,521
	220,790	219,667	440,457	602,963	361,947	964,910	3,072,232	1,618,966	4,691,198
Net Unamortized Premium/(Discount)	—	—	—	1,378	—	1,378	(15,059)	—	(15,059)
Unamortized Loss	—	—	—	—	—	—	(4,066)	—	(4,066)
Total	$220,790	$219,667	$440,457	$604,341	$361,947	$966,288	$3,053,107	$1,618,966	$4,672,073

NOTE 12 SPECIAL OBLIGATION BONDS

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in the General Long-Term Obligations Account Group.

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.

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and retardation institutions, and parks and recreation. Prior to September 14, 2000, when House Bill 640 became effective and reassigned the issuing authority for these obligations to the Treasurer of State, the Ohio Public Facilities Commission issued the Chapter 154 bonds.

Elementary and Secondary Education Bonds, which the Treasurer of State issued for the Department of Education, finance the construction costs 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

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2001, are presented in the table below.

For the year ended June 30, 2001, 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, 2001, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2002	$ 469,186	$ 233,652	$ 702,838
2003	459,419	209,702	669,121
2004	457,885	187,000	644,885
2005	435,672	172,534	608,206
2006	424,979	149,961	574,940
Thereafter	2,496,914	553,493	3,050,407
Total	$4,744,055	$1,506,342	$6,250,397

In April 2001, the Treasurer issued $472.4 million in special obligations to advance refund $471.8 million in outstanding Chapter 154 bonds. From the net proceeds of $504.8 million of the advance refunding, approximately $500 million was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The Treasurer advance refunded the bonds to reduce total debt service payments by $12.2 million and to obtain an economic gain of $14.5 million.

In prior years, the OBA and the Treasurer of State 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, 2001, $637.3 million of special obligation bonds are considered defeased and no longer outstanding.

Primary Government
Special Obligation Bonds
As of June 30, 2001
(dollars in thousands)

Issuer	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1986-01	3.1%-9.8%	2021	$2,436,380	$685,910
Treasurer of State:					
Chapter 154 Bonds:					
Higher Education Facilities	1992-01	4.3%-6.1%*	2014	1,732,395	—
Mental Health Facilities	1992-01	4.1%-6.0%*	2015	280,400	133,915
Parks and Recreation Facilities	1993-01	4.0%-5.5%*	2016	100,235	51,100
Elementary and Secondary Education	1996-99	3.7%-5.8%	2008	194,645	—
Total Special Obligation Bonds				$4,744,055	$870,925

*Average effective interest rates

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2001, approximately $12.3 million in certificate of participation (COP) obligations were reported in the General Long-Term Obligations Account Group.

In fiscal year 1992, the Department of Transportation participated in the issuance of $8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also participated in the issuance of $10 million in COP obligations to finance state assistance to the Greater Cleveland Regional Transit Authority for a share of the Cleveland Waterfront Transit Line Project's construction cost, and $10.2 million in obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Primary Government
Certificate of Participation Obligations
As of June 30, 2001
(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	6.2%-6.5%	2012	$ 6,245
Waterfront Transit Line Project	1996	4.7%-4.8%	2003	3,315
Rickenbacker Port Authority Improvements	1996	6.1%	2007	2,745
Total				$12,305

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund and the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2001, are presented in the table above.

For the year ended June 30, 2001, NOTE 15 summarizes changes in COP obligations reported in the General Long-Term Obligations Account Group.

As of June 30, 2001, the primary government's future commitments under the COP financing arrangements are as follows (dollars in thousands):

Year Ending June 30,	General Long-Term Obligations Account Group		
	Principal	Interest	Total
2002	$ 2,405	$ 685	$ 3,090
2003	2,530	558	3,088
2004	890	465	1,355
2005	945	408	1,353
2006	1,005	348	1,353
Thereafter	4,530	1,136	5,666
Total	$12,305	$3,600	$15,905

For the State's component units, approximately $11.1 million in COP 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, 2001, future commitments under the COP 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, 2001
(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
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
2006	355	293	648	90	41	131	445	334	779
Thereafter	5,825	1,911	7,736	660	146	806	6,485	2,057	8,542
Total	$9,675	$3,724	$13,399	$1,430	$ 422	$1,852	$11,105	$4,146	$15,251

NOTE 14 OTHER LONG-TERM OBLIGATIONS

As of June 30, 2001, 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.)	$332,413
Lease Agreements (B.)	4,721
Judgments, Settlements, and Claims (C.)	65,347
Litigation Liabilities (C.)	20,000
Workers' Compensation Obligation (D.)	559,300
Total Other General Long-Term Obligations	$981,781

For the year ended June 30, 2001, 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, 2001 was approximately $24.7 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, 2001, was $395 million, of which $40.4 million is allocable to the proprietary funds and $354.6 million is allocable to the General Long-Term Obligations Account Group. The net (after reduction of the $24.7 million) compensated absence liability, as of June 30, 2001, was $370.3 million, of which $37.9 million is reported in the proprietary funds and $332.4 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, 2001, in the amount of $212.7 million is included in "Accrued Liabilities."

B. Lease Agreements

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or in the General Long-Term Obligations Account Group or appropriate proprietary fund 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 2001 were approximately $92.5 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2001, are as follows (dollars in thousands):

Primary Government

Year Ending June 30,	Operating Leases
2002	$6,222
2003	3,091
2004	106
Total minimum lease payments	$9,419

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

Year Ending June 30,	Capital Leases: Enterprise Funds	General Long-Term Obligations	Total
2002	$191	$2,145	$2,336
2003	15	1,631	1,646
2004	—	871	871
2005	—	396	396
2006	—	120	120
Thereafter	—	101	101
Total minimum lease payments	206	5,264	5,470
Amount representing interest	(7)	(543)	(550)
Present value of net minimum lease payments	$199	$4,721	$4,920

As of June 30, 2001, 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	$177	$8,565	$8,742
Vehicles	—	112	112
Total	$177	$8,677	$8,854

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 for the component unit funds, as of June 30, 2001, 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 the State, the courts decided the State was responsible for sharing in all past and future desegregation costs. As of June 30, 2001, the State was responsible for an estimated $32.5 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.

Component Units
Future Funding Requirements for Capital Lease Obligations and Fixed Assets Acquired Under Capital Leases
As of June 30, 2001
(dollars in thousands)

Year Ending June 30,	Ohio State University	University of Cincinnati	Kent State University	Other Component Units	Total Component Units
2002	$ 2,995	$ 10,151	$ 2,233	$12,725	$ 28,104
2003	2,995	10,140	2,029	6,484	21,648
2004	1,192	11,047	1,843	3,866	17,948
2005	530	11,046	1,650	2,381	15,607
2006	386	11,198	1,632	1,580	14,796
Thereafter	480	188,276	7,637	2,556	198,949
Total Minimum Lease Payments	8,578	241,858	17,024	29,592	297,052
Amount Representing Interest	(766)	(100,606)	(3,407)	(3,592)	(108,371)
Present Value of Net Minimum Lease Payments	$ 7,812	$141,252	$13,617	$26,000	$188,681
Land	$ —	$ —	$ —	$ 208	$ 208
Buildings	—	111,331	—	7,009	118,340
Land Improvements	—	—	—	11,808	11,808
Equipment	14,822	—	14,984	33,316	63,122
Vehicles	—	—	—	692	692
Total	$14,822	$111,331	$14,984	$53,033	$194,170

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

Additionally, the State has accrued $26.4 million and $6.4 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 $559.3 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 $1.07 billion, as of June 30, 2001, 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, 2001, is as follows (dollars in thousands):

Year Ending June 30,	
2002	$ 151,125
2003	145,209
2004	142,126
2005	136,015
2006	126,637
Thereafter	1,017,482
	1,718,594
Unamortized Discount	(650,649)
Net Prize Liability	$1,067,945

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 allowed winners of annuity prizes the option to cash out their remaining deferred prize payments at a discounted lump-sum amount. This rule, which was in effect from July 1, 1999 through December 31, 2000, was 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." This option, which provided an alternative for annuity winners who did not have a cash option at the time they won or experienced a changed circumstance from the time they elected the annuity option, resulted in a gain from the early extinguishment of the deferred prize awards liability in the amount of $3.3 million for 2001.

Tuition Benefits
The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund totaling $486.8 million, as of June 30, 2001, 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 annual tuition increase of 8.20 percent for the next four years and 5.75 percent annually thereafter; and a 2.5 percent Consumer Price Index (CPI) inflation rate. The projected tuition growth rates represent a change in the assumption for annual tuition growth from the constant annual 6.0 percent growth rate assumption previously applied. The 5.75 percent assumption for 2006 and later years approximates the average real increase in tuition annually from 1975 through 2005 (adjusted for inflation) assuming 8.2 percent increases in tuition annually from 2002 through 2005 combined with the actuary's 2.5 percent assumption for future inflation.

NOTE 14 OTHER LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2001, the actuarial value of net assets available for payment of the tuitions benefits payable was $555.4 million. In determining the actuarial value of net assets available, the Authority has applied the smoothed methodology. This methodology recognizes annually one-third of the difference between assets at fair value and the expected assets based on the actuarial investment return assumption. Consequently, the assets used to determine the program's surplus are not the same as the market or cost value of the program's assets reported in the Authority's financial statements.

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, 2001, in the amount of $12.5 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, 2001, are presented in the following table.

Fiscal year 2001 additions to the general obligation bonds and special obligation bonds do not include premiums/(discounts) and bond issuance costs totaling $62.9 million. These costs came to approximately $22.4 million and $40.5 million, 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, 2001
(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, 2000	$2,461,673	$232,785	$4,973,657	$14,590	$978,159	$8,660,864
Additions:						
Debt Issues	820,000	—	729,090	—	—	1,549,090
Deep-Discount Accretions	15,014	—	120	—	—	15,134
Increase in Compensated Absences	—	—	—	—	836	836
Increase in Lease Obligations	—	—	—	—	543	543
Increase in Workers' Compensation Obligation	—	—	—	—	11,000	11,000
Increase in Judgments, Settlements, and Claims	—	—	—	—	33,752	33,752
Increase in Litigation Liabilities	—	—	—	—	11,000	11,000
Total Additions	835,014	—	729,210	—	57,131	1,621,355
Deductions:						
Debt Retirements, Terminations, and Defeasances	262,650	13,885	958,812	2,285	—	1,237,632
Decrease in Lease Obligations	—	—	—	—	2,012	2,012
Decrease in Judgments, Settlements, and Claims	—	—	—	—	33,497	33,497
Decrease in Litigation Liabilities	—	—	—	—	18,000	18,000
Total Deductions	262,650	13,885	958,812	2,285	53,509	1,291,141
Balance, as of June 30, 2001	$3,034,037	$218,900	$4,744,055	$12,305	$981,781	$8,991,078

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, 2001, 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	$2,300,618
Ohio Enterprise Bond Program	95,463
Hospital Facilities Bonds	9,130
Total No Commitment Debt	$2,405,211

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, 2001, is as follows.

Primary Government
Segment Information for the Enterprise Funds
As of and for the Fiscal Year Ended June 30, 2001
(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	$ 77,453	$454,268	$2,100,081	$ 2,549,227	$ 2,633	$ 38,302	$ 5,221,964
Depreciation	77	653	10,023	13,685	423	3,457	28,318
Amortization of Premiums	—	—	81,174	317	—	—	81,491
Operating Income (Loss)	(52,539)	126,532	658,917	(1,925,039)	261	(33,049)	(1,224,917)
Operating Transfers-in	—	—	—	—	—	36,715	36,715
Operating Transfers-out	—	121,261	637,036	6,795	773	—	765,865
Net Income (Loss)	(52,539)	5,316	24,821	(1,933,304)	(339)	2,685	(1,953,360)
Fixed Asset Additions	11	624	1,288	3,344	452	4,565	10,284
Fixed Asset Disposals	—	602	58,000	7,880	—	2,597	69,079
Net Working Capital	37,138	19,806	62,716	(155,251)	1,929	17,898	(15,764)
Increase (Decrease) in Cash & Cash Equivalents	228	2,350	(43,613)	(47,891)	(246)	1,272	(87,900)
Total Assets	552,504	49,980	1,759,337	22,958,751	10,167	29,228	25,359,967
Liabilities Payable from Restricted Assets	486,800	—	1,576,196	—	—	—	2,062,996
Bonds and Other Non-current Liabilities Payable from Operating Revenues	—	2,400	2,301	12,693,347	113	6,227	12,704,388
Total Equity	56,240	19,866	131,606	4,516,018	8,955	19,439	4,752,124

NOTE 18 CHANGES IN CONTRIBUTED CAPITAL

For the fiscal year ended June 30, 2001, 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, 2000	$411	$53,696	$1,762	$5,562	$61,020	$61,431
Additions:						
Transfer of Fixed Assets from the General Fixed Assets Account Group	—	44	—	—	44	44
Capital Contribution from the Administrative Services Building Improvements Capital Projects Fund (Reported as Residual Equity Transfer-out)	—	2,168	—	—	2,168	2,168
Total Additions	—	2,212	—	—	2,212	2,212
Contributed Capital Balance, June 30, 2001	$411	$55,908	$1,762	$5,562	$63,232	$63,643

NOTE 19 FUND EQUITY

A. 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, 2001, are presented in the table below and on the following page.

Primary Government
Reserved for Other Fund Balance
As of June 30, 2001
(dollars in thousands)

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total
Human Services Stabilization	$100,000	$ —	$ —	$ —	$ —	$100,000
Department of Development's Office of Minority Financial Incentives — Mini-Loan Program Deposits	417	—	—	—	—	417
Assets in Excess of Debt Service Requirements	—	—	837	—	—	837
Inventories	770	30,368	—	—	—	31,138
Advances to Other Funds	—	20,000	—	—	190,858	210,858
Other Assets — Prepaids	243	225	—	—	—	468
Ohio Enterprise Bond Program	—	10,000	—	—	—	10,000
Loan Commitments	—	77,761	—	521	—	78,282
Advances to Local Governments	8,257	—	—	—	—	8,257
State and Local Highway Construction	—	123,816	—	—	—	123,816
Special Purpose Restrictions:						
Public Assistance and Medicaid	—	84,629	—	—	—	84,629
Health and Human Services	—	10,255	—	—	—	10,255
Justice and Public Protection	—	8,706	—	—	—	8,706
Environmental Protection and Natural Resources	—	3,320	—	—	—	3,320
Community and Economic Development	—	1,615	—	—	—	1,615
Total Reserved for Other	$109,687	$370,695	$837	$521	$190,858	$672,598

NOTE 19 FUND EQUITY (Continued)

Component Units
Restricted Fund Balance
As of June 30, 2001
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
General Operations (includes Auxiliary Enterprises)	$ 277,323	$ 86,139	$100,721	$ 464,183
Loan Programs	66,395	32,802	113,034	212,231
Endowment and Quasi-Endowment Activities	1,027,532	1,018,106	165,952	2,211,590
Plant Operations	2,566	17,358	11,179	31,103
Annuity and Life Income	2,907	4,726	—	7,633
University Foundations	—	60,453	864	61,317
Grants and Contracts	—	—	2,876	2,876
Auxiliary Enterprises	—	—	158	158
Scholarships	—	—	152	152
Total Restricted Fund Balance	$1,376,723	$1,219,584	$394,936	$2,991,243

Retained earnings for the Enterprise Fund, as of June 30, 2001, are reserved for the payment of tuition benefits, deferred lottery prizes, and insurance claims in the amounts of $18.9 million, $66 million and $112.3 million, respectively.

As of June 30, 2001, $13.1 million of the General Fund's unreserved fund balance is designated for budget stabilization.

As of June 30, 2001, designations of unreserved fund balance for the component unit funds are presented in the table below.

B. Fund Deficits

The following funds report deficits, as of June 30, 2001 (dollars in thousands).

Higher Education Capital Facilities General Obligations Debt Service Fund	$ (473)
Infrastructure Bank Obligations Capital Projects Fund	(10,686)
Information Technology Internal Service Fund	(1,105)
School Facilities Commission Discretely Presented Component Unit	(280,625)

Component Units
Designated Fund Balance
As of June 30, 2001
(dollars in thousands)

Designated for:	Ohio University	Miami University	Other Component Units	Total Component Units
Educational and General Programs	$25,806	$ 45,314	$173,781	$244,901
Auxiliary Enterprises	2,086	874	17,761	20,721
Hospital Operations	493	—	250	743
Loan Programs	1,330	844	2,082	4,256
Endowment and Quasi-Endowment Activities	13,234	35,961	83,336	132,531
Plant Operations	52,817	31,698	53,665	138,180
Total Designated Balance	$95,766	$114,691	$330,875	$541,332

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, 2001
(dollars in thousands)

	Ohio Water Development Authority (12/31/00)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Assets					
Cash Equity with Treasurer	$ 68	$ —	$ —	$ 723,211	$ 723,279
Cash and Cash Equivalents	14,659	76,373	51,399	149,209	291,640
Investments	905,569	1,602,894	848,749	1,155,471	4,512,683
Collateral on Lent Securities	—	—	—	315,784	315,784
Receivables	2,172,130	391,394	132,843	337,539	3,033,906
Due from Other Funds	185	344,801	271,725	105,842	722,553
Inventories	—	19,046	4,722	19,624	43,392
Restricted Assets	—	—	—	162,310	162,310
Fixed Assets (net of accumulated depreciation, as applicable)	564	3,100,846	1,415,351	5,401,626	9,918,387
Other Assets	17,321	37,754	680,514	50,021	785,610
Total Assets	$3,110,496	$5,573,108	$3,405,303	$8,420,637	$20,509,544
Liabilities					
Accounts Payable	$ 31,300	$ 95,469	$ 30,696	$ 101,998	$ 259,463
Accrued Liabilities	6,187	235,461	244,222	260,804	746,674
Obligations Under Securities Lending	—	—	—	315,784	315,784
Intergovernmental Payable	6,758	—	—	999,957	1,006,715
Due to Other Funds	185	344,801	271,725	105,842	722,553
Deferred Revenue	—	88,974	8,345	132,307	229,626
Refund and Other Liabilities	6,631	38,497	63,156	51,145	159,429
Revenue Bonds and Notes	1,398,142	395,150	434,684	825,131	3,053,107
Certificates of Participation	—	9,675	1,430	—	11,105
Total Liabilities	1,449,203	1,208,027	1,054,258	2,792,968	6,504,456
Fund Equity and Other Credits					
Investment in General Fixed Assets	—	2,727,901	1,088,807	4,828,707	8,645,415
Total Unreserved Retained Earnings	1,661,293	—	—	—	1,661,293
Total Fund Balance	—	1,637,180	1,262,238	798,962	3,698,380
Total Fund Equity and Other Credits	1,661,293	4,365,081	2,351,045	5,627,669	14,005,088
Total Liabilities, Fund Equity and Other Credits	$3,110,496	$5,573,108	$3,405,303	$8,420,637	$20,509,544

Colleges and Universities
Condensed Statement of Changes in Fund Balances
For the Year Ended June 30, 2001
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues and Other Additions	$ 2,057,403	$ 614,974	$ 2,782,731	$ 5,455,108
Total Expenditures and Other Deductions	(2,489,989)	(827,850)	(3,709,332)	(7,027,171)
Operating Transfers from Primary Government	515,236	245,908	1,231,707	1,992,851
Net Increase (Decrease) for the Year Before Cumulative Effect of Change in Accounting Principle	82,650	33,032	305,106	420,788
Cumulative Effect of Change in Accounting Principle	—	—	(45,770)	(45,770)
Net Increase (Decrease) for the Year	82,650	33,032	259,336	375,018
Fund Balance and Other Credits, July 1 *(as restated)*	4,282,431	2,318,013	5,648,958	12,249,402
Fund Balance and Other Credits, June 30	$ 4,365,081	$2,351,045	$5,908,294	$12,624,420

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, 2001
(dollars in thousands)

	Ohio State University	University of Cincinnati	Other Colleges and Universities	Total College and University Component Units
Total Revenues	$1,746,341	$504,866	$2,248,476	$4,499,683
Expenditures:				
Educational and General	1,370,357	603,782	2,569,433	4,543,572
Auxiliary Enterprises	150,357	66,446	415,365	632,168
Hospitals	627,970	—	158,324	786,294
Total Expenditures	2,148,684	670,228	3,143,122	5,962,034
Mandatory Transfers, Net	38,578	28,332	52,959	119,869
Total Expenditures and Mandatory Transfers	2,187,262	698,560	3,196,081	6,081,903
Other Transfers and Additions (Deductions):				
Operating Transfers from Primary Government	450,764	199,651	1,075,464	1,725,879
Nonmandatory Transfers, Net	1,823	(9,023)	(56,415)	(63,615)
Additions (Deductions)	72,377	(1,387)	15,713	86,703
Total Other Transfers and Additions (Deductions)	524,964	189,241	1,034,762	1,748,967
Net Increase (Decrease) in Fund Balances	$ 84,043	$ (4,453)	$ 87,157	$ 166,747

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 $1.1 million for the year ended December 31, 2000) 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, 2000 (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, 2000, is as follows (dollars in thousands):

Cash and Investments	$133,416
Other Assets	935
Total Assets	$134,351
Total Liabilities	$ 3,148
Total Fund Equity	131,203
Total Liabilities and Fund Equity	$134,351
Total Revenues and Other Additions	$ 8,148
Total Expenditures	(10,530)
Net Decrease in Fund Equity	$ (2,382)

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. 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 obligation bonds issued by the Ohio Public Facilities Commission (OPFC) and Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes.

Expenditures benefiting the local community and technical colleges are included in the "Higher Education Support" expenditures reported in the General Fund and the Higher Education Improvements Capital Projects Fund are as follows (dollars in thousands):

	General Fund	Capital Projects Fund	Total
Local Community Colleges:			
Cuyahoga Community College	$ 47,454	$ 4,682	$ 52,136
Jefferson Community College	4,069	105	4,174
Lakeland Community College	16,592	4,098	20,690
Lorain County Community College	23,112	1,536	24,648
Rio Grande Community College	4,700	888	5,588
Sinclair Community College	43,380	3,931	47,311
Total Local Community Colleges	139,307	15,240	154,547
Technical Colleges:			
Belmont Technical College	5,420	150	5,570
Central Ohio Technical College	4,620	352	4,972
Hocking Technical College	18,773	2,135	20,908
Lima Technical College	7,928	127	8,055
Marion Technical College	3,972	478	4,450
Muskingum Technical College	5,816	3,552	9,368
North Central State College	7,822	728	8,550
Stark State College of Technology	11,959	1,678	13,637
Total Technical Colleges	66,310	9,200	75,510
Total	$205,617	$24,440	$230,057

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 2001,

- The primary government distributed $2.3 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 $2.5 million 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 $578 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 2001, the Ohio Legal Assistance Foundation received approximately $833 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, 2001, $20 million in liabilities ultimately payable from various governmental funds has been recorded in the General Long-Term Obligations Account Group for this purpose.

In a September 6, 2001 opinion, the Ohio Supreme Court resolved the litigation that had long been pending in Ohio courts questioning the constitutionality of the State's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools." The majority of the Court concluded that the system of school funding, as it had been modified and developed since 1991 and assuming full implementation of two modifications newly ordered by the Court, will meet constitutional requirements. (Two dissenters would find the system not yet in compliance; a third continued to conclude that compliance was a matter for the legislative branch, not the judiciary.) The two modifications directed by the Court, both of which would require action by the General Assembly, are:

- Revisions of the formula and factors involved in calculating the per student costs of providing an adequate education; the Court stated no deadline, but required that the revisions be applied retroactively to July 1, 2001 (the beginning of the current biennium). OBM estimates the additional cost of this change to the State in fiscal year 2002 could be as much as $1.24 billion. The Court has granted the State's motion for reconsideration and clarification of this ordered modification. It has also referred to a master commissioner the issues raised in that motion and any other issues the parties and the selected mediator consider appropriate issues for mediation, and stayed the cause pending completion of the settlement conferences.

- The effective date of full implementation of a parity aid program (already adopted and being phased in) is moved up by two years -- full funding to be in fiscal year 2004 rather than 2006. That program is aimed at providing poorer districts with resources similar to those available to wealthier districts.

It is not possible at this time to state what the results of referral to a master commissioner or of mediation will be, or what the Court's final action on reconsideration will be, or what or when the General Assembly's responses will be, or what effect they or any related actions may have on the State's overall financial condition (particularly in the current fiscal

NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

biennium) or on specific State operations or functions.

As stated in the conclusion to the majority opinion:

> The state is hereby ordered to implement the changes described…. Because we have no reason to doubt [State] defendants' good faith, we have concluded there is no reason to retain jurisdiction of the matter before us. If the order receives less than full compliance, interested parties have remedies available to them.

The Court had previously 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.

In response to that prior litigation, the General Assembly has taken several steps, including significantly increasing State funding for public schools. In addition, at the November 1999 election, electors approved a constitutional amendment submitted by the General Assembly authorizing the issuance of State general obligation debt for school buildings and for higher education facilities. December 2000 legislation addressed certain mandated programs and reserves, characterized by the plaintiffs and the Court as "unfunded mandates."

Litigation pending in the Ohio Court of Claims contests the Ohio Department of Human Services (ODHS, now Ohio Department of Job and Family Services) former Medicaid financial eligibility rules for married couples when one spouse is living in a nursing facility and the other resides in the community. ODHS promulgated new eligibility rules effective January 1, 1996. ODHS 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 ODHS; 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 the current fiscal year) during which necessary additional Medicaid expenditures would have to be made. Plaintiffs have estimated total additional Medicaid expenditures at $600 million for the retroactive period and, based on current law, it is estimated that the State's share of those additional expenditures would be approximately $240 million. The Court of Appeals has certified the class action and has ordered notice be sent to the members of the class. No liability has been reported in the 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 2000 State of Ohio Single Audit (completed in February 2001), approximately $28.6 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, 2001.

C. Tax Refund Claims

Corporate franchise tax and sales and use tax refund claims in the amount of $32.8 million and $4.1 million, respectively, are pending an official determination of the Tax Commissioner at the Ohio Department of Taxation. The claims arose from refund claims taxpayers filed during fiscal year 2001 for tax periods occurring in fiscal year 2001 and in prior years. No liability has been reported in the financial statements for this matter.

D. Construction Commitments

As of June 30, 2001, the Department of Transportation had contractual commitments of approximately $1.57 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

NOTE 22 CONTINGENCIES AND COMMITMENTS (Continued)

sources in amounts of $953.1 million, $375 million, $208 million, and $38.1 million, respectively.

As of June 30, 2001, non-highway construction commitments for the primary government's budgeted capital projects funds are as follows (dollars in thousands):

Capital Projects Fund	
Higher Education Improvements	$237,930
Mental Health/Mental Retardation Facilities Improvements	26,725
Parks and Recreation Improvements	21,519
Administrative Services Building Improvements	72,875
Youth Services Building Improvements	21,962
Transportation Building Improvements	542
Adult Correctional Building Improvements	58,027
Highway Safety Building Improvements	11,220
Ohio Parks and Natural Resources	31,353
Total	$482,153

E. 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, 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.

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 in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-adjusted Payments From the Strategic Contribution Fund	Total
2002	$ 418,783	$ —	$ 418,783
2003	422,746	—	422,746
2004	352,827	—	352,827
2005	352,827	—	352,827
2006	352,827	—	352,827
Thereafter	7,176,739	239,500	7,416,239
Total	$9,076,749	$239,500	$9,316,249

During fiscal year 2001, Ohio received $315.8 million, which was $33 million or 9.5 percent less than the pre-adjusted base payment for the year. During fiscal year 2000, the first year when base payments were made to the states under the settlement, the State received $412.3 million, which was $31.6 million or 7.1 percent less than the pre-adjusted base payment for fiscal year 2000.

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. The State has targeted other amounts 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 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, 2001, in the amount of approximately $12.5 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 have been discounted at 6.0 percent to reflect the present value of future benefit payments. The undiscounted reserves for the benefits and compensation adjustment expenses totaled $29.5 billion, as of June 30, 2001, and $28.5 billion, as of June 30, 2000. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2001.

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

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

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

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

	Fiscal Year 2001	Fiscal Year 2000
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$13,638	$14,041
Incurred Compensation and Compensation Adjustment Benefits	2,494	1,177
Incurred Compensation and Compensation Adjustment Benefit Payments	(2,020)	(1,886)
Change in Liability Due to Decrease in Discount Rate	—	306
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$14,112	$13,638

NOTE 23 RISK FINANCING (Continued)

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, 2001, approximately $16.8 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 2001	Fiscal Year 2000
Claims Liabilities, as of July 1	$24,154	$20,092
Incurred Claims	131,798	102,635
Claims Payments	(122,122)	(98,573)
Claims Liabilities, as of June 30	$33,830	$24,154

As of June 30, 2001, 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 $17 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, 2001, 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 SUBSEQUENT EVENTS

A. Bond Issuances

Subsequent to June 30, 2001 (December 31, 2000 for the Ohio Water Development Authority), the State issued major debt as detailed in the table below and on the following page.

Debt Issuances
Subsequent to June 30, 2001
(dollars in thousands)

Issue	Date	Interest Coupon Rates	Amount
Primary Government:			
Coal Development General Obligation Bonds, Series F	August 2001	4.0%-5.0%	$ 15,000
Natural Resources General Obligation Bonds, Series F	August 2001	4.0%-5.0%	20,000
Mental Health Capital Facilities Special Obligation Bonds, Series II-2001B	August 2001	3.0%-5.5%	30,000
Common Schools General Obligation Bonds, Series 2001B	August 2001	3.5%-5.5%	200,000
Major New State Infrastructure Project Revenue Bonds, Series 2001-1	September 2001	3.5%-5.0%	100,000
Higher Education General Obligation Bonds, Series 2001B	October 2001	4.0%-5.0%	175,000
Total Primary Government			$540,000

(Continued)

NOTE 24 SUBSEQUENT EVENTS (Continued)

Issue	Date	Interest Coupon Rates	Amount
Component Units:			
Ohio Building Authority:			
State Facilities Refunding Bonds (Adult Correctional Building Fund Projects), 2001 Series A	July 2001	4.38%*	$249,850
Ohio Water Development Authority:			
Water Pollution Control Fund Refunding Revenue Bonds, State Match Series 2001	April 2001	3.5%-5.3%	53,590
Adjustable Rate Water Development Revenue Notes — RD Loan Advance, Series 2001-A	April 2001	Variable Rate	6,500
Water Development Revenue Bonds:			
Fresh Water Improvement, Series 2001A	September 2001	4.0%-5.4%	25,345
Fresh Water Refunding, Series 2001B	September 2001	4.0%-5.5%	53,005
Total Component Units			$388,290

*Average interest rate

B. Workers' Compensation Premium Credit
Effective July 1, 2001, 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 2002. The credit, which the Workers' Compensation Oversight Commission approved on April 24, 2001, will return an estimated $1.3 billion to these employers.

C. Child Support Case Reviews
Effective October 25, 2001, Senate Bill 170 authorized the Ohio Department of Job and Family Services to compensate child support recipients dating back to October 1997. The legislation requires county child support enforcement agencies to audit child support cases, from October 1997 to September 2000, to identify instances in which state income tax refunds and/or past due child support payments were kept by the State to offset the cost of public assistance. While not required by law, the return of past due payments that were kept during this time period is an option Ohio is exercising as part of the State's commitment to welfare reform.

The Department will distribute payments to families based on the county audit findings. Interest of 6.5 percent a year will be paid in cases in which the total interest exceeds $10. It is estimated that families will receive a total of up to $44 million, including $6 million in interest.

D. State's Economy
The Ohio economy has declined since the beginning of the current budget cycle in July 2001. Ohio's economy is now in a recession that has been characterized by layoffs and falling corporate profits. The State's fiscal conditions have changed in recent months. In addition to increasing demands for more government spending on human services programs in response to the weakening economy, the State's personal income, corporate income, and sales tax revenues have been unable to reach projected levels of collections.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the General Revenue Fund (GRF), the State's largest non-GAAP budgetary basis operating fund included in the General Fund. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.