

Ohio Office of Budget  
and Management

State of Ohio  
*Bob Taft*  
Governor



**OHIO**

C	O	M	P	R	E	H	E	N	S	I	V	E
A	N	N	U	A	L							
F	I	N	A	N	C	I	A	L				
R	E	P	O	R	T							

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2002

# **BASIC FINANCIAL STATEMENTS**

**STATE OF OHIO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2002**  
(dollars in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS:</b>				
Cash Equity with Treasurer.....	\$ 4,710,788	\$ 57,899	\$ 4,768,687	\$ 495,708
Cash and Cash Equivalents.....	40,751	2,398,570	2,439,321	525,984
Investments.....	797,510	14,953,217	15,750,727	3,943,662
Collateral on Lent Securities.....	1,494,388	2,130,095	3,624,483	154,539
Deposit with Federal Government.....	—	1,812,201	1,812,201	—
Taxes Receivable.....	1,287,534	—	1,287,534	—
Intergovernmental Receivable.....	1,387,156	6,642	1,393,798	33,893
Premiums and				
Assessments Receivable.....	—	725,343	725,343	—
Investment Trade Receivable.....	—	1,014,193	1,014,193	—
Loans Receivable, Net.....	790,821	—	790,821	224,671
Receivable from Primary Government.....	—	—	—	33,701
Receivable from Component Units.....	29	104,428	104,457	—
Other Receivables.....	273,834	382,518	656,352	601,261
Inventories.....	50,813	25,750	76,563	44,063
Other Assets.....	12,498	13,202	25,700	340,851
Restricted Assets:				
Cash Equity with Treasurer.....	—	6,439	6,439	47,777
Cash and Cash Equivalents.....	—	17,402	17,402	74,234
Investments.....	—	1,686,544	1,686,544	866,692
Collateral on Lent Securities.....	—	420,368	420,368	14,926
Loans Receivable, Net.....	—	—	—	2,336,776
Other Receivables.....	—	4,266	4,266	—
Capital Assets Being Depreciated, Net.....	2,212,144	216,880	2,429,024	5,137,859
Capital Assets Not Being Depreciated.....	19,407,080	21,458	19,428,538	896,604
<b>TOTAL ASSETS.....</b>	<b>32,465,346</b>	<b>25,997,415</b>	<b>58,462,761</b>	<b>15,773,201</b>
<b>LIABILITIES:</b>				
Accounts Payable.....	540,286	45,989	586,275	329,235
Accrued Liabilities.....	216,519	3,650	220,169	338,914
Medicaid Claims Payable.....	996,225	—	996,225	—
Obligations Under Securities Lending.....	1,494,388	2,550,463	4,044,851	169,465
Investment Trade Payable.....	—	2,433,261	2,433,261	—
Intergovernmental Payable.....	1,202,337	1,278	1,203,615	6,869
Internal Balances.....	597,420	(597,420)	—	—
Payable to Primary Government.....	—	—	—	104,457
Payable to Component Units.....	33,701	—	33,701	—
Deferred Revenue.....	183,114	1,680	184,794	160,773
Benefits Payable.....	—	13,821	13,821	—
Refund and Other Liabilities.....	747,065	140,697	887,762	12,571
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	797,218	13,531	810,749	592,684
Due in More Than One Year.....	7,660,651	177,192	7,837,843	2,687,572
Certificates of Participation:				
Due in One Year.....	2,530	—	2,530	1,175
Due in More Than One Year.....	7,370	—	7,370	8,810
Other Noncurrent Liabilities:				
Due in One Year.....	85,666	2,242,207	2,327,873	948,771
Due in More Than One Year.....	433,786	15,041,036	15,474,822	1,168,860
<b>TOTAL LIABILITIES.....</b>	<b>14,998,276</b>	<b>22,067,385</b>	<b>37,065,661</b>	<b>6,530,156</b>

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

	<b>PRIMARY GOVERNMENT</b>			
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>NET ASSETS:</b>				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt.....</i>	18,653,976	24,197	18,678,173	4,392,633
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education</i>	5,759	—	5,759	—
<i>Transportation and Highway Safety.....</i>	819,829	—	819,829	—
<i>State and Local Government</i>				
<i>Highway Construction.....</i>	124,957	—	124,957	—
<i>Federal Programs.....</i>	48,997	—	48,997	—
<i>Coal Research</i>				
<i>and Development Program.....</i>	17,340	—	17,340	—
<i>Clean Ohio Program.....</i>	51,358	—	51,358	—
<i>Debt Service.....</i>	—	—	—	1,706,422
<i>Intergovernmental and Capital Purposes..</i>	810,275	—	810,275	47,777
<i>Workers' Compensation.....</i>	—	1,880,808	1,880,808	—
<i>Deferred Lottery Prizes.....</i>	—	97,040	97,040	—
<i>Unemployment Compensation.....</i>	—	1,912,422	1,912,422	—
<i>Ohio Building Authority.....</i>	—	28,003	28,003	—
<i>Auditor of State's Office.....</i>	—	406	406	—
<i>Nonexpendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,707,745
<i>Expendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,097,799
<i>Unrestricted (Deficits).....</i>	(3,065,421)	(12,846)	(3,078,267)	290,669
<b>TOTAL NET ASSETS.....</b>	<b>\$ 17,467,070</b>	<b>\$ 3,930,030</b>	<b>\$ 21,397,100</b>	<b>\$ 9,243,045</b>

**STATE OF OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)		
<b>PRIMARY GOVERNMENT:</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
Primary, Secondary and Other Education.....	\$ 8,171,648	\$ 60,794	\$ 1,188,172	\$ —	\$ (6,922,682)	
Higher Education Support .....	2,604,961	52,894	9,357	—	(2,542,710)	
Public Assistance and Medicaid .....	11,953,033	509,184	7,708,883	—	(3,734,966)	
Health and Human Services .....	2,844,671	108,586	1,478,761	4,172	(1,253,152)	
Justice and Public Protection .....	2,499,689	702,145	164,811	4,484	(1,628,249)	
Environmental Protection and Natural Resources.....	386,400	173,942	75,642	1,241	(135,575)	
Transportation .....	1,532,680	35,067	91,090	926,323	(480,200)	
General Government .....	747,474	449,942	100,107	5,980	(191,445)	
Community and Economic Development.....	902,628	299,599	308,079	—	(294,950)	
Intergovernmental.....	3,617,678	126,002	11,450	—	(3,480,226)	
Interest on Long-Term Debt (excludes interest charged as program expense).....	203,811	—	—	—	(203,811)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>35,464,673</b>	<b>2,518,155</b>	<b>11,136,352</b>	<b>942,200</b>	<b>(20,867,966)</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Workers' Compensation.....	4,565,493	2,376,252	(430,147)	—	(2,619,388)	
Lottery Commission.....	1,467,203	1,988,124	119,039	—	639,960	
Unemployment Compensation.....	1,660,148	694,090	267,810	—	(698,248)	
Ohio Building Authority.....	33,724	31,695	793	—	(1,236)	
Tuition Trust Authority.....	284,960	163,809	(16,822)	—	(137,973)	
Liquor Control.....	339,294	470,515	—	—	131,221	
Underground Parking Garage.....	2,336	2,654	95	—	413	
Office of Auditor of State.....	78,302	39,188	—	—	(39,114)	
<b>TOTAL BUSINESS-TYPE ACTIVITIES...</b>	<b>8,431,460</b>	<b>5,766,327</b>	<b>(59,232)</b>	<b>—</b>	<b>(2,724,365)</b>	
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 43,896,133</b>	<b>\$ 8,284,482</b>	<b>\$ 11,077,120</b>	<b>\$ 942,200</b>	<b>\$ (23,592,331)</b>	
<b>COMPONENT UNITS:</b>						
School Facilities Commission.....	\$ 599,818	\$ 26	\$ 34,410	\$ —	\$ (565,382)	
Ohio Water Development Authority.....	88,288	119,884	151,882	—	183,478	
Ohio State University.....	2,311,109	1,268,264	358,722	20,917	(663,206)	
University of Cincinnati.....	734,791	259,736	154,100	5,827	(315,128)	
Other Component Units.....	3,376,752	1,653,848	521,676	21,041	(1,180,187)	
<b>TOTAL COMPONENT UNITS.....</b>	<b>\$ 7,110,758</b>	<b>\$ 3,301,758</b>	<b>\$ 1,220,790</b>	<b>\$ 47,785</b>	<b>\$ (2,540,425)</b>	

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

	<b>PRIMARY GOVERNMENT</b>			
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>CHANGES IN NET ASSETS:</b>				
Net Expense.....	\$ (20,867,966)	\$ (2,724,365)	\$ (23,592,331)	\$ (2,540,425)
<b>General Revenues:</b>				
Taxes:				
Income.....	7,961,718	—	7,961,718	—
Sales.....	6,413,916	—	6,413,916	—
Corporate and Public Utility .....	1,640,433	—	1,640,433	—
Other.....	895,414	—	895,414	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,451,767	—	1,451,767	—
Total Taxes.....	18,363,248	—	18,363,248	—
Tobacco Settlement.....	368,588	—	368,588	—
Escheat Property.....	50,745	—	50,745	—
Unrestricted Investment Income.....	56,990	—	56,990	(14,155)
State Assistance .....	—	—	—	2,489,429
Federal Grants.....	—	346,891	346,891	—
Other.....	33	2,449	2,482	200,655
Contributions.....	—	—	—	57,479
Special Items.....	—	26	26	(730)
Transfers-Internal Activities.....	743,821	(743,821)	—	—
<b>TOTAL GENERAL REVENUES CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS.....</b>	<b>19,583,425</b>	<b>(394,455)</b>	<b>19,188,970</b>	<b>2,732,678</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(1,284,541)</b>	<b>(3,118,820)</b>	<b>(4,403,361)</b>	<b>192,253</b>
<b>NET ASSETS, JULY 1.....</b>	<b>18,751,611</b>	<b>7,048,850</b>	<b>25,800,461</b>	<b>9,050,792</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 17,467,070</b>	<b>\$ 3,930,030</b>	<b>\$ 21,397,100</b>	<b>\$ 9,243,045</b>

**STATE OF OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2002**  
(dollars in thousands)

	<b>MAJOR FUNDS</b>		
	<u>GENERAL</u>	<u>JOB, FAMILY AND OTHER HUMAN SERVICES</u>	<u>EDUCATION</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer . . . . .	\$ 1,464,192	\$ 181,052	\$ 71,459
Cash and Cash Equivalents . . . . .	13,388	5,167	301
Investments . . . . .	198,117	33,987	5,568
Collateral on Lent Securities . . . . .	467,350	58,354	22,734
Taxes Receivable . . . . .	974,426	—	—
Intergovernmental Receivable . . . . .	490,716	450,162	150,425
Loans Receivable, Net . . . . .	18,103	—	10,466
Interfund Receivable . . . . .	230,729	6	—
Receivable from Component Units . . . . .	29	—	—
Other Receivables . . . . .	198,777	35,521	539
Inventories . . . . .	20,445	—	—
Other Assets . . . . .	186	—	3,706
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 4,076,458</b>	<b>\$ 764,249</b>	<b>\$ 265,198</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable . . . . .	\$ 161,826	\$ 44,797	\$ 2,201
Accrued Liabilities . . . . .	77,457	9,326	1,006
Medicaid Claims Payable . . . . .	994,725	1,500	—
Obligations Under Securities Lending . . . . .	467,350	58,354	22,734
Intergovernmental Payable . . . . .	356,777	242,236	96,784
Interfund Payable . . . . .	390,669	12,316	1,496
Payable to Component Units . . . . .	6,967	1,282	319
Deferred Revenue . . . . .	89,651	242,065	111,915
Refund and Other Liabilities . . . . .	647,808	9,014	—
Liability for Escheat Property . . . . .	7,771	—	—
<b>TOTAL LIABILITIES . . . . .</b>	<b>3,201,001</b>	<b>620,890</b>	<b>236,455</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service . . . . .	1,735	—	—
Encumbrances . . . . .	303,278	755,207	10,540
Noncurrent Portion of Loans Receivable . . . . .	16,442	—	10,269
Loan Commitments . . . . .	—	—	—
Inventories . . . . .	10,108	—	—
State and Local Highway Construction . . . . .	—	—	—
Federal Programs . . . . .	—	651	8,188
Other . . . . .	224,473	—	—
Unreserved/Designated . . . . .	319,421	—	—
Unreserved/Undesignated (Deficits):			
Special Revenue Funds . . . . .	—	(612,499)	(254)
Debt Service Funds . . . . .	—	—	—
Capital Projects Funds . . . . .	—	—	—
<b>TOTAL FUND BALANCES . . . . .</b>	<b>875,457</b>	<b>143,359</b>	<b>28,743</b>
<b>TOTAL LIABILITIES AND FUND BALANCES . . . . .</b>	<b>\$ 4,076,458</b>	<b>\$ 764,249</b>	<b>\$ 265,198</b>

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

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ 900,537	\$ 269,066	\$ 1,824,482	\$ 4,710,788
379	4,155	17,361	40,751
—	—	559,838	797,510
281,646	83,982	580,322	1,494,388
53,605	253,980	5,523	1,287,534
79,651	—	216,202	1,387,156
51,430	—	710,822	790,821
67	—	3,685	234,487
—	—	—	29
3,763	85	35,149	273,834
30,368	—	—	50,813
—	—	1,999	5,891
<u>\$ 1,401,446</u>	<u>\$ 611,268</u>	<u>\$ 3,955,383</u>	<u>\$ 11,074,002</u>
\$ 132,164	\$ —	\$ 199,298	\$ 540,286
14,455	—	22,930	125,174
—	—	—	996,225
281,646	83,982	580,322	1,494,388
1,107	322,058	163,686	1,182,648
115,743	195	311,488	831,907
541	—	24,084	33,193
41,098	15,859	83,783	584,371
—	70,389	2,290	729,501
—	—	—	7,771
<u>586,754</u>	<u>492,483</u>	<u>1,387,881</u>	<u>6,525,464</u>
—	—	100,931	102,666
1,316,870	—	1,446,901	3,832,796
50,901	—	636,800	714,412
—	—	85,169	85,169
31,674	—	—	41,782
—	124,957	—	124,957
—	—	25,075	33,914
—	—	79,888	304,361
—	—	2,487	321,908
(584,753)	(6,172)	521,631	(682,047)
—	—	(21)	(21)
—	—	(331,359)	(331,359)
<u>814,692</u>	<u>118,785</u>	<u>2,567,502</u>	<u>4,548,538</u>
<u>\$ 1,401,446</u>	<u>\$ 611,268</u>	<u>\$ 3,955,383</u>	<u>\$ 11,074,002</u>



[THIS PAGE LEFT BLANK INTENTIONALLY]

**STATE OF OHIO**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2002**  
(dollars in thousands)

**Total Fund Balances for Governmental Funds.....** **\$ 4,548,538**

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

Infrastructure, net of \$24 accumulated depreciation.....	16,639,382
Land.....	1,479,858
Buildings and Improvements, net of \$1,042,555 accumulated depreciation.....	1,886,367
Land Improvements, net of \$108,422 accumulated depreciation.....	87,207
Machinery and Equipment, net of \$258,862 accumulated depreciation.....	102,831
State Vehicles, net of \$98,017 accumulated depreciation.....	121,077
Construction-in-Progress.....	1,302,502
	<u>21,619,224</u>

Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.

Taxes Receivable.....	87,355
Intergovernmental Receivable.....	304,225
Other Receivables:	
Accounts.....	8,335
Interest.....	1,342
	<u>401,257</u>

Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.

6,607

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

Accrued Liabilities:	
Interest Payable.....	(88,092)
Other .....	(3,253)
Intergovernmental Payable.....	(19,689)
Payable to Component Units.....	(508)
Refund and Other Liabilities.....	(17,564)
Bonds and Notes Payable:	
General Obligation Bonds.....	(3,771,129)
Revenue Bonds.....	(297,638)
Special Obligation Bonds.....	(4,389,102)
Certificates of Participation.....	(9,900)
Other Noncurrent Liabilities:	
Compensated Absences.....	(381,929)
Capital Leases Payable.....	(3,933)
Litigation Liabilities.....	(30,000)
Liability for Escheat Property.....	(95,819)
	<u>(9,108,556)</u>

**Total Net Assets of Governmental Activities.....** **\$ 17,467,070**

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

**STATE OF OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(dollars in thousands)

	<b>MAJOR FUNDS</b>		
	<b>GENERAL</b>	<b>JOB, FAMILY AND OTHER HUMAN SERVICES</b>	<b>EDUCATION</b>
<b>REVENUES:</b>			
Income Taxes . . . . .	\$ 7,129,512	\$ —	\$ —
Sales Taxes . . . . .	6,066,023	—	—
Corporate and Public Utility Taxes . . . . .	1,276,159	—	—
Motor Vehicle Fuel Taxes . . . . .	—	—	—
Other Taxes . . . . .	838,236	5,201	—
Licenses, Permits and Fees . . . . .	100,858	376,052	662
Sales, Services and Charges . . . . .	51,211	—	428
Federal Government . . . . .	4,563,370	3,547,749	1,074,623
Tobacco Settlement . . . . .	—	—	—
Escheat Property . . . . .	52,628	—	—
Investment Income . . . . .	145,483	12,870	4,733
Other . . . . .	273,750	148,447	15,516
<b>TOTAL REVENUES . . . . .</b>	<b>20,497,230</b>	<b>4,090,319</b>	<b>1,095,962</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education . . . . .	6,421,251	232	1,700,826
Higher Education Support . . . . .	2,106,349	573	15,538
Public Assistance and Medicaid . . . . .	8,311,043	3,543,294	—
Health and Human Services . . . . .	1,122,893	422,296	139
Justice and Public Protection . . . . .	1,855,869	22,503	16,418
Environmental Protection and Natural Resources . . . . .	120,253	—	—
Transportation . . . . .	41,782	—	—
General Government . . . . .	441,768	2,588	—
Community and Economic Development . . . . .	126,400	1,773	—
<b>INTERGOVERNMENTAL . . . . .</b>	<b>1,227,313</b>	<b>—</b>	<b>—</b>
<b>CAPITAL OUTLAY . . . . .</b>	<b>—</b>	<b>1,439</b>	<b>—</b>
<b>DEBT SERVICE . . . . .</b>	<b>2,286</b>	<b>—</b>	<b>—</b>
<b>TOTAL EXPENDITURES . . . . .</b>	<b>21,777,207</b>	<b>3,994,698</b>	<b>1,732,921</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES . . . . .</b>	<b>(1,279,977)</b>	<b>95,621</b>	<b>(636,959)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond Proceeds . . . . .	400,000	—	—
Refunding Bond Proceeds . . . . .	—	—	—
Payment to Refunded Bond Escrow Agents . . . . .	—	—	—
Bond Premiums . . . . .	6,029	—	—
Bond Discounts . . . . .	—	—	—
Capital Leases . . . . .	1,451	—	—
Transfers-in . . . . .	617,185	12,689	646,941
Transfers-out . . . . .	(977,731)	(103,398)	(29,998)
<b>TOTAL OTHER FINANCING SOURCES (USES) . . . . .</b>	<b>46,934</b>	<b>(90,709)</b>	<b>616,943</b>
<b>NET CHANGE IN FUND BALANCES . . . . .</b>	<b>(1,233,043)</b>	<b>4,912</b>	<b>(20,016)</b>
<b>FUND BALANCES, JULY 1 (as restated) . . . . .</b>	<b>2,108,395</b>	<b>138,447</b>	<b>48,759</b>
Increase (Decrease) for Changes in Inventories . . . . .	105	—	—
<b>FUND BALANCES, JUNE 30 . . . . .</b>	<b>\$ 875,457</b>	<b>\$ 143,359</b>	<b>\$ 28,743</b>

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

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ —	\$ 848,810	\$ 4,139	\$ 7,982,461
—	303,346	15,879	6,385,248
—	350,924	13,350	1,640,433
363,152	1,040,388	48,227	1,451,767
—	14,052	37,925	895,414
67,474	342,885	633,805	1,521,736
1,364	—	41,594	94,597
959,856	—	1,588,838	11,734,436
—	—	368,588	368,588
—	—	—	52,628
42,104	2,093	75,174	282,457
26,318	88	171,693	635,812
<u>1,460,268</u>	<u>2,902,586</u>	<u>2,999,212</u>	<u>33,045,577</u>
—	—	20,663	8,142,972
—	—	327,154	2,449,614
—	—	245	11,854,582
—	—	1,247,562	2,792,890
—	—	483,330	2,378,120
—	—	235,323	355,576
1,855,566	—	459	1,897,807
—	—	289,235	733,591
—	—	620,012	748,185
—	2,179,636	156,357	3,563,306
—	—	464,404	465,843
—	—	1,191,318	1,193,604
<u>1,855,566</u>	<u>2,179,636</u>	<u>5,036,062</u>	<u>36,576,090</u>
<u>(395,298)</u>	<u>722,950</u>	<u>(2,036,850)</u>	<u>(3,530,513)</u>
—	—	800,000	1,200,000
—	—	341,451	341,451
—	—	(339,042)	(339,042)
—	—	31,095	37,124
—	—	(2)	(2)
—	—	29	1,480
512,755	2	1,414,008	3,203,580
(250,099)	(731,349)	(367,184)	(2,459,759)
<u>262,656</u>	<u>(731,347)</u>	<u>1,880,355</u>	<u>1,984,832</u>
<u>(132,642)</u>	<u>(8,397)</u>	<u>(156,495)</u>	<u>(1,545,681)</u>
947,334	127,182	2,723,997	6,094,114
—	—	—	105
<u>\$ 814,692</u>	<u>\$ 118,785</u>	<u>\$ 2,567,502</u>	<u>\$ 4,548,538</u>

# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2002

(dollars in thousands)

<b>Net Change in Fund Balances -- Total Governmental Funds.....</b>	<b>\$ (1,545,681)</b>
Change in Inventories.....	<u>105</u>
	(1,545,576)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	786,744	
Depreciation Expense.....	<u>(152,807)</u>	
Excess of Capital Outlay Over Depreciation Expense.....		<u>633,937</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

General Obligation Bonds.....	(975,000)	
Revenue Bonds.....	(100,000)	
Special Obligation Bonds.....	(125,000)	
Refunding Bonds, including Bond Premium/Discount, Net.....	(341,451)	
Premiums and Discounts, net:		
General Obligation Bonds.....	(28,544)	
Revenue Bonds.....	(5,451)	
Special Obligation Bonds.....	<u>(2,536)</u>	
Total Bond Proceeds.....		<u>(1,577,982)</u>

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

<i>Debt Principal Retirement:</i>		
General Obligation Bonds.....	280,305	
Revenue Bonds.....	25,750	
Special Obligation Bonds.....	474,951	
Certificates of Participation.....	2,405	
Capital Lease Payments.....	789	
Payments to Bond Refunding Agent.....	<u>317,320</u>	
Total Long-Term Debt Repayment.....		<u>1,101,520</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

105,019

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

Some expenses reported in the Statement of Activities are not reported as expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

<i>Increase in Bond Issue Costs Included in Other Assets</i> .....	6,607	
<i>Increase in Accrued Interest and Other Accrued Liabilities</i> .....	(21,782)	
<i>Increase in Payable to Component Units</i> .....	(508)	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net</i> .....	6,566	
<i>Increase in Intergovernmental Payables</i> .....	(7,891)	
<i>Increase in Compensated Absences</i> .....	(20,351)	
<i>Decrease in Liabilities for Judgments, Claims, and Settlements</i> .....	47,783	
<i>Increase in Litigation Liabilities</i> .....	(10,000)	
<i>Increase in Liability for Escheat Property</i> .....	(1,883)	
	<hr/>	
<i>Total additional expenditures</i> .....		<hr/> (1,459)
<b>Change in Net Assets of Governmental Activities</b> .....		<b><u><u>\$ (1,284,541)</u></u></b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2002

(dollars in thousands)

	GENERAL			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Income Taxes .....	\$ 8,215,100	\$ 7,890,101	\$ 7,304,144	\$ (585,957)
Sales Taxes .....	6,242,800	5,984,402	6,037,959	53,557
Corporate and Public Utility Taxes .....	1,583,000	1,555,005	1,295,781	(259,224)
Motor Vehicle Fuel Taxes .....	—	—	—	—
Other Taxes .....	845,240	837,941	838,359	418
Licenses, Permits and Fees .....	111,612	111,612	107,716	(3,896)
Sales, Services and Charges .....	50,598	50,598	51,396	798
Federal Government .....	4,371,542	4,371,542	4,452,657	81,115
Tobacco Settlement.....	—	—	—	—
Investment Income .....	139,103	129,103	83,123	(45,980)
Other .....	1,032,985	1,032,985	1,327,199	294,214
<b>TOTAL REVENUES.....</b>	<b>22,591,980</b>	<b>21,963,289</b>	<b>21,498,334</b>	<b>(464,955)</b>
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education .....	6,301,262	6,303,405	6,171,483	131,922
Higher Education Support .....	2,255,353	2,134,783	2,128,291	6,492
Public Assistance and Medicaid .....	8,682,054	8,796,651	8,614,471	182,180
Health and Human Services .....	1,321,003	1,325,417	1,271,665	53,752
Justice and Public Protection .....	2,025,911	2,005,480	1,919,540	85,940
Environmental Protection and Natural Resources .....	166,796	160,065	150,288	9,777
Transportation .....	93,927	91,212	88,800	2,412
General Government .....	703,892	712,562	597,178	115,384
Community and Economic Development .....	255,046	243,443	226,553	16,890
<b>INTERGOVERNMENTAL.....</b>	<b>1,256,552</b>	<b>1,285,773</b>	<b>1,226,103</b>	<b>59,670</b>
<b>CAPITAL OUTLAY .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>942,764</b>	<b>942,764</b>	<b>902,322</b>	<b>40,442</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>24,004,560</b>	<b>24,001,555</b>	<b>23,296,694</b>	<b>704,861</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>	<b>(1,412,580)</b>	<b>(2,038,266)</b>	<b>(1,798,360)</b>	<b>239,906</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond Proceeds .....	—	—	—	—
Transfers-in .....	308,332	312,332	404,609	92,277
Transfers-out .....	(740)	(740)	(57,287)	(56,547)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>307,592</b>	<b>311,592</b>	<b>347,322</b>	<b>35,730</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(1,104,988)</b>	<b>(1,726,674)</b>	<b>(1,451,038)</b>	<b>275,636</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....</b>	<b>1,515,069</b>	<b>1,515,069</b>	<b>1,515,069</b>	<b>—</b>
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>	<b>783,531</b>	<b>783,531</b>	<b>783,531</b>	<b>—</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>	<b>\$ 1,193,612</b>	<b>\$ 571,926</b>	<b>\$ 847,562</b>	<b>\$ 275,636</b>

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

**JOB, FAMILY AND OTHER HUMAN SERVICES**

**EDUCATION**

<b>JOB, FAMILY AND OTHER HUMAN SERVICES</b>				<b>EDUCATION</b>			
<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
<b>ORIGINAL</b>	<b>FINAL</b>			<b>ORIGINAL</b>	<b>FINAL</b>		
		\$ —				\$ —	
		—				—	
		—				—	
		—				—	
		5,201				—	
		357,197				662	
		—				428	
		2,893,800				1,028,076	
		—				—	
		11,261				4,501	
		219,782				23,716	
		<b>3,487,241</b>				<b>1,057,383</b>	
\$ 259	\$ 259	243	\$ 16	\$ 2,089,706	\$ 2,161,379	1,671,406	\$ 489,973
2,424	2,424	1,743	681	10,609	12,665	11,155	1,510
4,024,226	4,230,086	3,887,153	342,933	—	—	—	—
543,420	549,019	496,393	52,626	210	210	156	54
50,343	50,668	25,569	25,099	29,320	30,009	20,023	9,986
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1,895	1,973	1,848	125	—	—	—	—
5,200	5,200	5,200	—	—	—	—	—
—	—	—	—	—	—	—	—
6,212	16,568	11,046	5,522	—	—	—	—
—	—	—	—	—	—	—	—
<b>\$ 4,633,979</b>	<b>\$ 4,856,197</b>	<b>4,429,195</b>	<b>\$ 427,002</b>	<b>\$ 2,129,845</b>	<b>\$ 2,204,263</b>	<b>1,702,740</b>	<b>\$ 501,523</b>
		<b>(941,954)</b>				<b>(645,357)</b>	
		—				—	
		2				635,828	
		(66,458)				(378)	
		<b>(66,456)</b>				<b>635,450</b>	
		<b>(1,008,410)</b>				<b>(9,907)</b>	
		(731,347)				(294,347)	
		908,667				362,347	
		<b>\$ (831,090)</b>				<b>\$ 58,093</b>	

(continued)



# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2002

(dollars in thousands)  
(continued)

	<u>HIGHWAY OPERATING</u>			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	<u>BUDGET</u>		<u>ACTUAL</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Income Taxes .....			\$ —	
Sales Taxes .....			—	
Corporate and Public Utility Taxes .....			—	
Motor Vehicle Fuel Taxes .....			362,911	
Other Taxes .....			—	
Licenses, Permits and Fees .....			67,375	
Sales, Services and Charges .....			1,364	
Federal Government .....			975,088	
Tobacco Settlement.....			—	
Investment Income .....			42,642	
Other .....			56,950	
<b>TOTAL REVENUES.....</b>			<b>1,506,330</b>	
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education .....	\$ —	\$ —	—	\$ —
Higher Education Support .....	—	—	—	—
Public Assistance and Medicaid .....	—	—	—	—
Health and Human Services .....	—	—	—	—
Justice and Public Protection .....	—	—	—	—
Environmental Protection and Natural Resources .....	—	—	—	—
Transportation .....	3,444,522	4,243,130	3,316,410	926,720
General Government .....	—	—	—	—
Community and Economic Development .....	—	—	—	—
<b>INTERGOVERNMENTAL.....</b>	—	—	—	—
<b>CAPITAL OUTLAY .....</b>	—	—	—	—
<b>DEBT SERVICE.....</b>	43,669	61,686	41,685	20,001
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 3,488,191</b>	<b>\$ 4,304,816</b>	<b>3,358,095</b>	<b>\$ 946,721</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>				<b>(1,851,765)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond Proceeds .....			—	
Transfers-in .....			532,625	
Transfers-out .....			(207,831)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>			<b>324,794</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>				<b>(1,526,971)</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....</b>				<b>(544,062)</b>
<b>Outstanding Encumbrances at Beginning of Fiscal Year</b>				<b>1,512,859</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>				<b>\$ (558,174)</b>

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

**REVENUE DISTRIBUTION**

<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>ORIGINAL</u>	<u>FINAL</u>		
		\$ 848,810	
		303,346	
		334,376	
		1,041,549	
		14,370	
		523,100	
		—	
		—	
		—	
		2,053	
		87	
		<u>3,067,691</u>	
\$ —	\$ —	—	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,388,277	2,390,370	2,291,310	99,060
—	—	—	—
—	—	—	—
<u>\$ 2,388,277</u>	<u>\$ 2,390,370</u>	<u>2,291,310</u>	<u>\$ 99,060</u>
		<u>776,381</u>	
		—	
		2	
		<u>(719,441)</u>	
		<u>(719,439)</u>	
		56,942	
		206,107	
		—	
		<u>\$ 263,049</u>	

**STATE OF OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS -- ENTERPRISE**  
**JUNE 30, 2002**  
(dollars in thousands)

	<b>WORKERS' COMPENSATION</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 1,905	\$ 33,387	\$ —
Cash and Cash Equivalents.....	2,375,148	12,083	2,250
Investments.....	—	—	39,506
Collateral on Lent Securities.....	2,111,450	11,226	2,813
Deposit with Federal Government.....	—	—	1,812,201
Intergovernmental Receivable.....	—	—	6,642
Premiums and Assessments Receivable.....	362,918	—	13,093
Investment Trade Receivable.....	1,014,193	—	—
Interfund Receivable.....	32,851	—	—
Other Receivables.....	260,921	31,680	57,162
Inventories.....	—	—	—
Other Assets.....	2,103	3,633	6,777
<b>TOTAL CURRENT ASSETS.....</b>	<b>6,161,489</b>	<b>92,009</b>	<b>1,940,444</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash Equity with Treasurer.....	—	6,439	—
Cash and Cash Equivalents.....	12,911	—	—
Investments.....	—	1,084,279	—
Collateral on Lent Securities.....	—	420,368	—
Other Receivables.....	—	4,266	—
Investments.....	14,824,856	—	—
Premiums and Assessments Receivable.....	349,332	—	—
Interfund Receivable.....	574,057	—	—
Receivable from Component Units.....	104,428	—	—
Other Receivables.....	—	—	—
Capital Assets Being Depreciated, Net.....	144,195	59,137	—
Capital Assets Not Being Depreciated.....	21,458	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>16,031,237</b>	<b>1,574,489</b>	<b>—</b>
<b>TOTAL ASSETS.....</b>	<b>22,192,726</b>	<b>1,666,498</b>	<b>1,940,444</b>
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	11,635	11,217	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	2,111,450	11,226	2,813
Investment Trade Payable.....	2,433,261	—	—
Intergovernmental Payable.....	—	—	911
Liabilities Payable from Restricted Assets:			
Deferred Prize Awards Payable.....	—	79,836	—
Obligations Under Securities Lending.....	—	420,368	—
Benefits Payable.....	—	—	—
Interfund Payable.....	—	204	—
Deferred Revenue.....	14,263	1,488	—
Benefits Payable.....	1,631,590	—	13,821
Refund and Other Liabilities.....	546,785	40,440	10,477
Bonds and Notes Payable.....	10,000	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>6,758,984</b>	<b>564,779</b>	<b>28,022</b>
<b>NONCURRENT LIABILITIES:</b>			
Liabilities Payable from Restricted Assets:			
Deferred Prize Awards Payable.....	—	918,108	—
Benefits Payable.....	—	—	—
Interfund Payable.....	—	3,397	—
Deferred Revenue.....	398,823	—	—
Benefits Payable.....	11,635,582	—	—
Refund and Other Liabilities.....	1,351,077	46,060	—
Bonds and Notes Payable.....	158,770	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>13,544,252</b>	<b>967,565</b>	<b>—</b>
<b>TOTAL LIABILITIES.....</b>	<b>20,303,236</b>	<b>1,532,344</b>	<b>28,022</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	8,682	1,967	—
Restricted for:			
Workers' Compensation.....	1,880,808	—	—
Deferred Lottery Prizes.....	—	97,040	—
Unemployment Compensation.....	—	—	1,912,422
Ohio Building Authority.....	—	—	—
Auditor of State's Office.....	—	—	—
Unrestricted (Deficits).....	—	35,147	—
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ 1,889,490</b>	<b>\$ 134,154</b>	<b>\$ 1,912,422</b>

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

<b>OHIO BUILDING AUTHORITY</b>	<b>TUITION TRUST AUTHORITY</b>	<b>LIQUOR CONTROL</b>	<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL</b>
\$ —	\$ 38	\$ 11,375	\$ 2,185	\$ 9,009	\$ 57,899
327	702	7,691	—	369	2,398,570
28,178	—	—	—	—	67,684
2	342	3,578	684	—	2,130,095
—	—	—	—	—	1,812,201
—	—	—	—	—	6,642
—	—	—	—	—	376,011
—	—	—	—	—	1,014,193
—	—	10	—	1,470	34,331
5,005	618	—	42	8,668	364,096
—	—	25,750	—	—	25,750
567	—	122	—	—	13,202
<b>34,079</b>	<b>1,700</b>	<b>48,526</b>	<b>2,911</b>	<b>19,516</b>	<b>8,300,674</b>
—	—	—	—	—	6,439
—	4,491	—	—	—	17,402
—	602,265	—	—	—	1,686,544
—	—	—	—	—	420,368
—	—	—	—	—	4,266
—	60,677	—	—	—	14,885,533
—	—	—	—	—	349,332
—	—	—	—	—	574,057
—	—	—	—	—	104,428
18,422	—	—	—	—	18,422
—	164	1,005	6,919	5,460	216,880
—	—	—	—	—	21,458
<b>18,422</b>	<b>667,597</b>	<b>1,005</b>	<b>6,919</b>	<b>5,460</b>	<b>18,305,129</b>
<b>52,501</b>	<b>669,297</b>	<b>49,531</b>	<b>9,830</b>	<b>24,976</b>	<b>26,605,803</b>
1,841	290	19,779	48	1,179	45,989
371	68	649	51	2,511	3,650
2	342	3,578	684	—	2,130,095
—	—	—	—	—	2,433,261
—	—	367	—	—	1,278
—	—	—	—	—	79,836
—	—	—	—	—	420,368
—	55,800	—	—	—	55,800
—	—	2,398	1	262	2,865
186	—	—	6	—	15,943
—	—	—	—	—	1,645,411
112	680	2,079	12	830	601,415
3,531	—	—	—	—	13,531
<b>6,043</b>	<b>57,180</b>	<b>28,850</b>	<b>802</b>	<b>4,782</b>	<b>7,449,442</b>
—	—	—	—	—	918,108
—	682,400	—	—	—	682,400
—	—	903	17	3,786	8,103
—	—	—	—	—	398,823
—	—	—	—	—	11,635,582
—	—	2,404	121	6,461	1,406,123
18,422	—	—	—	—	177,192
<b>18,422</b>	<b>682,400</b>	<b>3,307</b>	<b>138</b>	<b>10,247</b>	<b>15,226,331</b>
<b>24,465</b>	<b>739,580</b>	<b>32,157</b>	<b>940</b>	<b>15,029</b>	<b>22,675,773</b>
—	164	1,005	6,919	5,460	24,197
—	—	—	—	—	1,880,808
—	—	—	—	—	97,040
—	—	—	—	—	1,912,422
28,003	—	—	—	—	28,003
—	—	—	—	406	406
33	(70,447)	16,369	1,971	4,081	(12,846)
<b>\$ 28,036</b>	<b>\$ (70,283)</b>	<b>\$ 17,374</b>	<b>\$ 8,890</b>	<b>\$ 9,947</b>	<b>\$ 3,930,030</b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS -- ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2002

(dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ —	\$ 1,983,103	\$ 26,602
Premium and Assessment Income.....	2,362,685	—	660,358
Federal Government.....	—	—	142,304
Investment Income.....	—	—	125,004
Other.....	13,567	5,021	7,130
<b>TOTAL OPERATING REVENUES.....</b>	<b>2,376,252</b>	<b>1,988,124</b>	<b>961,398</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	—	—	—
Administration.....	53,878	87,514	—
Premium Dividend Reductions and Refunds.....	1,473,880	—	—
Bonuses and Commissions.....	—	126,597	—
Prizes.....	—	1,148,126	—
Benefits and Claims.....	2,934,353	—	1,659,664
Depreciation.....	18,302	15,996	—
Other.....	85,080	142	484
<b>TOTAL OPERATING EXPENSES.....</b>	<b>4,565,493</b>	<b>1,378,375</b>	<b>1,660,148</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(2,189,241)</b>	<b>609,749</b>	<b>(698,750)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income.....	(430,147)	119,038	502
Interest Expense.....	—	(3,835)	—
Federal Grants.....	—	—	346,891
Other.....	—	(84,966)	—
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>(430,147)</b>	<b>30,237</b>	<b>347,393</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(2,619,388)</b>	<b>639,986</b>	<b>(351,357)</b>
<b>TRANSFERS:</b>			
Transfers-in.....	—	—	812
Transfers-out.....	(7,140)	(635,290)	(3,170)
<b>TOTAL TRANSFERS.....</b>	<b>(7,140)</b>	<b>(635,290)</b>	<b>(2,358)</b>
<b>NET INCOME (LOSS).....</b>	<b>(2,626,528)</b>	<b>4,696</b>	<b>(353,715)</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>4,516,018</b>	<b>129,458</b>	<b>2,266,137</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ 1,889,490</b>	<b>\$ 134,154</b>	<b>\$ 1,912,422</b>

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

<b>OHIO BUILDING AUTHORITY</b>	<b>TUITION TRUST AUTHORITY</b>	<b>LIQUOR CONTROL</b>	<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL</b>
\$ 27,608	\$ 166,258	\$ 469,365	\$ 2,654	\$ 38,744	\$ 2,714,334
—	—	—	—	—	3,023,043
—	—	—	—	—	142,304
—	(16,822)	—	—	—	108,182
4,087	—	1,150	—	444	31,399
<b>31,695</b>	<b>149,436</b>	<b>470,515</b>	<b>2,654</b>	<b>39,188</b>	<b>6,019,262</b>
27,245	—	290,998	—	64,899	383,142
3,295	6,172	47,409	1,789	8,599	208,656
—	—	—	—	—	1,473,880
—	—	—	—	—	126,597
—	—	—	—	—	1,148,126
—	278,675	—	—	—	4,872,692
—	113	368	547	3,852	39,178
1,491	—	519	—	65	87,781
<b>32,031</b>	<b>284,960</b>	<b>339,294</b>	<b>2,336</b>	<b>77,415</b>	<b>8,340,052</b>
<b>(336)</b>	<b>(135,524)</b>	<b>131,221</b>	<b>318</b>	<b>(38,227)</b>	<b>(2,320,790)</b>
793	—	—	95	—	(309,719)
(1,693)	—	—	—	(5)	(5,533)
—	—	—	—	—	346,891
—	—	—	—	(882)	(85,848)
<b>(900)</b>	<b>—</b>	<b>—</b>	<b>95</b>	<b>(887)</b>	<b>(54,209)</b>
<b>(1,236)</b>	<b>(135,524)</b>	<b>131,221</b>	<b>413</b>	<b>(39,114)</b>	<b>(2,374,999)</b>
28,513	—	3	—	34,237	63,565
(29,327)	—	(131,574)	(773)	(112)	(807,386)
<b>(814)</b>	<b>—</b>	<b>(131,571)</b>	<b>(773)</b>	<b>34,125</b>	<b>(743,821)</b>
<b>(2,050)</b>	<b>(135,524)</b>	<b>(350)</b>	<b>(360)</b>	<b>(4,989)</b>	<b>(3,118,820)</b>
30,086	65,241	17,724	9,250	14,936	7,048,850
<b>\$ 28,036</b>	<b>\$ (70,283)</b>	<b>\$ 17,374</b>	<b>\$ 8,890</b>	<b>\$ 9,947</b>	<b>\$ 3,930,030</b>

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS -- ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(dollars in thousands)

	<u>WORKERS'</u> <u>COMPENSATION</u>	<u>LOTTERY</u> <u>COMMISSION</u>	<u>UNEMPLOYMENT</u> <u>COMPENSATION</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ —	\$ 1,989,380	\$ 32,698
Cash Received from Premiums and Assessments.....	717,642	—	673,372
Cash Received from Quasi-External Transactions with Other Funds...	148	153	—
Cash Received from the Federal Government for Extended Benefits...	—	—	130,450
Other Operating Cash Receipts.....	13,160	4,869	6,873
Cash Payments to Suppliers for Goods and Services.....	(75,960)	(59,738)	—
Cash Payments to Employees for Services.....	(235,122)	(23,286)	—
Cash Payments for Benefits and Claims.....	(1,964,515)	—	(1,667,968)
Cash Payments for Lottery Prizes.....	—	(1,285,611)	—
Cash Payments for Bonuses and Commissions.....	—	(126,575)	—
Cash Payments for Premium Reductions and Refunds.....	(73,034)	—	—
Cash Payments for Quasi-External Transactions with Other Funds.....	(4)	(344)	—
Other Operating Cash Payments.....	—	(142)	(14,952)
<b>NET CASH FLOWS PROVIDED (USED) BY</b> <b>OPERATING ACTIVITIES.....</b>	<b>(1,617,685)</b>	<b>498,706</b>	<b>(839,527)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-in .....	—	—	812
Transfers-out .....	(7,140)	(635,290)	(3,170)
Federal Grants.....	—	—	346,891
<b>NET CASH FLOWS PROVIDED (USED) BY</b> <b>NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(7,140)</b>	<b>(635,290)</b>	<b>344,533</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments on Bonds and Capital Leases.....	(9,000)	(12,318)	—
Interest Paid .....	(8,571)	(3,835)	—
Acquisition and Construction of Capital Assets .....	(13,378)	(654)	—
Principal Receipts on Capital Leases Receivable.....	—	—	—
Proceeds from Sales of Capital Assets .....	65	137	—
<b>NET CASH FLOWS PROVIDED (USED) BY</b> <b>CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(30,884)</b>	<b>(16,670)</b>	<b>—</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(39,633,271)	(171,697)	(6,987,989)
Proceeds from the Sales and Maturities of Investments .....	41,323,284	279,955	7,360,229
Investment Income Received .....	755,949	36,724	125,004
Borrower Rebates and Agent Fees.....	(100,111)	(10,642)	—
<b>NET CASH FLOWS PROVIDED (USED) BY</b> <b>INVESTING ACTIVITIES.....</b>	<b>2,345,851</b>	<b>134,340</b>	<b>497,244</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b> <b>CASH AND CASH EQUIVALENTS, JULY 1 (as restated).....</b>	<b>690,142</b> 1,699,822	<b>(18,914)</b> 70,823	<b>2,250</b> —
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 2,389,964</b>	<b>\$ 51,909</b>	<b>\$ 2,250</b>

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

<b>OHIO BUILDING AUTHORITY</b>	<b>TUITION TRUST AUTHORITY</b>	<b>LIQUOR CONTROL</b>	<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL</b>
\$ 27,052	\$ 163,809	\$ 469,191	\$ 2,068	\$ 38,726	\$ 2,722,924
—	—	—	—	—	1,391,014
1,077	—	14	590	413	2,395
—	—	—	—	—	130,450
2,840	—	1,140	—	813	29,695
(31,393)	(1,379)	(319,030)	(525)	(8,931)	(496,956)
(1,101)	(3,722)	(16,714)	(1,287)	(64,250)	(345,482)
—	(25,805)	—	—	—	(3,658,288)
—	—	—	—	—	(1,285,611)
—	—	—	—	—	(126,575)
—	—	—	—	—	(73,034)
—	(70)	(4)	—	(1)	(423)
—	—	(179)	(19)	(207)	(15,499)
<b>(1,525)</b>	<b>132,833</b>	<b>134,418</b>	<b>827</b>	<b>(33,437)</b>	<b>(1,725,390)</b>
28,513	—	3	—	33,476	62,804
(29,327)	—	(131,574)	(773)	—	(807,274)
—	—	—	—	—	346,891
<b>(814)</b>	<b>—</b>	<b>(131,571)</b>	<b>(773)</b>	<b>33,476</b>	<b>(397,579)</b>
(3,359)	—	—	—	(142)	(24,819)
(1,565)	—	—	—	(5)	(13,976)
—	(80)	(440)	(32)	(1,372)	(15,956)
3,359	—	—	—	—	3,359
—	—	54	—	—	256
<b>(1,565)</b>	<b>(80)</b>	<b>(386)</b>	<b>(32)</b>	<b>(1,519)</b>	<b>(51,136)</b>
(76,710)	(1,511,941)	—	—	—	(48,381,608)
80,040	1,364,534	—	—	—	50,408,042
666	19,589	—	91	—	938,023
—	—	—	—	—	(110,753)
<b>3,996</b>	<b>(127,818)</b>	<b>—</b>	<b>91</b>	<b>—</b>	<b>2,853,704</b>
92	4,935	2,461	113	(1,480)	679,599
235	296	16,605	2,072	10,858	1,800,711
<b>\$ 327</b>	<b>\$ 5,231</b>	<b>\$ 19,066</b>	<b>\$ 2,185</b>	<b>\$ 9,378</b>	<b>\$ 2,480,310</b>

(continued)



**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS -- ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

(dollars in thousands)

(continued)

	<u>WORKERS'</u> <u>COMPENSATION</u>	<u>OHIO</u> <u>LOTTERY</u> <u>COMMISSION</u>	<u>UNEMPLOYMENT</u> <u>COMPENSATION</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>			
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss).....	\$ (2,189,241)	\$ 609,749	\$ (698,750)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	(125,004)
Depreciation .....	18,302	15,996	—
Provision for Uncollectible Accounts.....	66,553	—	—
Amortization of Premiums and Discounts.....	298	—	—
Interest on Bonds, Notes and Capital Leases.....	8,571	—	—
Miscellaneous Nonoperating Revenues (Expenses).....	—	—	—
Decrease (Increase) in Assets:			
Premiums and Assessments Receivable.....	(122,682)	—	1,783
Intergovernmental Receivable.....	—	—	(5,758)
Other Receivables .....	(71,217)	5,556	(257)
Interfund Receivable.....	(151,902)	—	—
Receivables from Component Units.....	(10,279)	—	—
Inventories .....	—	—	—
Other Assets .....	(310)	1,539	447
Increase (Decrease) in Liabilities:			
Accounts Payable .....	(2,807)	1,021	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	912
Interfund Payable.....	—	1,453	—
Deferred Revenue .....	(14,931)	721	—
Benefits Payable.....	761,197	—	13,811
Refund and Other Liabilities.....	90,763	6,997	(26,711)
Liabilities Payable from Restricted Assets.....	—	(144,326)	—
<b>NET CASH FLOWS PROVIDED (USED) BY</b>			
<b>OPERATING ACTIVITIES.....</b>	<b>\$ (1,617,685)</b>	<b>\$ 498,706</b>	<b>\$ (839,527)</b>

**NONCASH INVESTING,**  
**CAPITAL AND FINANCING ACTIVITIES:**

Change in Fair Value of Investments.....	\$ (1,067,016)	\$ 35,761	\$ —
--	----------------	-----------	------

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

<u>OHIO BUILDING AUTHORITY</u>	<u>TUITION TRUST AUTHORITY</u>	<u>LIQUOR CONTROL</u>	<u>UNDERGROUND PARKING GARAGE</u>	<u>OFFICE OF AUDITOR OF STATE</u>	<u>TOTAL</u>
\$ (336)	\$ (135,524)	\$ 131,221	\$ 318	\$ (38,227)	\$ (2,320,790)
—	16,822	—	—	—	(108,182)
—	113	368	547	3,852	39,178
—	—	—	—	(22)	66,531
(170)	—	—	—	—	128
—	—	—	—	—	8,571
—	(24)	—	—	—	(24)
—	—	—	—	—	(120,899)
—	—	—	—	—	(5,758)
(599)	(540)	—	9	274	(66,774)
—	—	(3)	—	—	(151,905)
—	—	—	—	—	(10,279)
—	—	1,079	—	—	1,079
(160)	—	41	—	—	1,557
(211)	83	852	(97)	(285)	(1,444)
—	13	(7)	10	1,035	1,051
—	—	367	—	—	1,279
—	—	46	18	(64)	1,453
(57)	—	—	2	—	(14,265)
—	—	—	—	—	775,008
8	490	454	20	—	72,021
—	251,400	—	—	—	107,074
<u>\$ (1,525)</u>	<u>\$ 132,833</u>	<u>\$ 134,418</u>	<u>\$ 827</u>	<u>\$ (33,437)</u>	<u>\$ (1,725,390)</u>
\$ —	\$ (35,332)	\$ —	\$ —	\$ —	\$ (1,066,587)

**STATE OF OHIO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2002**  
(dollars in thousands)

	<u>PENSION TRUST</u>	<u>PRIVATE- PURPOSE TRUST</u>	<u>INVESTMENT TRUST</u>
	<u>STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/01)</u>	<u>VARIABLE COLLEGE SAVINGS PLAN</u>	<u>STAROHIO</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	30,855	110,679	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	38,426	—	5,911,440
Common and Preferred Stock.....	339,613	—	—
Corporate Bonds and Notes.....	42,558	—	—
Foreign Stocks and Bonds.....	—	—	—
Commercial Paper.....	—	—	370,081
Repurchase Agreements.....	—	—	599
Mutual Funds.....	—	1,621,798	—
Real Estate.....	82,843	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	38,017	—	—
State Treasury Asset Reserve of Ohio (STAROhio).....	—	—	—
Collateral on Lent Securities.....	17,081	—	447,268
Employer Contributions Receivable.....	2,095	—	—
Employee Contributions Receivable.....	1,745	—	—
Investment Trade Receivable.....	—	14,885	—
Other Receivables.....	1,709	3,462	172
Other Assets.....	46	—	—
Capital Assets, Net.....	187	—	—
<b>TOTAL ASSETS.....</b>	<b>595,175</b>	<b>1,750,824</b>	<b>6,729,560</b>
<b>LIABILITIES:</b>			
Accounts Payable.....	1,134	—	—
Accrued Liabilities.....	968	3,207	—
Obligations Under Securities Lending.....	17,081	—	447,268
Investment Trade Payable.....	—	18,095	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	36	—	421
<b>TOTAL LIABILITIES.....</b>	<b>19,219</b>	<b>21,302</b>	<b>447,689</b>
<b>NET ASSETS:</b>			
Held in Trust for:			
Employees' Pension Benefits.....	492,214	—	—
Employees' Postemployment Healthcare Benefits.....	83,742	—	—
Individuals, Organizations and Other Governments.....	—	1,729,522	—
Pool Participants.....	—	—	6,281,871
<b>TOTAL NET ASSETS.....</b>	<b>\$ 575,956</b>	<b>\$ 1,729,522</b>	<b>\$ 6,281,871</b>

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

AGENCY

\$ 166,073  
183,516

5,651,958  
53,031,494  
12,140,417  
21,302,311  
1,205,295  
119,774  
2,138,637  
12,421,996  
1,147,335  
8,193,824  
16,828  
96,070  
—  
—  
—  
1,515  
429,153  
—

**118,246,196**

—  
—  
96,070  
—

80,776  
118,069,350

**118,246,196**

—  
—  
—  
—

**\$ —**

[THIS PAGE LEFT BLANK INTENTIONALLY]

**STATE OF OHIO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(dollars in thousands)

	<u>PENSION TRUST</u>	<u>PRIVATE- PURPOSE TRUST</u>	<u>INVESTMENT TRUST</u>
	<u>STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/01)</u>	<u>VARIABLE COLLEGE SAVINGS PLAN</u>	<u>STAROHIO</u>
<b>ADDITIONS:</b>			
Contributions from:			
Employer.....	\$ 17,423	\$ —	\$ —
Employees.....	7,042	—	—
Plan Participants.....	—	1,475,427	—
Other.....	999	—	—
<b>Total Contributions.....</b>	<b>25,464</b>	<b>1,475,427</b>	<b>—</b>
Investment Income:			
Net Depreciation in Fair Value of Investments.....	(33,858)	(139,587)	—
Interest, Dividends and Other.....	15,357	24,182	195,694
<b>Total Investment Income.....</b>	<b>(18,501)</b>	<b>(115,405)</b>	<b>195,694</b>
Less: Investment Expense.....	2,319	8,213	5,655
<b>Net Investment Income.....</b>	<b>(20,820)</b>	<b>(123,618)</b>	<b>190,039</b>
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	22,247,042
Reinvested Distributions.....	—	—	190,039
Shares Redeemed.....	—	—	(24,552,873)
<b>Net Capital Share and Individual Account Transactions.....</b>	<b>—</b>	<b>—</b>	<b>(2,115,792)</b>
<b>TOTAL ADDITIONS.....</b>	<b>4,644</b>	<b>1,351,809</b>	<b>(1,925,753)</b>
<b>DEDUCTIONS:</b>			
Pension Benefits Paid to Participants or Beneficiaries.....	29,457	—	—
Healthcare Benefits Paid to Participants or Beneficiaries.....	6,179	—	—
Refunds of Employee Contributions.....	307	—	—
Administrative Expense.....	615	—	—
Transfers to Other Retirement Systems.....	448	—	—
Distributions to Shareholders and Plan Participants.....	—	50,019	190,039
<b>TOTAL DEDUCTIONS.....</b>	<b>37,006</b>	<b>50,019</b>	<b>190,039</b>
<b>CHANGE IN NET ASSETS HELD FOR:</b>			
Employees' Pension Benefits.....	(26,714)	—	—
Employees' Postemployment Healthcare Benefits.....	(5,648)	—	—
Individuals, Organizations and Other Governments.....	—	1,301,790	(2,115,792)
<b>NET ASSETS, JULY 1.....</b>	<b>608,318</b>	<b>427,732</b>	<b>8,397,663</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 575,956</b>	<b>\$ 1,729,522</b>	<b>\$ 6,281,871</b>

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

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2002**  
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY	OHIO STATE UNIVERSITY
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 483,833	\$ 24	\$ —
Cash and Cash Equivalents.....	—	16	324,034
Investments.....	—	95,905	435,502
Collateral on Lent Securities.....	150,826	—	—
Intergovernmental Receivable.....	—	397	6,139
Loans Receivable, Net.....	—	5,539	11,500
Receivable from Primary Government.....	—	—	12,827
Other Receivables.....	1,013	15	257,170
Inventories.....	—	—	19,050
Other Assets.....	—	—	35,479
<b>TOTAL CURRENT ASSETS.....</b>	<b>635,672</b>	<b>101,896</b>	<b>1,101,701</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	19,455	24,343
Investments.....	—	815,683	—
Collateral on Lent Securities.....	—	—	—
Loans Receivable, Net.....	—	2,336,776	—
Investments.....	—	25,128	1,011,568
Loans Receivable, Net.....	—	16,812	50,809
Other Receivables.....	—	—	56,260
Other Assets.....	—	16,252	—
Capital Assets Being Depreciated, Net.....	40	539	1,620,851
Capital Assets Not Being Depreciated.....	—	—	141,963
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>40</b>	<b>3,230,645</b>	<b>2,905,794</b>
<b>TOTAL ASSETS.....</b>	<b>635,712</b>	<b>3,332,541</b>	<b>4,007,495</b>
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	6,911	48,096	125,194
Accrued Liabilities.....	137	6,139	135,308
Obligations Under Securities Lending.....	150,826	—	—
Intergovernmental Payable.....	682,558	6,851	—
Payable to Primary Government.....	3	—	3,642
Deferred Revenue.....	—	—	93,775
Refund and Other Liabilities.....	149	—	57,503
Bonds and Notes Payable.....	—	181,280	278,676
Certificates of Participation.....	—	—	925
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>840,584</b>	<b>242,366</b>	<b>695,023</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	661,176	—	—
Payable to Primary Government.....	78	—	49,846
Deferred Revenue.....	—	—	10,000
Refund and Other Liabilities.....	333	—	164,324
Bonds and Notes Payable.....	—	1,239,640	272,643
Certificates of Participation.....	—	—	7,880
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>661,587</b>	<b>1,239,640</b>	<b>504,693</b>
<b>TOTAL LIABILITIES.....</b>	<b>1,502,171</b>	<b>1,482,006</b>	<b>1,199,716</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	40	539	1,181,708
Restricted for:			
Debt Service.....	—	1,706,422	—
Intergovernmental and Capital Purposes.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	751,317
Affiliated Organizations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	6,650
Endowments and Quasi-Endowments.....	—	—	141,632
Current Operations.....	—	—	276,907
Affiliated Organizations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	32,332
Unrestricted (Deficits).....	(866,499)	143,574	417,233
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ (866,459)</b>	<b>\$ 1,850,535</b>	<b>\$ 2,807,779</b>

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 11,851	\$ 495,708
11,954	189,980	525,984
187,389	818,244	1,537,040
—	3,713	154,539
—	27,357	33,893
3,844	21,167	42,050
794	20,080	33,701
57,768	198,216	514,182
4,316	20,697	44,063
29,561	45,337	110,377
<b>295,626</b>	<b>1,356,642</b>	<b>3,491,537</b>
—	47,777	47,777
—	30,436	74,234
—	51,009	866,692
—	14,926	14,926
—	—	2,336,776
996,191	373,735	2,406,622
26,065	88,935	182,621
23,732	7,087	87,079
207,526	6,696	230,474
768,485	2,747,944	5,137,859
163,964	590,677	896,604
<b>2,185,963</b>	<b>3,959,222</b>	<b>12,281,664</b>
<b>2,481,589</b>	<b>5,315,864</b>	<b>15,773,201</b>
36,317	112,717	329,235
60,187	137,143	338,914
—	18,639	169,465
—	18	689,427
580	2,413	6,638
11,467	176,578	281,820
31,141	68,944	157,737
70,329	62,399	592,684
250	—	1,175
<b>210,271</b>	<b>578,851</b>	<b>2,567,095</b>
—	—	661,176
7,557	40,338	97,819
—	1,589	11,589
193,531	137,907	496,095
357,355	817,934	2,687,572
930	—	8,810
<b>559,373</b>	<b>997,768</b>	<b>3,963,061</b>
<b>769,644</b>	<b>1,576,619</b>	<b>6,530,156</b>
557,920	2,652,426	4,392,633
—	—	1,706,422
—	47,777	47,777
92,001	16,108	108,109
80,299	1,580	81,879
464,476	102,346	1,318,139
189,904	—	189,904
—	9,714	9,714
31,712	36,190	67,902
92,042	31,110	123,152
24,718	31,931	56,649
397	12,269	12,666
29,295	3,109	32,404
8,179	7,771	15,950
1,890	95,873	104,413
—	207	141,839
—	—	276,907
26,645	—	26,645
112,467	94,473	239,272
—	596,361	290,669
<b>\$ 1,711,945</b>	<b>\$ 3,739,245</b>	<b>\$ 9,243,045</b>



**STATE OF OHIO**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(dollars in thousands)

	<b>MAJOR COMPONENT UNITS</b>		
	<b>SCHOOL FACILITIES COMMISSION</b>	<b>OHIO WATER DEVELOPMENT AUTHORITY</b>	<b>OHIO STATE UNIVERSITY</b>
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ 5,198	\$ —	\$ —
Community and Economic Development.....	—	—	—
Intergovernmental .....	594,620	550	—
Cost of Services.....	—	76,821	—
Administration.....	—	9,599	—
Education and General:			
Instruction and Departmental Research.....	—	—	540,454
Separately Budgeted Research.....	—	—	272,504
Public Service.....	—	—	113,516
Academic Support.....	—	—	83,990
Student Services.....	—	—	58,097
Institutional Support.....	—	—	102,531
Operation and Maintenance of Plant.....	—	—	77,927
Scholarships and Fellowships.....	—	—	37,384
Auxiliary Services.....	—	—	148,489
Hospitals.....	—	—	701,310
Interest on Long-Term Debt.....	—	—	15,821
Depreciation.....	—	252	147,775
Other.....	—	1,066	11,311
<b>TOTAL EXPENSES.....</b>	<b>599,818</b>	<b>88,288</b>	<b>2,311,109</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	26	119,884	1,268,264
Operating Grants, Contributions and Restricted Investment Income.....	34,410	151,882	358,722
Capital Grants, Contributions and Restricted Investment Income.....	—	—	20,917
<b>TOTAL PROGRAM REVENUES.....</b>	<b>34,436</b>	<b>271,766</b>	<b>1,647,903</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(565,382)</b>	<b>183,478</b>	<b>(663,206)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	5,764	23,271
State Assistance.....	539,968	—	496,457
Other.....	—	—	41,030
<b>TOTAL GENERAL REVENUES.....</b>	<b>539,968</b>	<b>5,764</b>	<b>560,758</b>
<b>CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>—</b>	<b>32,429</b>
<b>SPECIAL ITEMS.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(25,414)</b>	<b>189,242</b>	<b>(70,019)</b>
<b>NET ASSETS (DEFICITS), JULY 1.....</b>	<b>(841,045)</b>	<b>1,661,293</b>	<b>2,877,798</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ (866,459)</b>	<b>\$ 1,850,535</b>	<b>\$ 2,807,779</b>

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

<u>UNIVERSITY OF CINCINNATI</u>	<u>NONMAJOR COMPONENT UNITS</u>	<u>TOTAL</u>
\$ —	\$ 79,016	\$ 84,214
—	1,988	1,988
—	14,348	609,518
—	—	76,821
—	—	9,599
228,140	1,121,491	1,890,085
113,035	132,261	517,800
44,520	103,922	261,958
55,676	256,731	396,397
27,270	182,780	268,147
69,993	287,894	460,418
40,991	214,573	333,491
12,755	131,238	181,377
67,677	410,208	626,374
—	169,131	870,441
16,664	41,470	73,955
53,213	196,759	397,999
4,857	32,942	50,176
<b>734,791</b>	<b>3,376,752</b>	<b>7,110,758</b>
259,736	1,653,848	3,301,758
154,100	521,676	1,220,790
5,827	21,041	47,785
<b>419,663</b>	<b>2,196,565</b>	<b>4,570,333</b>
<b>(315,128)</b>	<b>(1,180,187)</b>	<b>(2,540,425)</b>
(63,983)	20,793	(14,155)
217,188	1,235,816	2,489,429
100,022	59,603	200,655
<b>253,227</b>	<b>1,316,212</b>	<b>2,675,929</b>
<b>23,947</b>	<b>1,103</b>	<b>57,479</b>
—	(730)	(730)
<b>(37,954)</b>	<b>136,398</b>	<b>192,253</b>
1,749,899	3,602,847	9,050,792
<b>\$ 1,711,945</b>	<b>\$ 3,739,245</b>	<b>\$ 9,243,045</b>



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Ohio, as of June 30, 2002, 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, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

**A. Financial Reporting Entity**

The State of Ohio's primary government includes all funds, 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 on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports 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 basic financial statements include the financial data of the organizations listed below. 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 organizations by modifying or approving their respective budgets.

- School Facilities Commission
- Arts and Sports Facilities Commission
- SchoolNet Commission

The following organizations impose or potentially impose financial burdens on the primary government.

- Ohio Water Development Authority
- Ohio State University
- University of Cincinnati
- Ohio University
- Miami University
- University of Akron
- Bowling Green State University
- Kent State University
- University of Toledo
- Cleveland State University
- Youngstown State University
- Wright State University
- Shawnee State University
- Central State University

Medical College of Ohio at Toledo

- Terra State Community College
- Columbus State Community College
- Clark State Community College
- Edison State Community College
- Southern State Community College
- Washington State Community College
- Cincinnati State Community College
- Northwest State Community College
- Owens State Community College

**3. Joint Ventures and Related Organizations**

As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB Statement No. 14.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

*Government-wide Statements* — The Statement of Net Assets and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets less liabilities equal net assets*. *Net assets* is displayed in three components:

- ≠# The *Invested in Capital Assets, Net of Related Debt* component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to significant unspent related debt proceeds at year-end are not included in the calculation of this net assets component.
- ≠# The *Restricted Net Assets* component represents net assets with constraints placed on their use that are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net assets are displayed in two additional components — expendable and nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.
- ≠# The *Unrestricted Net Assets* component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Generally, the State does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, unrestricted investment income, escheat property revenues, federal grants, and state assistance are presented as general revenues.

*Fund Financial Statements* — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, investment trust, private-purpose trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services, premium and assessment income, and revenue from the federal government for extended unemployment benefits when these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Investment income is also reported as operating income for the Unemployment Compensation Fund and Tuition



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Trust Authority Fund since this revenue source provides significant funding for the payment of unemployment compensation benefits and tuition benefits, respectively. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment earnings and federal operating grants.

Proprietary fund operating expenses consist of expenses for the cost of sales and services, administration, premium dividend reductions and refunds, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on deferred lottery prize liabilities, which is reported under "Other" nonoperating expenses.

The State reports the following major governmental funds:

*General* — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

*Job, Family and Other Human Services Special Revenue Fund* — This fund accounts for public assistance programs primarily administered by the Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs.

*Education Special Revenue Fund* — This fund accounts for programs administered by the Department of Education, the Ohio Board of Regents, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training and to the State's colleges and universities for post-secondary education.

*Highway Operating Special Revenue Fund* — This fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

*Revenue Distribution Special Revenue Fund* — This fund accounts for tax relief and aid to local government programs, which derive funding from tax and other revenues levied, collected, and designated by the State for these purposes.

The State reports the following major proprietary funds:

*Workers' Compensation Enterprise Fund* — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Ohio Industrial Commission, which provide workers' compensation insurance services.

*Lottery Commission Enterprise Fund* — This fund accounts for the State's lottery operations.

*Unemployment Compensation Enterprise Fund* — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

*Ohio Building Authority Enterprise Fund* — This fund accounts for the Authority's local government office building lease operations and for the maintenance of all government office buildings owned or leased by the Authority.

*Tuition Trust Authority Enterprise Fund* — This fund accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

*Liquor Control Enterprise Fund* — This fund accounts for the State's liquor sales operations of the Ohio Department of Commerce's Division of Liquor Control.

*Underground Parking Garage Enterprise Fund* — This fund accounts for the operations of the State's underground parking facilities at Capitol Square in Columbus.

*Office of Auditor of State Enterprise Fund* — This fund accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

The State reports the following fiduciary fund types:

*Pension Trust Fund* — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2001.

*Private-Purpose Trust Fund* — The Private-Purpose Trust Fund accounts for trust arrangements under



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

*Investment Trust Fund* — The STAROhio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

*Agency Funds* — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

*Component Units Funds* — The State reports the following major component unit funds:

The *School Facilities Commission* is a discretely presented governmental component unit that uses special revenue fund reporting.

The *Ohio Water Development Authority*, *Ohio State University*, and *University of Cincinnati* funds are business-type activities that use proprietary fund reporting. The financial statements for the Ohio Water Development Authority are presented for the fiscal year ended December 31, 2001.

**C. Measurement Focus and Basis of Accounting**

*Government-wide, Proprietary Fund, and Fiduciary Fund Financial Statements* — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements.

Under the accrual basis, 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.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as deferred revenue.

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

As permitted by GAAP, all governmental and business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

*Governmental Fund Financial Statements* — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available when the revenues are collected within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

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
- €# 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 and the revenues are collected during the 60-day availability period.

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 or soon enough thereafter to be used to pay liabilities of the current period).

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.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt issuances, including refunding bond proceeds, bond premiums, and acquisitions under capital leases are reported as other financing sources while bond discounts and payments to bond escrow agents are reported as other financing uses.

**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 Sections 127.14 and 127.16, 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 debt service fund type:

- Vietnam Conflict Compensation
- General Obligations
- Economic Development Revenue Bonds
- Transportation Certificates of Participation
- 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

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



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, the State reports budgeted revenues and other financing sources and uses for the General Fund only; the State does not budget revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

While the State formally estimates revenue and other financing sources and uses for the General Revenue Fund, the largest budgetary operating fund reported in the General Fund, the State does not have updated, budgeted revenue and other financing sources and uses amounts for other budgetary funds also included in the General Fund. Therefore, the State has included “actual” revenue and other financing sources and uses amounts under the “Original” and “Final” budget columns presented on the budgetary basis financial statement for the other budgetary funds included in the General Fund.

Additionally, in the non-GAAP budgetary basis financial statement, “actual” budgetary expenditures include cash disbursements against the current fiscal year’s appropriations and outstanding encumbrances, as of June 30, 2002, that were committed during the current fiscal year. Encumbrance reversions represent lapses of prior years’ appropriations.

The Variable College Savings Plan Private-Purpose Trust Fund, State Highway Patrol Retirement System Pension Trust Fund, and the STAROhio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary funds, the State is not legally required to report budgetary data and comparisons for these funds. Also, 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, Lottery Commission, and Tuition Trust Authority enterprise funds and the Medical College of Ohio and the Columbus State Community College component unit funds.

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.

Additional disclosures on the State’s deposits can be found in NOTE 4.

**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.





**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additional disclosures on the State's investments can be found in NOTE 4.

**G. Taxes Receivable**

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred revenue. Additional disclosures on taxes receivable can be found in NOTE 5A.

**H. Intergovernmental Receivable**

The intergovernmental receivable balance is 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. Additional details on the intergovernmental receivable balance can be found in NOTE 5B.

**I. Inventories**

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements, and therefore, the State reserves an equivalent portion of fund balance.

**J. Restricted Assets**

The primary government reports assets restricted for payment of workers' compensation benefits, deferred prize awards (Ohio Lotto), and tuition benefits in the enterprise funds for the Bureau of Workers' Compensation, Lottery Commission, and Tuition Trust Authority, respectively.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

**K. Capital Assets**

*Primary Government*

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements 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 report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures. Infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements 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. Capital assets are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improve-



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ments are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized; while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- # the collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- # the collection is protected, kept unencumbered, cared for, and preserved.
- # the collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings .....	\$ 15,000
Building Improvements.....	100,000
Land .....	All, regardless of cost
Land Improvements .....	15,000
Machinery and Equipment .....	15,000
State Vehicles .....	15,000
Infrastructure:	
Highway Network .....	500,000
Bridge Network.....	500,000
Park and Natural Resources Network .....	All, regardless of cost

For depreciable capital assets, the State applies the straight-line method over the following estimated useful lives:

Buildings .....	20-45 years
Land Improvements .....	10-25 years
Machinery and Equipment .....	2-15 years
State Vehicles .....	5-15 years
Park and Natural Resources Infrastructure Network.....	50 years

NOTE 8 contains additional disclosures about the primary government's capital assets.

**Discretely Presented Component Unit Funds**

The discretely presented component unit funds value all capital assets at cost and donated fixed assets at estimated fair value on the donation date. Capital assets are depreciated using the straight-line

method. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

**L. Noncurrent Liabilities**

*Government-wide Financial Statements* — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

*Fund Financial Statements* — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and component unit funds report noncurrent liabilities expected to be financed from their operations.

**M. Compensated Absences**

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 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 compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. 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 included in the "Refunds and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation when an employee's right to receive compensation is attributable to services already rendered and it is



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

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

**N. Fund Balance**

Fund balance reported in the governmental fund financial statements is classified as follows:

*Reserved*

Reservations represent balances that are not appropriate or are legally restricted for a specific purpose. Additional details on "Reserved for Other" balances are disclosed in NOTE 17.

*Unreserved/Designated*

Designations represent balances available for tentative management plans that are subject to change.

*Unreserved/Undesignated*

Unreserved/undesignated fund balances are available for appropriation for the general purpose of the fund.

**O. 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 participants, the State's primary government and its discretely presented component units participate in a public entity

risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental funds as an interfund payable and in the component unit funds as a payable to primary government (See NOTE 7).

**P. Interfund Balances and Activities**

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

*Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions. This activity includes:

*Interfund Loans* — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

*Interfund Services Provided and Used* — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

*Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions. This activity includes:

*Interfund Transfers* — Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interfund Reimbursements* — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

**Q. Intra-Entity Balances and Activities**

Balances due between the primary government and its discretely presented component units are re-

ported as receivables from component units or primary government and payables to component units or primary government. For each major component unit, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**

**A. Implementation of Recently Issued Accounting Pronouncements**

For the year ended June 30, 2002, the State implemented the provisions of the following pronouncements of the Governmental Accounting Standards Board (GASB):

- ⊘ GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*
- ⊘ GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*
- ⊘ GASB Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*
- ⊘ GASB Statement No. 38, *Certain Financial Statement Note Disclosures*
- ⊘ GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

These new standards resulted in significant changes to the State’s financial statements and related notes for both the primary government and component units for the fiscal year ended June 30, 2002.

GASB Statement No. 34 establishes new accounting and financial reporting standards that fundamentally affect the presentation of a general purpose government’s basic financial statements and related required supplementary information.

GASB Statement No. 35 establishes new accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34. This standard has

been applied to the presentation of certain of the State’s component units’ basic financial statements.

GASB Statement No. 37 amends certain provisions of GASB Statement No. 34 and GASB Statement No. 21, *Accounting for Escheat Property*.

GASB Statement No. 38 establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

GASB Interpretation No. 6 clarifies the application of existing accounting standards for distinguishing the respective portions of certain liabilities that should be reported as governmental fund liabilities and as general long-term liabilities of a government.

In May 2002, the GASB amended GASB Statement No. 14, *The Financial Reporting Entity*, and established additional guidance on the application of existing standards for the assessment of potential component units in determining a government’s financial reporting entity when it issued GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of GASB Statement No. 39 are effective for financial statements presented for periods beginning after June 15, 2003. Management has not yet determined the impact that GASB Statement No. 39 will have on the State’s financial statements.

Restatements for the primary government and its component units resulting from the implementation of the new GASB accounting standards, corrections, fund reclassifications, changes in accounting principles, and changes in reporting entity are detailed in the following tables.



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

**B. Restatements — Primary Government**

Restatements of fund balances/net assets, as of June 30, 2001, for the primary government are presented in the following tables (dollars in thousands).

	Governmental Activities						Total
	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Nonmajor Governmental Funds	
Fund Balance, as of June 30, 2001, As Previously Reported .....	\$1,880,898	\$146,665	\$56,252	\$1,033,741	\$127,182	\$2,896,615	\$ 6,141,353
Restatements Due to Implementation of New Accounting Standards:							
Increase/(Decrease) to Assets:							
Cash Equity with Treasurer .....	14,290	1,482	160	2,356	—	4,152	22,440
Investments .....	—	—	—	—	—	(8,670)	(8,670)
Intergovernmental Receivable.....	(21,950)	—	—	2,305	—	—	(19,645)
Interfund Receivable .....	(2,828)	—	—	—	—	—	(2,828)
Other Receivable .....	—	—	—	—	—	(38)	(38)
(Increase)/Decrease to Liabilities:							
Accounts Payable.....	(26,518)	(2,335)	(471)	(4,963)	—	(18,744)	(53,031)
Medicaid Claims Payable .....	(106,844)	—	—	—	—	—	(106,844)
Intergovernmental Payable .....	—	—	—	—	—	(18,496)	(18,496)
Interfund Payable .....	(263,643)	(6,401)	(1,372)	(81,414)	—	(61,478)	(414,308)
Fund Reclassification of Net Assets:							
Unclaimed Funds Expendable Trust	437,541	—	—	—	—	—	437,541
	30,048	(7,254)	(1,683)	(81,716)	—	(103,274)	(163,879)
Corrections:							
Increase/(Decrease) to Assets:							
Cash and Cash Equivalents .....	—	—	—	—	—	3,808	3,808
Intergovernmental Receivable.....	146,239	—	—	14,774	—	—	161,013
Loans Receivable, Net .....	—	—	—	—	—	(1,430)	(1,430)
(Increase)/Decrease to Liabilities:							
Accounts Payable.....	3,027	(964)	5	(19,465)	—	(1,907)	(19,304)
	149,266	(964)	5	(4,691)	—	471	144,087
Fund Reclassification of Net Assets:							
Internal Service Funds:							
Information Technology .....	27,760	—	—	—	—	—	27,760
Ohio Penal Industries .....	29,072	—	—	—	—	—	29,072
Office of Support Services.....	7,569	—	—	—	—	—	7,569
Ohio Building Authority							
Capital Projects Fund .....	—	—	—	—	—	(1,620)	(1,620)
	64,401	—	—	—	—	(1,620)	62,781
Change in Reporting Entity:							
Arts and Sports Facilities Commission	(718)	—	—	—	—	(68,185)	(68,903)
SchoolNet Commission .....	(15,500)	—	(5,815)	—	—	(10)	(21,325)
	(16,218)	—	(5,815)	—	—	(68,195)	(90,228)
Increase/(Decrease) for Restatement.....	227,497	(8,218)	(7,493)	(86,407)	—	(172,618)	(47,239)
Fund Balance, July 1, 2001, As Restated .....	\$2,108,395	\$138,447	\$48,759	\$ 947,334	\$127,182	\$2,723,997	6,094,114
GASB 34-Related Adjustments to Reconcile with Net Assets Reported for Governmental Activities, as of July 1, 2001:							
Increase/(Decrease) to Assets:							
Capital Assets, Net .....							
							20,985,287
(Increase)/Decrease to Liabilities:							
							15,004
							(84,567)
							(11,798)
							296,238
							(7,984,779)
							(12,305)
							(361,578)
							(4,722)
							(65,347)
							(20,000)
							(93,936)
Net Assets for Governmental Activities, July 1, 2001 .....							<u>\$18,751,611</u>

(Continued)



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

	Business-Type Activities				
	Workers' Compensation	Lottery Commission	Unemployment Compensation	Ohio Building Authority	Tuition Trust Authority
Net Assets, as of June 30, 2001, As Previously Reported .....	\$4,516,018	\$131,606	\$ —	\$ —	\$56,240
Restatements Due to Implementation of New Accounting Standards:					
Increase/(Decrease) to Assets:					
Cash Equity with Treasurer .....	—	—	—	—	—
(Increase)/Decrease to Liabilities:					
Interfund Payable .....	—	(2,148)	—	—	—
Fund Reclassification of Net Assets:					
Ohio Building Authority Internal Service Fund.....	—	—	—	28,466	—
Unemployment Compensation Expendable Trust Fund.....	—	—	2,266,137	—	—
	—	(2,148)	2,266,137	28,466	—
Corrections:					
Increase/(Decrease) to Assets:					
Capital Assets, Net .....	—	—	—	—	—
(Increase)/Decrease to Liabilities:					
Accounts Payable.....	—	—	—	—	9,001
	—	—	—	—	9,001
Change in Accounting Principle:					
Change in Capitalization Threshold for Capital Assets .....	—	—	—	—	—
Fund Reclassification of Net Assets:					
Ohio Building Authority Capital Projects Fund.....	—	—	—	1,620	—
Increase/(Decrease) for Restatement.....	—	(2,148)	2,266,137	30,086	9,001
Net Assets, July 1, 2001, As Restated.....	\$4,516,018	\$129,458	\$2,266,137	\$30,086	\$65,241

	Business-Type Activities (Continued)			
	Liquor Control	Underground Parking Garage	Office of Auditor of State	Total
Net Assets, as of June 30, 2001, As Previously Reported .....	\$19,866	\$8,955	\$19,439	\$4,752,124
Restatements Due to Implementation of New Accounting Standards:				
Increase/(Decrease) to Assets:				
Cash Equity with Treasurer .....	111	—	—	111
(Increase)/Decrease to Liabilities:				
Interfund Payable .....	(782)	—	(4,086)	(7,016)
Fund Reclassification of Net Assets:				
Ohio Building Authority Internal Service Fund.....	—	—	—	28,466
Unemployment Compensation Expendable Trust Fund.....	—	—	—	2,266,137
	(671)	—	(4,086)	2,287,698
Corrections:				
Increase/(Decrease) to Assets:				
Capital Assets, Net .....	—	295	—	295
(Increase)/Decrease to Liabilities:				
Accounts Payable.....	—	—	—	9,001
	—	295	—	9,296
Change in Accounting Principle:				
Change in Capitalization Threshold for Capital Assets .....	(1,471)	—	(417)	(1,888)
Fund Reclassification of Net Assets:				
Ohio Building Authority Capital Projects Fund.....	—	—	—	1,620
Increase/(Decrease) for Restatement.....	(2,142)	295	(4,503)	2,296,726
Net Assets, July 1, 2001, As Restated.....	\$17,724	\$9,250	\$14,936	\$7,048,850

(Continued)



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

	Fiduciary Activities							Total
	Expendable Trust Funds							
	Internal Service Funds	Unclaimed Funds	Unemployment Compensation	Variable College Savings Plan	Variable Savings Private-Purpose Trust Fund	Other Trust Funds		
Net Assets, as of June 30, 2001, As Previously Reported .....	\$138,906	\$343,619	\$2,285,549	\$427,732	\$ —	\$9,005,981	\$12,062,881	
Restatements Due to Implementation of New Accounting Standards:								
Increase/(Decrease) to Assets:								
Cash Equity with Treasurer .....	—	1	—	—	—	—	1	
Investments .....	(10,593)	—	—	—	—	—	—	
Unemployment Taxes Receivable.....	—	—	(136,476)	—	—	—	(136,476)	
Intergovernmental Receivable.....	(347)	—	859	—	—	—	859	
Premiums and Assessments Receivable .....	—	—	14,876	—	—	—	14,876	
Interfund Receivable .....	(33,499)	(14)	—	—	—	—	(14)	
Other Receivables .....	(282)	—	56,905	—	—	—	56,905	
Other Assets.....	(30)	—	—	—	—	—	—	
Capital Assets, Net.....	(26,010)	—	—	—	—	—	—	
(Increase)/Decrease to Liabilities:								
Accounts Payable.....	10,645	—	—	—	—	—	—	
Accrued Liabilities .....	7,423	—	—	—	—	—	—	
Interfund Payable .....	4,025	—	—	—	—	—	—	
Deferred Revenue .....	—	(1)	—	—	—	—	(1)	
Benefits Payable .....	—	—	44,927	—	—	—	44,927	
Refund and Other Liabilities .....	—	—	(503)	—	—	—	(503)	
Liability for Escheat Property.....	—	93,936	—	—	—	—	93,936	
Fund Reclassification of Net Assets:								
General Fund.....	—	(437,541)	—	—	—	—	(437,541)	
Enterprise Funds:								
Ohio Building Authority.....	(28,466)	—	—	—	—	—	—	
Unemployment Compensation.....	—	—	(2,266,137)	—	—	—	(2,266,137)	
Variable College Savings Plan .....	—	—	—	(427,732)	427,732	—	—	
	(77,134)	(343,619)	(2,285,549)	(427,732)	427,732	—	(2,629,168)	
Corrections:								
Increase/(Decrease) to Assets:								
Other Receivables.....	2,056	—	—	—	—	—	—	
(Increase)/Decrease to Liabilities:								
Accounts Payable.....	69	—	—	—	—	—	—	
Revenue Bonds and Notes Payable ..	504	—	—	—	—	—	—	
	2,629	—	—	—	—	—	—	
Fund Reclassification of Net Assets:								
General Fund.....	(64,401)	—	—	—	—	—	—	
Increase/(Decrease) for Restatement.....	(138,906)	(343,619)	(2,285,549)	(427,732)	427,732	—	(2,629,168)	
Net Assets, July 1, 2001, As Restated....	\$ —	\$ —	\$ —	\$ —	\$427,732	\$9,005,981	\$ 9,433,713	

Significant corrections to opening balances reported by the primary government include the following:

⚡ For the General Fund, the “Other” receivable balance reported, as of June 30, 2001, was increased by \$146.2 million to properly reflect a reduction in Medicaid expenditures resulting from outstanding rebates receivable from drug manufacturers under the Medicaid Program.

⚡ For the Highway Operating Fund, the opening accounts payable balance was increased \$19.5 million, since the liability was not properly identified subsequent to the year ended June 30,

2001. The opening intergovernmental receivable balance was also increased \$14.8 million for the portion of the accounts payable adjustment that qualified for federal reimbursement.

Fund balance totaling \$90.2 million reported for the governmental funds, as of June 30, 2001, has been reclassified and presented under the discretely presented nonmajor component unit columns as a change in reporting entity for the Arts and Sports Facilities Commission and SchoolNet Commission in the amounts of \$68.9 million and \$21.3 million, respectively.



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

**C. Restatements — Component Unit Funds**

Restatements of net assets, as of June 30, 2001, are summarized for the discretely presented component unit funds below (dollars in thousands).

	Major Component Units					Total
	School Facilities Commission	Ohio Water Development Authority (12/31/01)	Ohio State University	University of Cincinnati	Nonmajor Component Units	
Net Assets, as of June 30, 2001, As Previously Reported .....	\$ (280,625)	\$ 1,661,293	\$ 4,365,081	\$ 2,351,045	\$ 5,908,294	\$ 14,005,088
Restatements Due to Implementation of New Accounting Standards:						
Increase/(Decrease) to Assets:						
Cash Equity with Treasurer .....	19	—	—	—	—	19
Other Receivables .....	—	—	—	(11,446)	—	(11,446)
Capital Assets, Net .....	31	—	(1,397,337)	(559,430)	(2,365,465)	(4,322,201)
(Increase)/Decrease to Liabilities:						
Payable to Primary Government .....	(42)	—	(57,175)	(5,893)	(31,270)	(94,380)
Deferred Revenue .....	1,334	—	1,992	—	(29,805)	(26,479)
Refund and Other Liabilities .....	(296)	—	(34,763)	(24,377)	(34,849)	(94,285)
	1,046	—	(1,487,283)	(601,146)	(2,461,389)	(4,548,772)
Corrections:						
Increase/(Decrease) to Assets:						
Other Receivables .....	—	—	—	—	399	399
(Increase)/Decrease to Liabilities:						
Intergovernmental Payable .....	(561,466)	—	—	—	—	(561,466)
Refund and Other Liabilities .....	—	—	—	—	(578)	(578)
	(561,466)	—	—	—	(179)	(561,645)
Change in Reporting Entity:						
Arts and Sports Facilities Commission's Fund Balance, as of June 30, 2001, As Reported .....	—	—	—	—	68,903	68,903
GASB 34 Full-Accrual Basis Adjustments:						
Increase/(Decrease) to Assets:						
Capital Assets, Net .....	—	—	—	—	64,429	64,429
(Increase)/Decrease to Liabilities:						
Deferred Revenue .....	—	—	—	—	136	136
Refund and Other Liabilities .....	—	—	—	—	(50)	(50)
Arts and Sports Facilities Commission's Net Assets, July 1, 2001 .....	—	—	—	—	133,418	133,418
SchoolNet Commission's Fund Balance, as of June 30, 2001, As Reported .....	—	—	—	—	21,325	21,325
GASB 34 Full-Accrual Basis Adjustments:						
Increase/(Decrease) to Assets:						
Capital Assets, Net .....	—	—	—	—	1,900	1,900
(Increase)/Decrease to Liabilities:						
Deferred Revenue .....	—	—	—	—	10	10
Refund and Other Liabilities .....	—	—	—	—	(532)	(532)
SchoolNet Commission's Net Assets, July 1, 2001 .....	—	—	—	—	22,703	22,703
Total Change in Reporting Entity .....	—	—	—	—	156,121	156,121
Increase/(Decrease) for Restatement .....	(560,420)	—	(1,487,283)	(601,146)	(2,305,447)	(4,954,296)
Net Assets, July 1, 2001, As Restated .....	\$ (841,045)	\$ 1,661,293	\$ 2,877,798	\$ 1,749,899	\$ 3,602,847	\$ 9,050,792

For the School Facilities Commission Fund, the intergovernmental payable balance, as of June 30, 2002, was increased by \$561.5 million to properly report expenditures/expenses related to long-term funding

agreements with local school districts. The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.





**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS**

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental 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.

*Original budget* amounts in the accompanying budgetary statements have been taken from the first complete appropriated budget for fiscal year 2002.

An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

*Final budget* amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2002, whenever signed into law or otherwise legally authorized.

For fiscal year 2002, no excess of expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue 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**  
**For the General Fund and Major Special Revenue Funds**  
**As of June 30, 2002**  
*(dollars in thousands)*

	Major Special Revenue Funds				
	General	Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis .....	\$875,457	\$ 143,359	\$28,743	\$ 814,692	\$118,785
Less: Reserved Fund Balances .....	(556,036)	(755,858)	(28,997)	(1,399,445)	(124,957)
Less: Designated Fund Balances .....	(319,421)	—	—	—	—
Unreserved/Undesignated Fund Balances —					
GAAP Basis .....	—	(612,499)	(254)	(584,753)	(6,172)
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer .....	(28,857)	(4,001)	(920)	(12,963)	(6,016)
Taxes Receivable .....	(974,426)	—	—	(53,605)	(253,980)
Intergovernmental Receivable .....	(490,716)	(450,162)	(150,425)	(79,651)	—
Loans Receivable .....	(18,103)	—	(10,466)	(51,430)	—
Interfund Receivable .....	(230,729)	(6)	—	(67)	—
Receivable from Component Units .....	(29)	—	—	—	—
Other Receivables .....	(198,777)	(35,521)	(539)	(3,763)	(85)
Inventories .....	(20,445)	—	—	(30,368)	—
Other Assets .....	(186)	—	(3,706)	—	—
Deferred Revenue .....	89,651	242,065	111,915	41,098	15,859
Total Revenue Accruals/Adjustments .....	(1,872,617)	(247,625)	(54,141)	(190,749)	(244,222)
Expenditure Accruals/Adjustments:					
Accounts Payable .....	161,826	44,797	2,201	132,164	—
Accrued Liabilities .....	77,457	9,326	1,006	14,455	—
Medicaid Claims Payable .....	994,725	1,500	—	—	—
Intergovernmental Payable .....	356,777	242,236	96,784	1,107	322,058
Interfund Payable .....	390,669	12,316	1,496	115,743	195
Payable to Component Units .....	6,967	1,282	319	541	—
Refund and Other Liabilities .....	647,808	9,014	—	—	70,389
Liability for Escheat Property .....	7,771	—	—	—	—
Total Expenditure Accruals/Adjustments .....	2,644,000	320,471	101,806	264,010	392,642
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis)					
to Reserved for:					
Debt Service .....	1,735	—	—	—	—
Noncurrent Portion of Loans Receivable .....	16,442	—	10,269	50,901	—
Inventories .....	10,108	—	—	31,674	—
Federal Programs .....	—	651	8,188	—	124,957
Other .....	224,473	—	—	—	—
From Undesignated (Non-GAAP					
Budgetary Basis) to Designated .....	319,421	—	—	—	—
Cash and Investments Held					
Outside of State Treasury .....	(211,505)	(39,154)	(5,869)	(379)	(4,155)
Other .....	—	1	1	—	(1)
Total Other Adjustments .....	360,674	(38,502)	12,589	82,196	120,801
Total Basis Differences .....	1,132,057	34,344	60,254	155,457	269,221
<b>TIMING DIFFERENCES</b>					
Encumbrances .....	(284,495)	(252,935)	(1,907)	(128,878)	—
Budgetary Fund Balances (Deficits) —					
Non-GAAP Basis .....	\$847,562	\$ (831,090)	\$58,093	\$ (558,174)	\$263,049



**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, 9<sup>th</sup> Floor, Columbus, Ohio 43215, or by calling (614) 466-2160.

**C. Deposits**

**1. Primary Government**

As of June 30, 2002, the carrying amount of deposits was (dollars in thousands) \$1,082,770, and the bank balance was \$1,193,470. Of the bank balance, \$167,129 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$971,455 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 \$54,886, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

**2. Component Units**

As of June 30, 2002, the carrying amount of deposits was (dollars in thousands) \$590,080, and the bank balance was \$695,479. Of the bank balance, \$54,410 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), \$543,224 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 \$97,845, 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 in-

clude ownership in mutual funds, real estate, venture capital and limited partnerships, direct mortgage loans, life insurance, 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 discretely presented component units and the carrying amount and fair value of investments, as of June 30, 2002, are detailed in the tables on the following page.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

<b>Primary Government</b> <i>(dollars in thousands)</i>				
	Category 1	Category 2	Category 3	Total Fair Value
<b>U.S. Government &amp; Agency Obligations:</b>				
Not on Securities Loan .....	\$ 22,094,973	\$55,000	\$ 6,475,208	\$ 28,625,181
On Securities Loan .....	—	—	230,991	230,991
Common and Preferred Stock .....	51,666,431	—	3,599,635	55,266,066
<b>Corporate Bonds and Notes:</b>				
Not on Securities Loan .....	13,046,757	—	1,575,294	14,622,051
On Securities Loan .....	—	—	73,453	73,453
Foreign Stocks and Bonds .....	21,393,700	—	1,313,343	22,707,043
Commercial Paper .....	1,928,461	—	2,363,385	4,291,846
Repurchase Agreements .....	120,387	26,228	333	146,948
<b>Securities Lending Collateral:</b>				
U.S. Government & Agency Obligations...	49,937	—	1,131,283	1,181,220
Repurchase Agreements .....	1,104,461	—	—	1,104,461
Common and Preferred Stock .....	—	—	433,267	433,267
Corporate Bonds and Notes .....	544,989	—	362,415	907,404
Foreign Stocks and Bonds .....	—	—	183,886	183,886
Commercial Paper .....	641,810	—	—	641,810
	<u>\$112,591,906</u>	<u>\$81,228</u>	<u>\$17,742,493</u>	<u>130,415,627</u>
<b>Investments Held by Broker-dealers under Securities Loans with Cash Collateral:</b>				
U.S. Government and Agency Obligations .....				3,723,519
Common and Preferred Stock .....				425,842
Corporate Bonds and Notes .....				354,727
Foreign Stocks and Bonds .....				187,202
Mutual Funds .....				6,816,221
Real Estate .....				12,350,099
Venture Capital .....				1,147,335
Limited Partnerships .....				359,562
Investment Contracts .....				888
Securities Lending Collateral — Mutual Funds .....				322,794
Deposit with Federal Government .....				1,812,201
Component Units' Equity in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities) .....				(712,949)
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAROhio) .....				(507,520)
<b>Total Investments — Primary Government .....</b>				<u><u>\$156,695,548</u></u>

<b>Component Units</b> <i>(dollars in thousands)</i>				
	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations .....	\$ 275,029	\$ 609,070	\$349,175	\$1,233,274
Common and Preferred Stock .....	573,876	787,775	9,286	1,370,937
Corporate Bonds and Notes .....	170,877	134,923	39,068	344,868
Foreign Stocks and Bonds .....	25,486	—	—	25,486
Commercial Paper .....	—	9,911	—	9,911
Repurchase Agreements .....	1,510	175,659	183,760	360,929
Municipal Obligations .....	15,046	—	24	15,070
Negotiable Certificates of Deposit .....	834	22,000	28,030	50,864
	<u>\$1,062,658</u>	<u>\$1,739,338</u>	<u>\$609,343</u>	<u>3,411,339</u>
Mutual Funds .....				758,576
Investment in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities) .....				712,949
Investment in the State Treasury Asset Reserve of Ohio (STAROhio) .....				507,520
Real Estate .....				54,323
Life Insurance .....				20,502
Limited Partnerships .....				5,901
Investment Contracts .....				62,329
<b>Total Investments — Component Units .....</b>				<u><u>\$5,533,439</u></u>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The total carrying amount of deposits and investments, as of June 30, 2002, reported for the primary government and its component units is (dollars in thousands) \$163,516,480. The total carrying amount of deposits and investments categorized and disclosed in this note is \$163,901,837. A reconciliation of the difference is presented in the table below.

**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" and "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, 2002, 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 2002, 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.

**Reconciliation of Deposit and Investments Disclosures  
With Financial Statements  
As of June 30, 2002  
(dollars in thousands)**

	Government-Wide Statement of Net Assets			Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Component Units	Statement of Net Assets	
Cash Equity with Treasurer.....	\$4,710,788	\$ 57,899	\$ 495,708	\$ 166,073	\$ 5,430,468
Cash and Cash Equivalents.....	40,751	2,398,570	525,984	325,050	3,290,355
Investments.....	797,510	14,953,217	3,943,662	125,815,244	145,509,633
Collateral on Lent Securities.....	1,494,388	2,130,095	154,539	560,419	4,339,441
Deposit with Federal Government.....	—	1,812,201	—	—	1,812,201
<b>Restricted Assets:</b>					
Cash Equity with Treasurer.....	—	6,439	47,777	—	54,216
Cash and Cash Equivalents.....	—	17,402	74,234	—	91,636
Investments.....	—	1,686,544	866,692	—	2,553,236
Collateral on Lent Securities.....	—	420,368	14,926	—	435,294
<b>Total Reporting Entity .....</b>	<b>\$7,043,437</b>	<b>\$23,482,735</b>	<b>\$6,123,522</b>	<b>\$126,866,786</b>	<b>\$163,516,480</b>
			<b>Primary Government:</b>		
			Deposits .....		\$ 1,082,770
			Investments.....		156,695,548
					<u>157,778,318</u>
			<b>Component Units:</b>		
			Deposits .....		590,080
			Investments.....		5,533,439
					<u>6,123,519</u>
					163,901,837
			Outstanding Warrants and Other Reconciling Items .....		<u>(385,357)</u>
			<b>Total Reporting Entity .....</b>		<b>\$163,516,480</b>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**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 2002, 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 \$5.4 billion at fair value, as of June 30, 2002), 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 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 \$803 thousand, as of June 30, 2002.

Additionally, during the reporting period, the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and the State Teachers Retirement System of Ohio, 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 RECEIVABLES**

**A. Taxes Receivables — Primary Government**

The following table summarizes taxes receivable for the primary government (dollars in thousands).

	Governmental Activities				
	Major Governmental Funds			Nonmajor Governmental Funds	Total Primary Government
	General	Highway Operating	Revenue Distribution		
<b>Current-Due Within One Year:</b>					
Income Taxes .....	\$295,269	\$ —	\$ 42,350	\$ 147	\$ 337,766
Sales Taxes .....	597,481	—	28,655	1,380	627,516
Motor Vehicle Fuel Taxes .....	—	46,405	147,897	2,165	196,467
Public Utility Taxes .....	52,992	—	31,713	—	84,705
Other Taxes .....	—	7,200	—	1,831	9,031
	945,742	53,605	250,615	5,523	1,255,485
<b>Noncurrent-Due in More Than One Year:</b>					
Income Taxes .....	28,684	—	3,365	—	32,049
Taxes Receivable, Net.....	\$974,426	\$53,605	\$253,980	\$5,523	\$1,287,534

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2002, approximately \$87.4 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$78.2 million is reported in the General Fund and \$9.2 million is reported in the Revenue

Distribution Special Revenue Fund. Refund liabilities for income, corporation franchise, and sales taxes, totaling approximately \$718.2 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which, \$647.8 million is reported in the General Fund and \$70.4 million is reported in the Revenue Distribution Special Revenue Fund on the governmental funds' balance sheet.



**NOTE 5 RECEIVABLES (Continued)**

**B. Intergovernmental Receivables — Primary Government**

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consisted of the following, as of June 30, 2002 (dollars in thousands).

	From Nonexchange Programs		From Sales of Goods and Services		Total Primary Government
	Federal Government	Local Government	Other State Governments	Local Government	
Governmental Activities:					
Major Governmental Funds:					
General .....	\$ 475,359	\$ 7,429	\$ —	\$ 7,928	\$ 490,716
Job, Family and Other Human Services .....	321,388	128,774	—	—	450,162
Education .....	82,366	68,059	—	—	150,425
Highway Operating .....	79,651	—	—	—	79,651
Nonmajor Governmental Funds .....	201,911	11,836	—	2,455	216,202
Total Governmental Activities .....	1,160,675	216,098	—	10,383	1,387,156
Business-Type Activities:					
Unemployment Compensation .....	—	—	6,642	—	6,642
Intergovernmental Receivable .....	\$1,160,675	\$216,098	\$6,642	\$10,383	\$1,393,798

**C. Loans Receivable**

Loans receivable for the primary government and its discretely presented component units, as of June 30, 2002, are detailed in the following tables (dollars in thousands).

**Primary Government — Loans Receivable**

Loan Program	Governmental Activities				
	Major Governmental Funds			Nonmajor Governmental Funds	Total Primary Government
	General	Education	Highway Operating		
School District Solvency Assistance.....	\$ 2,593	\$ —	\$ —	\$ —	\$ 2,593
Vocational Education.....	313	88	—	—	401
Wayne Trace Local School District.....	5,008	—	—	—	5,008
Vocational School Assistance .....	—	9,619	—	—	9,619
Physician Loan Repayment.....	—	488	—	—	488
Nurses Education Assistance.....	—	271	—	—	271
Office of Minority Financial Incentives .....	2,321	—	—	—	2,321
Rail Development .....	—	—	—	4,808	4,808
Office of Business Development .....	—	—	—	268,006	268,006
Ohio Housing Finance Agency .....	—	—	—	222,674	222,674
Small Government Fire Departments .....	261	—	—	—	261
Higher Education Research Investment Loans .....	—	—	—	1,882	1,882
Highway, Transit, & Aviation Infrastructure Bank ..	—	—	51,430	—	51,430
Natural Resources.....	—	—	—	291	291
Local Infrastructure Improvements .....	—	—	—	213,161	213,161
Columbiana County Economic Stabilization.....	2,104	—	—	—	2,104
State Workforce Development .....	5,308	—	—	—	5,308
Professional Development .....	1,156	—	—	—	1,156
Loans Receivable, Gross .....	19,064	10,466	51,430	710,822	791,782
Estimated Uncollectible .....	(961)	—	—	—	(961)
Loans Receivable, Net .....	\$18,103	\$10,466	\$51,430	\$710,822	\$790,821
Current-Due Within One Year .....	\$ 6,204	\$ 1,554	\$ 4,685	\$155,199	\$167,642
Noncurrent-Due in More Than One Year.....	11,899	8,912	46,745	555,623	623,179
Loans Receivable, Net .....	\$18,103	\$10,466	\$51,430	\$710,822	\$790,821





**NOTE 5 RECEIVABLES (Continued)**

**Component Units — Loans Receivable**

Loan Program	Ohio Water Development Authority (12/31/01)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Water and Wastewater Treatment (including restricted portion) .....	\$2,359,127	\$ —	\$ —	\$ —	\$2,359,127
Student .....	—	71,214	33,617	119,643	224,474
Other .....	—	—	643	753	1,396
Loans Receivable, Gross .....	2,359,127	71,214	34,260	120,396	2,584,997
Estimated Uncollectible .....	—	(8,905)	(4,351)	(10,294)	(23,550)
Loans Receivable, Net .....	<u>\$2,359,127</u>	<u>\$62,309</u>	<u>\$29,909</u>	<u>\$110,102</u>	<u>\$2,561,447</u>
Current-Due Within One Year .....	\$ 5,539	\$11,500	\$ 3,844	\$ 21,167	\$ 42,050
Noncurrent-Due in More Than One Year.....	2,353,588	50,809	26,065	88,935	2,519,397
Loans Receivable, Net .....	<u>\$2,359,127</u>	<u>\$62,309</u>	<u>\$29,909</u>	<u>\$110,102</u>	<u>\$2,561,447</u>

**D. Other Receivables**

Other receivables for the primary government, as of June 30, 2002, consisted of the following (dollars in thousands).

**Primary Government — Other Receivables**

Type of Receivable	Governmental Activities						
	Major Governmental Funds						Total
	General	Job, Family & Other Human Services	Education	Highway Operating	Revenue Distribution	Nonmajor Governmental Funds	
Accounts .....	\$ 3,150	\$ —	\$428	\$ —	\$—	\$13,683	\$ 17,261
Drug Manufacturers' Rebates .....	173,423	—	—	—	—	—	173,423
Women, Infants and Children Program Rebates .....	—	—	—	—	—	16,691	16,691
Health Facility Bed Assessments .....	—	31,819	—	—	—	—	31,819
Interest .....	1,942	105	111	1,821	85	4,748	8,812
Miscellaneous .....	20,262	3,597	—	1,942	—	27	25,828
Other Receivables, Net-Due Within One Year .....	<u>\$198,777</u>	<u>\$35,521</u>	<u>\$539</u>	<u>\$3,763</u>	<u>\$85</u>	<u>\$35,149</u>	<u>\$273,834</u>
Type of Receivable	Business-Type Activities						
	Workers' Compensation	Lottery Commission	Unemployment Compensation	Ohio Building Authority	Office of Auditor of State	Other Proprietary Funds	Total
	Accounts .....	\$725,845	\$ —	\$57,896	\$ 1,053	\$8,709	\$ —
Interest and Dividends (including restricted portion) .....	100,383	4,266	—	421	—	23	105,093
Leases .....	—	—	—	21,953	—	—	21,953
Lottery Sales Agents .....	—	32,000	—	—	—	—	32,000
Miscellaneous .....	—	—	—	—	—	637	637
Other Receivables, Gross .....	826,228	36,266	57,896	23,427	8,709	660	953,186
Estimated Uncollectible .....	(565,307)	(320)	(734)	—	(41)	—	(566,402)
Other Receivables, Net .....	<u>\$260,921</u>	<u>\$35,946</u>	<u>\$57,162</u>	<u>\$23,427</u>	<u>\$8,668</u>	<u>\$660</u>	<u>\$386,784</u>
Current-Due Within One Year .....	\$260,921	\$31,680	\$57,162	\$ 5,005	\$8,668	\$660	\$364,096
Noncurrent-Due in More Than One Year.....	—	4,266	—	18,422	—	—	22,688
Other Receivables, Net .....	<u>\$260,921</u>	<u>\$35,946</u>	<u>\$57,162</u>	<u>\$23,427</u>	<u>\$8,668</u>	<u>\$660</u>	<u>\$386,784</u>
Total Primary Government.....							<u>\$660,618</u>



**NOTE 5 RECEIVABLES (Continued)**

**Primary Government — Other Receivables (Continued)**

Type of Receivable	Fiduciary Funds					Total
	State Highway Patrol Retirement System Pension Trust (12/31/01)	College Savings Program Private-Purpose Trust	STAROhio Investment Trust	Agency		
Interest and Dividends .....	\$1,664	\$ —	\$172	\$ 407		\$2,243
Tuition Units Sold .....	—	3,462	—	—		3,462
Miscellaneous .....	45	—	—	1,108		1,153
Other Receivables, Gross .....	1,709	3,462	172	1,515		6,858
Estimated Uncollectible .....	—	—	—	—		—
Other Receivables, Net .....	\$1,709	\$3,462	\$172	\$1,515		\$6,858
Current-Due Within One Year .....	\$1,709	\$3,462	\$172	\$1,515		\$6,858

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 Enterprise Fund, net of executory costs, are as follows (dollars in thousands):

Year Ending June 30,	Leases Receivable
2003 .....	\$ 4,924
2004 .....	4,927
2005 .....	4,924
2006 .....	4,922
2007 .....	4,860
Thereafter .....	2,719
Total minimum lease payments .....	27,276
Amount representing interest .....	(5,323)
Present value of net minimum lease payments .....	\$21,953

Other receivables for the State's discretely presented component units, as of June 30, 2002, consisted of the following (dollars in thousands).

**Component Units — Other Receivables**

Type of Receivable	School Facilities Commission	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Accounts .....	\$ —	\$339,960	\$21,179	\$167,913	\$529,052
Interest .....	1,013	14,025	6,598	6,738	28,374
Pledges .....	—	70,909	38,931	11,465	121,305
Miscellaneous .....	—	—	16,182	52,010	68,192
Other Receivables, Gross .....	1,013	424,894	82,890	238,126	746,923
Estimated Uncollectible .....	—	(111,464)	(1,390)	(32,808)	(145,662)
Other Receivables, Net .....	\$1,013	\$313,430	\$81,500	\$205,318	\$601,261
Current-Due Within One Year .....	\$1,013	\$257,170	\$57,768	\$198,231	\$514,182
Noncurrent-Due in More Than One Year .....	—	56,260	23,732	7,087	87,079
Other Receivables, Net .....	\$1,013	\$313,430	\$81,500	\$205,318	\$601,261



**NOTE 6 PAYABLES**

**A. Accrued Liabilities**

Details on accrued liabilities for the primary government and its discretely presented component units, as of June 30, 2002, follow (dollars in thousands).

**Primary Government — Accrued Liabilities**

	Wages	Health Benefit Claims	Accrued Interest	Vehicle Liability Claims	Total Accrued Liabilities
Governmental Activities:					
Major Governmental Funds:					
General.....	\$ 70,398	\$ 7,059	\$ —	\$ —	\$ 77,457
Job, Family and Other Human Services.....	8,549	777	—	—	9,326
Education.....	940	66	—	—	1,006
Highway Operating.....	13,020	1,435	—	—	14,455
Nonmajor Governmental Funds.....	20,081	2,270	579	—	22,930
	112,988	11,607	579	—	125,174
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences.....					
	—	—	88,092	3,253	91,345
Total Governmental Activities.....	112,988	11,607	88,671	3,253	216,519
Business-Type Activities:					
Ohio Building Authority.....	—	—	371	—	371
Tuition Trust Authority.....	68	—	—	—	68
Liquor Control.....	592	57	—	—	649
Underground Parking Garage.....	46	5	—	—	51
Office of Auditor of State.....	2,310	201	—	—	2,511
Total Business-Type Activities.....	3,016	263	371	—	3,650
Total Primary Government.....	<u>\$116,004</u>	<u>\$11,870</u>	<u>\$89,042</u>	<u>\$3,253</u>	<u>\$220,169</u>

	Wages	Health Benefit Claims	Management and Admini- strative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System				
Pension Trust (12/31/01).....	\$87	\$881	\$ —	\$ 968
Variable College Savings Plan				
Private-Purpose Trust.....	—	—	3,207	3,207
Total Fiduciary Activities.....	<u>\$87</u>	<u>\$881</u>	<u>\$3,207</u>	<u>\$4,175</u>

**Component Units — Accrued Liabilities**

	Wages and Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
Major Component Units:				
School Facilities Commission.....	\$ 137	\$ —	\$ —	\$ 137
Ohio Water Development Authority (12/31/01)...	—	6,139	—	6,139
Ohio State University.....	86,716	—	48,592	135,308
University of Cincinnati.....	50,622	—	9,565	60,187
Nonmajor Component Units.....	118,591	5,338	13,214	137,143
Total Component Units.....	<u>\$256,066</u>	<u>\$11,477</u>	<u>\$71,371</u>	<u>\$338,914</u>



**NOTE 6 PAYABLES (Continued)**

**B. Intergovernmental Payable**

The intergovernmental payable balances for the primary government and its discretely presented component units, as of June 30, 2002, are comprised of the following (dollars in thousands).

**Primary Government — Intergovernmental Payable**

	Local Government		Federal Government	Other State Governments	Total
	Shared Revenue and Local Permissive Taxes	Subsidies and Other			
Governmental Activities:					
Major Governmental Funds:					
General.....	\$222,568	\$134,209	\$ —	\$ —	\$ 356,777
Job, Family and Other Human Services .....	—	241,780	456	—	242,236
Education .....	—	96,478	306	—	96,784
Highway Operating .....	—	1,107	—	—	1,107
Revenue Distribution .....	319,649	—	—	2,409	322,058
Nonmajor Governmental Funds .....	—	163,651	35	—	163,686
	542,217	637,225	797	2,409	1,182,648
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis difference .....	—	—	19,689	—	19,689
Total Governmental Activities.....	542,217	637,225	20,486	2,409	1,202,337
Business-Type Activities:					
Unemployment Compensation .....	—	780	131	—	911
Liquor Control.....	—	367	—	—	367
Total Business-Type Activities.....	—	1,147	131	—	1,278
Total Primary Government.....	\$542,217	\$638,372	\$20,617	\$2,409	\$1,203,615
Fiduciary Activities:					
Holding and Distribution Agency Fund .....	\$ —	\$ —	\$3,572	\$6,389	\$ 9,961
Payroll Withholding and Fringe Benefits Agency Fund .....	—	355	—	—	355
Other Agency Fund .....	55,944	14,516	—	—	70,460
Total Fiduciary Activities.....	\$55,944	\$14,871	\$3,572	\$6,389	\$80,776

**Component Units — Intergovernmental Payable**

	Local Government		Federal Arbitrage	Total
	Subsidies to Local Government	Other		
Major Component Units:				
School Facilities Commission .....	\$1,343,734	\$ —	\$ —	\$1,343,734
Ohio Water Development Authority (12/31/01) .....	—	—	6,851	6,851
Nonmajor Component Units .....	—	18	—	18
	1,343,734	18	6,851	1,350,603
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements ...	(1,343,734)	—	—	(1,343,734)
Total Component Units .....	\$ —	\$18	\$6,851	\$ 6,869

**C. Refund and Other Liabilities**

Refund and other liabilities for the primary government and its discretely presented component units, as of June 30, 2002, were comprised of the following (dollars in thousands).



**NOTE 6 PAYABLES (Continued)**

**Primary Government — Refund and Other Liabilities**

	Estimated Tax Refund Claims					Total
	Personal Income Tax	Corporation Franchise Tax	Sales and Use Tax	Total Tax Refund Liabilities	Other	
<b>Governmental Activities:</b>						
Major Governmental Funds:						
General.....	\$477,305	\$158,350	\$12,109	\$647,764	\$ 44	\$647,808
Job, Family and Other Human Services.....	—	—	—	—	9,014	9,014
Revenue Distribution.....	64,766	5,623	—	70,389	—	70,389
Nonmajor Governmental Funds.....	—	—	—	—	2,290	2,290
	<u>542,071</u>	<u>163,973</u>	<u>12,109</u>	<u>718,153</u>	<u>11,348</u>	<u>729,501</u>
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences.....	—	—	—	—	17,564	17,564
Total Governmental Activities.....	<u>\$542,071</u>	<u>\$163,973</u>	<u>\$12,109</u>	<u>\$718,153</u>	<u>\$28,912</u>	<u>\$747,065</u>
	Reserve for Compensation Adjustment	Refund & Security Deposits	Compensated Absences	Capital Leases	Other	Total
<b>Business-Type Activities:</b>						
Workers' Compensation.....	\$1,620,334	\$147,811	\$20,903	\$ —	\$108,814	\$1,897,862
Lottery Commission.....	—	—	2,388	57,171	26,941	86,500
Unemployment Compensation.....	—	10,477	—	—	—	10,477
Ohio Building Authority.....	—	—	112	—	—	112
Tuition Trust Authority.....	—	—	148	—	532	680
Liquor Control.....	—	—	2,884	—	1,599	4,483
Underground Parking Garage.....	—	—	133	—	—	133
Office of Auditor of State.....	—	48	7,243	—	—	7,291
	<u>1,620,334</u>	<u>158,336</u>	<u>33,811</u>	<u>57,171</u>	<u>137,886</u>	<u>2,007,538</u>
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements.....	(1,620,334)	(81,272)	(33,551)	(57,171)	(74,513)	(1,866,841)
Total Business-Type Activities.....	<u>\$ —</u>	<u>\$ 77,064</u>	<u>\$ 260</u>	<u>\$ —</u>	<u>\$ 63,373</u>	<u>\$ 140,697</u>
	Child Support Collections	Refund & Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
<b>Fiduciary Activities:</b>						
State Highway Patrol Retirement System Pension Trust (12/31/01)...	\$ —	\$ —	\$ —	\$ —	\$ 36	\$ 36
STAROhio Investment Trust.....	—	—	—	—	421	421
Agency Funds.....	<u>100,722</u>	<u>470,072</u>	<u>60,915</u>	<u>117,386,479</u>	<u>51,162</u>	<u>118,069,350</u>
Total Fiduciary Activities.....	<u>\$100,722</u>	<u>\$470,072</u>	<u>\$60,915</u>	<u>\$117,386,479</u>	<u>\$51,619</u>	<u>\$118,069,807</u>

**Component Units — Refund and Other Liabilities**

	Refund & Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
<b>Major Component Units:</b>						
School Facilities Commission.....	\$ —	\$ 411	\$ —	\$ —	\$ 71	\$ 482
Ohio State University.....	77,112	61,327	20,982	44,686	17,720	221,827
University of Cincinnati.....	29,693	56,662	138,317	—	—	224,672
Nonmajor Component Units.....	<u>35,754</u>	<u>91,786</u>	<u>42,806</u>	<u>—</u>	<u>36,505</u>	<u>206,851</u>
	<u>142,559</u>	<u>210,186</u>	<u>202,105</u>	<u>44,686</u>	<u>54,296</u>	<u>653,832</u>
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements.....	(139,897)	(206,265)	(202,082)	(44,686)	(48,331)	(641,261)
Total Component Units.....	<u>\$ 2,662</u>	<u>\$ 3,921</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 5,965</u>	<u>\$ 12,571</u>



**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS**

**A. Interfund Balances**

Interfund balances, as of June 30, 2002, consisted of the following (dollars in thousands):

Due from	Due to				
	Governmental Activities				
	Major Governmental Funds				
	General	Job, Family and Other Human Services	Highway Operating	Nonmajor Governmental Funds	Total
Major Governmental Funds:					
General.....	\$ ∞	\$ 6	\$32	\$3,102	\$ 3,140
Job, Family and Other Human Services.....	2,197	∞	∞	∞	2,197
Education.....	145	∞	∞	∞	145
Highway Operating.....	370	∞	∞	33	403
Revenue Distribution.....	∞	∞	∞	195	195
Nonmajor Governmental Funds.....	225,639	∞	35	355	226,029
Total Governmental Activities.....	228,351	6	67	3,685	232,109
Business-Type Activities:					
Lottery Commission.....	∞	∞	∞	∞	∞
Liquor Control.....	2,343	∞	∞	∞	2,343
Underground Parking Garage.....	∞	∞	∞	∞	∞
Office of Auditor of State.....	35	∞	∞	∞	35
Total Business-Type Activities.....	2,378	∞	∞	∞	2,378
<b>Total Primary Government</b> .....	<b>\$230,729</b>	<b>\$ 6</b>	<b>\$67</b>	<b>\$3,685</b>	<b>\$234,487</b>
	Business-Type Activities				
	Workers' Compensation	Liquor Control	Office of Auditor of State	Total	Total Primary Government
Major Governmental Funds:					
General.....	\$386,049	\$10	\$1,470	\$387,529	\$390,669
Job, Family and Other Human Services.....	10,119	∞	∞	10,119	12,316
Education.....	1,351	∞	∞	1,351	1,496
Highway Operating.....	115,340	∞	∞	115,340	115,743
Revenue Distribution.....	∞	∞	∞	∞	195
Nonmajor Governmental Funds.....	85,459	∞	∞	85,459	311,488
Total Governmental Activities.....	598,318	10	1,470	599,798	831,907
Business-Type Activities:					
Lottery Commission.....	3,601	∞	∞	3,601	3,601
Liquor Control.....	958	∞	∞	958	3,301
Underground Parking Garage.....	18	∞	∞	18	18
Office of Auditor of State.....	4,013	∞	∞	4,013	4,048
Total Business-Type Activities.....	8,590	∞	∞	8,590	10,968
<b>Total Primary Government</b> .....	<b>\$606,908</b>	<b>\$10</b>	<b>\$1,470</b>	<b>\$608,388</b>	<b>\$842,875</b>

Interfund balances result from the time lag between dates that 1.) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2.) transactions are recorded in the accounting system, and 3.) payments between funds are made.

Included in the interfund balances above is \$223 million due to the General Fund from the nonmajor governmental funds for interfund loans made to support housing programs at the Ohio Housing Finance Agency, which is accounted for in the Community and Economic Development Special Revenue Fund. Of the total interfund loan balance, approximately \$195.6 million is not expected to be collected in the subsequent fiscal year.

Additionally, the State's primary government and its component units are permitted to pay their workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$606.9 million as an interfund receivable and \$104.4 million as an amount due from component units for the unbilled premium due for the primary government's and the component units' shares of the Bureau's actuarially determined liability for compensation, respectively. In the Statement of Net Assets, the State includes the liability totaling \$598.3 million in the internal balance reported for governmental activities. For component units, the \$104.4 million liability is reported as "Payable to Primary Government."



**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**B. Interfund Transfers**

Interfund transfers, for the year ended of June 30, 2002, consisted of the following (dollars in thousands):

Transferred from	Transferred to						Total
	Governmental Activities						
	Major Governmental Funds					Nonmajor Governmental Funds	
	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution		
<b>Major Governmental Funds:</b>							
General.....	\$ —	\$ 9,458	\$ 10,291	\$ 130	\$2	\$ 898,498	\$ 918,379
Job, Family and Other Human Services.....	100,586	—	1,500	—	—	500	102,586
Education.....	29,937	61	—	—	—	—	29,998
Highway Operating.....	878	—	—	—	—	249,221	250,099
Revenue Distribution.....	14,919	—	—	512,614	—	203,816	731,349
Nonmajor Governmental Funds.....	351,473	—	—	11	—	12,299	363,783
<b>Total Governmental Activities.....</b>	<b>497,793</b>	<b>9,519</b>	<b>11,791</b>	<b>512,755</b>	<b>2</b>	<b>1,364,334</b>	<b>2,396,194</b>
<b>Business-Type Activities:</b>							
Workers' Compensation.....	7,140	—	—	—	—	—	7,140
Lottery Commission.....	140	—	635,150	—	—	—	635,290
Unemployment Compensation.....	—	3,170	—	—	—	—	3,170
Ohio Building Authority.....	—	—	—	—	—	29,327	29,327
Liquor Control.....	112,000	—	—	—	—	19,574	131,574
Underground Parking Garage.....	—	—	—	—	—	773	773
Office of Auditor of State.....	112	—	—	—	—	—	112
<b>Total Business-Type Activities.....</b>	<b>119,392</b>	<b>3,170</b>	<b>635,150</b>	<b>—</b>	<b>—</b>	<b>49,674</b>	<b>807,386</b>
<b>Total Primary Government.....</b>	<b>\$617,185</b>	<b>\$12,689</b>	<b>\$646,941</b>	<b>\$512,755</b>	<b>\$2</b>	<b>\$1,414,008</b>	<b>\$3,203,580</b>
<b>Business-Type Activities</b>							
	Unemployment Compensation	Ohio Building Authority	Liquor Control	Office of Auditor of State	Total	Total Primary Government	
<b>Major Governmental Funds:</b>							
General.....	\$ —	\$25,112	\$3	\$34,237	\$59,352	\$ 977,731	
Job, Family and Other Human Services.....	812	—	—	—	812	103,398	
Education.....	—	—	—	—	—	29,998	
Highway Operating.....	—	—	—	—	—	250,099	
Revenue Distribution.....	—	—	—	—	—	731,349	
Nonmajor Governmental Funds.....	—	3,401	—	—	3,401	367,184	
<b>Total Governmental Activities.....</b>	<b>812</b>	<b>28,513</b>	<b>3</b>	<b>34,237</b>	<b>63,565</b>	<b>2,459,759</b>	
<b>Business-Type Activities:</b>							
Workers' Compensation.....	—	—	—	—	—	7,140	
Lottery Commission.....	—	—	—	—	—	635,290	
Unemployment Compensation.....	—	—	—	—	—	3,170	
Ohio Building Authority.....	—	—	—	—	—	29,327	
Liquor Control.....	—	—	—	—	—	131,574	
Underground Parking Garage.....	—	—	—	—	—	773	
Office of Auditor of State.....	—	—	—	—	—	112	
<b>Total Business-Type Activities.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>807,386</b>	
<b>Total Primary Government.....</b>	<b>\$812</b>	<b>\$28,513</b>	<b>\$3</b>	<b>\$34,237</b>	<b>\$63,565</b>	<b>\$3,267,145</b>	

Transfers are used to 1.) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2.) move receipts restricted to debt service from the funds collecting the receipts to the debt

service fund as debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**C. Component Units**

For fiscal year 2002, the component units reported \$2.49 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary and Other Education" expenses reported for governmental activities, is funding that the primary government provided to the School Facilities Commission for capital construction at local school districts and the SchoolNet Commission for the acquisition of computers to benefit local schools.

Additionally, the primary government provided financial support to the colleges and universities in the

form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Finally, "Community and Economic Development" expenses reported for governmental activities includes amounts that the primary government provided to the Arts and Sports Facilities Commission for its capital construction projects.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

**Intra-entity Balances and Activity  
Primary Government and Discretely Presented Component Units  
As of and for the Year Ended June 30, 2002**  
*(dollars in thousands)*

Primary Government	Receivable from Component Units	Payable to Component Units	Program Expenses for State Assistance to Component Units			Total State Assistance to Component Units
			Primary, Secondary and Other Education Function	Higher Education Support Function	Community and Economic Development Function	
Major Governmental Funds:						
General.....	\$ 29	\$ 7,475	\$428,580	\$1,669,959	\$331	\$2,098,870
Job, Family and Other Human Services .....	∞	1,282	∞	∞	∞	∞
Education.....	∞	319	8,838	∞	∞	8,838
Highway Operating .....	∞	541	∞	∞	∞	∞
Nonmajor Governmental Funds .....		24,084	133,939	247,782	∞	381,721
Total Governmental Activities .....	29	33,701	571,357	1,917,741	331	2,489,429
Business-Type Activities:						
Workers' Compensation .....	104,428	∞	∞	∞	∞	∞
Total Primary Government.....	\$104,457	\$33,701	\$571,357	\$1,917,741	\$331	\$2,489,429

Component Unit	Receivable from Primary Government	Payable to Primary Government	State Assistance Funded by Governmental Activities of the Primary Government			Total State Assistance from Primary Government
			Primary, Secondary and Other Education Function	Higher Education Support Function	Community and Economic Development Function	
Major Component Units:						
School Facilities Commission .....	\$ ∞	\$ 81	\$539,968	\$ ∞	\$ ∞	\$ 539,968
Ohio State University.....	12,827	53,488	∞	496,457	∞	496,457
University of Cincinnati .....	794	8,137	∞	217,188	∞	217,188
Nonmajor Component Units .....	20,080	42,751	31,389	1,204,096	331	1,235,816
Total Component Units .....	\$33,701	\$104,457	\$571,357	\$1,917,741	\$331	\$2,489,429





**NOTE 8 CAPITAL ASSETS**

Capital asset activity reported for the primary government and its discretely presented component units, for the year ended June 30, 2002, was as follows (dollars in thousands):

	<b>Primary Government</b>			
	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 1,403,664	\$ 76,500	\$ 306	\$ 1,479,858
Construction-in-Progress .....	1,103,942	671,593	473,033	1,302,502
Infrastructure:				
Highway Network:				
General Subsystem .....	7,982,451	67,498		8,049,949
Priority Subsystem .....	6,099,567	252,473	313	6,351,727
Bridge Network .....	2,171,228	51,816		2,223,044
Total Capital Assets Not Being Depreciated .....	<u>18,760,852</u>	<u>1,119,880</u>	<u>473,652</u>	<u>19,407,080</u>
Other Capital Assets:				
Buildings .....	2,899,786	47,813	18,677	2,928,922
Land Improvements .....	184,625	15,622	4,618	195,629
Machinery and Equipment .....	327,072	50,951	16,330	361,693
State Vehicles .....	206,896	25,247	13,049	219,094
Infrastructure:				
Parks, Recreation and Natural Resources Network .....		14,686		14,686
Total Other Capital Assets at historical cost .....	<u>3,618,379</u>	<u>154,319</u>	<u>52,674</u>	<u>3,720,024</u>
Less Accumulated Depreciation for:				
Buildings .....	974,508	82,647	14,600	1,042,555
Land Improvements .....	105,133	7,660	4,371	108,422
Machinery and Equipment .....	228,074	43,092	12,304	258,862
State Vehicles .....	86,229	19,384	7,596	98,017
Infrastructure:				
Parks, Recreation and Naturals Resources Network .....		24		24
Total Accumulated Depreciation .....	<u>1,393,944</u>	<u>152,807</u>	<u>38,871</u>	<u>1,507,880</u>
Other Capital Assets, Net .....	<u>2,224,435</u>	<u>1,512</u>	<u>13,803</u>	<u>2,212,144</u>
Governmental Activities- Capital Assets, Net .....	<u>\$20,985,287</u>	<u>\$1,121,392</u>	<u>\$487,455</u>	<u>\$21,619,224</u>

For fiscal year 2002, the State charged depreciation expense to the following governmental functions:

<b>Governmental Activities:</b>	
Primary, Secondary and Other Education .....	\$ 665
Higher Education Support .....	38
Public Assistance and Medicaid .....	2,639
Health and Human Services .....	27,251
Justice and Public Protection .....	50,061
Environmental Protection and Natural Resources .....	8,651
Transportation .....	22,328
General Government .....	38,650
Community and Economic Development .....	2,524
Total Depreciation Expense for Governmental Activities .....	<u>\$152,807</u>



**NOTE 8 CAPITAL ASSETS (Continued)**

	<b>Primary Government</b>			Balance June 30, 2002
	Balance July 1, 2001	Increases	Decreases	
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 12,631	\$	\$	\$ 12,631
Construction-in-Progress .....	1,123	8,155	451	8,827
<b>Total Capital Assets Not Being Depreciated.....</b>	<b>13,754</b>	<b>8,155</b>	<b>451</b>	<b>21,458</b>
Other Capital Assets:				
Buildings .....	242,695	778		243,473
Land Improvements .....	66			66
Machinery and Equipment .....	109,158	77,194	15,236	171,116
State Vehicles.....	4,929	616	618	4,927
<b>Total Other Capital Assets at historical cost.....</b>	<b>356,848</b>	<b>78,588</b>	<b>15,854</b>	<b>419,582</b>
Less Accumulated Depreciation for:				
Buildings .....	99,427	7,980		107,407
Land Improvements .....	46	1		47
Machinery and Equipment .....	77,247	26,173	10,645	92,775
State Vehicles.....	2,379	642	548	2,473
<b>Total Accumulated Depreciation.....</b>	<b>179,099</b>	<b>34,796</b>	<b>11,193</b>	<b>202,702</b>
<b>Other Capital Assets, Net .....</b>	<b>177,749</b>	<b>43,792</b>	<b>4,661</b>	<b>216,880</b>
<b>Business-Type Activities- Capital Assets, Net .....</b>	<b>\$191,503</b>	<b>\$51,947</b>	<b>\$5,112</b>	<b>\$238,338</b>

For fiscal year 2002, the State charged depreciation expense to the following business-type functions:

<b>Business-Type Activities:</b>	
Workers' Compensation .....	\$18,302
Lottery Commission .....	15,996
Tuition Trust Authority .....	113
Liquor Control.....	368
Underground Parking Garage .....	547
Office of Auditor of State .....	3,852
<b>Total Depreciation Expense for Business-Type Activities .....</b>	<b>39,178</b>
<b>Losses on Capital Asset Disposals Included in Depreciation ...</b>	<b>(4,382)</b>
<b>Fiscal Year 2002 Increases to Accumulated Depreciation .....</b>	<b>\$34,796</b>

	<b>Component Units</b>			Balance June 30, 2002
	Balance July 1, 2001	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land:				
Ohio State University .....	\$ 37,891	\$	\$ 237	\$ 37,654
University of Cincinnati .....	17,912			17,912
All Other Component Units .....	182,841	9,896	933	191,804
<b>Total Land.....</b>	<b>238,644</b>	<b>9,896</b>	<b>1,170</b>	<b>247,370</b>
Land Improvements:				
All Other Component Units .....	11,490	136		11,626
<b>Total Land Improvements .....</b>	<b>11,490</b>	<b>136</b>		<b>11,626</b>

(Continued)



**NOTE 8 CAPITAL ASSETS (Continued)**

	Component Units (Continued)			Balance June 30, 2002
	Balance July 1, 2001	Increases	Decreases	
Construction-in-Progress:				
Ohio State University .....	153,915		49,606	104,309
University of Cincinnati .....	76,065	67,535	1,812	141,788
All Other Component Units .....	262,376	238,501	131,807	369,070
Total Construction-in-Progress .....	492,356	306,036	183,225	615,167
Collections of Works of Art and Historical Treasures:				
University of Cincinnati .....	3,522	764	22	4,264
All Other Component Units .....	18,066	111		18,177
Total Collections of Works of Art and Historical Treasures .....	21,588	875	22	22,441
Total Capital Assets Not Being Depreciated.....	764,078	316,943	184,417	896,604
Other Capital Assets:				
Buildings:				
Ohio State University .....	1,910,113	179,696	4,702	2,085,107
University of Cincinnati .....	1,003,110	41,085	4,771	1,039,424
All Other Component Units .....	3,461,413	193,588	12,944	3,642,057
Total Buildings .....	6,374,636	414,369	22,417	6,766,588
Land Improvements:				
Ohio State University .....	170,020	14,797	4,526	180,291
University of Cincinnati .....	20,047	1,544		21,591
All Other Component Units .....	122,016	7,693		129,709
Total Land Improvements .....	312,083	24,034	4,526	331,591
Machinery, Equipment and Vehicles:				
Ohio State University .....	681,674	79,076	80,575	680,175
University of Cincinnati .....	130,322	10,635	8,014	132,943
All Other Component Units .....	783,227	96,881	52,577	827,531
Total Machinery, Equipment and Vehicles .....	1,595,223	186,592	141,166	1,640,649
Library Books and Publications:				
Ohio State University .....	151,281	9,097	615	159,763
University of Cincinnati .....	101,984	8,116	311	109,789
All Other Component Units .....	344,798	18,005	2,539	360,264
Total Library Books and Publications.....	598,063	35,218	3,465	629,816
Infrastructure:				
University of Cincinnati .....	52,737	1,896		54,633
All Other Component Units .....	260,945	17,766	5,676	273,035
Total Infrastructure.....	313,682	19,662	5,676	327,668
Total Other Capital Assets at historical cost.....	9,193,687	679,875	177,250	9,696,312
Less Accumulated Depreciation for:				
Buildings:				
Ohio State University .....	742,232	63,800	4,609	801,423
University of Cincinnati .....	360,653	34,368	4,771	390,250
All Other Component Units .....	1,447,652	90,473	7,374	1,530,751
Total Buildings .....	2,550,537	188,641	16,754	2,722,424

(Continued)



**NOTE 8 CAPITAL ASSETS (Continued)**

	<b>Component Units (Continued)</b>			Balance June 30, 2002
	Balance July 1, 2001	Increases	Decreases	
Land Improvements:				
Ohio State University .....	88,780	7,602	4,526	91,856
University of Cincinnati .....	3,594	955		4,549
All Other Component Units .....	49,567	6,247		55,814
<b>Total Land Improvements .....</b>	<b>141,941</b>	<b>14,804</b>	<b>4,526</b>	<b>152,219</b>
Machinery, Equipment and Vehicles:				
Ohio State University .....	463,932	69,205	60,424	472,713
University of Cincinnati .....	90,386	9,509	7,990	91,905
All Other Component Units .....	528,896	74,864	44,693	559,067
<b>Total Machinery, Equipment and Vehicles .....</b>	<b>1,083,214</b>	<b>153,578</b>	<b>113,107</b>	<b>1,123,685</b>
Library Books and Publications:				
Ohio State University .....	111,940	7,168	615	118,493
University of Cincinnati .....	65,546	5,573	312	70,807
All Other Component Units .....	213,885	17,771	2,426	229,230
<b>Total Library Books and Publications.....</b>	<b>391,371</b>	<b>30,512</b>	<b>3,353</b>	<b>418,530</b>
Infrastructure:				
University of Cincinnati .....	29,576	2,808		32,384
All Other Component Units .....	103,940	9,299	4,028	109,211
<b>Total Infrastructure.....</b>	<b>133,516</b>	<b>12,107</b>	<b>4,028</b>	<b>141,595</b>
<b>Total Accumulated Depreciation.....</b>	<b>4,300,579</b>	<b>399,642</b>	<b>141,768</b>	<b>4,558,453</b>
<b>Other Capital Assets, Net.....</b>	<b>4,893,108</b>	<b>280,233</b>	<b>35,482</b>	<b>5,137,859</b>
<b>Component Units- Capital Assets, Net .....</b>	<b>\$5,657,186</b>	<b>\$597,176</b>	<b>\$219,899</b>	<b>\$6,034,463</b>

For fiscal year 2002, depreciation expense for the State's component units was as follows:

**Component Units:**

School Facilities Commission — <i>Primary, Secondary and Other Education</i> .....	\$ 13
Arts and Sports Facilities Commission — <i>Community and Economic Development</i> .....	1,339
SchoolNet Commission — <i>Primary, Secondary and Other Education</i> .....	485
Depreciation Expense Included in Governmental Functions .....	1,837
Ohio State University.....	147,775
University of Cincinnati.....	53,213
Other Component Units.....	197,011
Depreciation Reported as Depreciation Expense .....	397,999
Total Depreciation Expense for Component Units .....	399,836
Net Gains/(Losses) on Capital Asset Disposals Included in Depreciation .....	(194)
Fiscal Year 2002 Increases to Accumulated Depreciation.....	\$399,642



**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:

- # Ohio Public Employees Retirement System
- # State Teachers Retirement System of Ohio
- # State Highway Patrol Retirement System
- # Alternative Retirement Plan

**A. Ohio Public Employees Retirement System (OPERS)**

**Pension Benefits**

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

OPERS benefits are established under Chapter 145, Ohio Revised Code. OPERS 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 48 with 25 or more years of credited service.

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. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

Employer and employee required contributions to OPERS 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 2001 were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees .....	8.50%	13.31%
Law Enforcement Employees..	10.10%	16.70%
Public Safety Employees.....	9.00%	16.70%

Employer contributions required and made for the last three years follow (dollars in thousands).

Primary Government		
For the Year Ended December 31,	Employer's Contribution for Regular Employees	Employer's Contribution for Law Enforcement Employees
2001	\$236,188	\$3,649
2000	159,528	2,994
1999	221,791	3,094

Component Units		
For the Year Ended June 30,	Employer's Contribution for Regular Employees	
2002	\$109,668	
2001	72,686	
2000	101,154	

Recent legislation also grants OPERS the authority to establish a defined contribution plan as an alternative to the current defined benefit plan. OPERS is currently developing such a plan, which is expected to become operational sometime in early calendar year 2003. 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 OPERS alternative retirement plan, as discussed further in Note 9D.

OPERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-OPERS.

**Other Postemployment Benefits**

All age and service retirees with 10 or more years of service credit qualify for healthcare coverage under OPERS. 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 2001, the portion of the employer rate that is used to fund healthcare is 4.3 percent of covered payroll for law enforcement and regular em-



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

ployees. 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, 2000 (the latest information available), 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, 2000 were \$11.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14.3 billion and \$2.6 billion, respectively. All investments are carried at market value.

For the actuarial valuation of net assets available for future healthcare benefits, OPERS 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 OPERS healthcare plan are as follows (dollars in thousands):

**Primary Government:**

(for the year ended December 31, 2001)	
Regular Employees .....	\$112,720
Law Enforcement and Public Safety Employees.....	1,265
Total.....	\$113,985

**Component Units:**

(for the year ended June 30, 2002).....	\$ 51,964
---	-----------

The number of active contributing participants for the primary government was 60,238, as of December 31, 2001.

**B. State Teachers Retirement System of Ohio (STRS)**

**Pension Benefits**

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

Participants in STRS, may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after

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

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent for each year of Ohio contributing service in excess of 30 years and by 2.2 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary. Each year over 30 years is increased incrementally by .1 percent starting at 2.5 percent for the 31<sup>st</sup> 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. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

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.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Contribution rates for fiscal year 2002 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
2002	\$5,420	\$88,184
2001	5,177	93,410
2000	3,028	59,841

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 1-888-227-7877.

**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, 2001 (the most recent information available), net assets available for future healthcare benefits were \$3.3 billion. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 2002, totaled approximately \$2.6 million and \$41.8 million, respectively. The number of eligible benefit recipients for STRS as a whole was 116,512, as of June 30, 2001; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2002, is unavailable.

**C. State Highway Patrol Retirement System (SHPRS)**

SHPRS, a component unit of the State, was established in 1944 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Boulevard, Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 431-0781 or 1-800-860-2268.

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 2001 are as follows:

Contribution Rates	
Employee Share	Employer Share
9.50%	23.50%

During calendar year 2001, 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 and become measurable.

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.



**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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 is 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
2001	\$13,765	100%
2000	11,686	100%
1999	13,351	100%

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2001. 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; price inflation was assumed to be at least three percent a year; 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 below. Amounts re-

ported do not include assets or liabilities for postemployment healthcare benefits.

**Other Postemployment Benefits**

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 2001, was 1,520. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2001 expense was \$6.2 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, 2001 were \$93.8 million, and included investments carried at fair value, as previously described.

As of December 31, 2001, 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 \$51.6 million; the actuarial accrued liability for healthcare benefits at that date was \$145.4 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately \$3.5 million or 4.75 percent of active member payroll for the period, January 1 through December 31, 2001.

**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)
2001	\$636,715	\$551,279	\$85,436	86.6%	\$76,344	111.9%
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

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





**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**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 OPERS. 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 OPERS 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 OPERS would contribute 9.3 percent or 8.5 percent of their gross salaries, respectively. Employees may also voluntarily make additional contributions to the ARP.

Ohio law also requires each public institution of higher education contribute 3.5 percent of a participating employee's gross salary for the year ended June 30, 2002 to STRS in cases when the employee would have otherwise been enrolled in STRS.

For the year ended June 30, 2002, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in OPERS.

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 OPERS. 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, 2002 totaled \$53.2 million and \$37 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.

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, 2002, the General Assembly had authorized the issuance of \$1.25 billion in Common Schools Capital Facilities Bonds, of which \$740 million had been issued and \$711.9 million was outstanding. As of June 30, 2002, the General Assembly had also authorized the issuance of \$1.21 billion in Higher Education Capital Facilities Bonds, of which \$775 million had been issued and \$739.4 million was outstanding.

Through approval of the November 1995 amendment, voters authorized the issuance of Highway



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

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, 2002, the General Assembly had authorized the issuance of approximately \$1.35 billion in Highway Capital Improvements Bonds, of which \$1 billion had been issued and \$702.5 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, 2002, the General Assembly had authorized \$1.2 billion of these bonds to be sold, of which approximately \$1.2 billion had been issued and \$818.4 million (net of unaccreted discount of \$90.9 million on deep-discount bonds issued) was outstanding.

In November 1995, voters approved another constitutional amendment that provided for the issuance of an additional \$1.2 billion of Infrastructure Bonds, of which no more than \$120 million (plus any prior years' principal amounts not issued under the new authorization) may be sold in any state fiscal year. As of June 30, 2002, the General Assembly had authorized \$600 million in Infrastructure Bonds to be issued under the provisions of the 1995 constitutional amendment, of which \$480 million had been issued and \$445.9 million (including \$2.9 million in unamortized premium) 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, 2002, for Highway Obligations, was approximately \$1.75 billion, all of which had been issued and \$87 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, 2002, the General Assembly had authorized the issuance of \$150 million in Coal Research and Development Bonds, of which \$137 million had been issued and \$49.5 million was outstanding. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$272 million, as of June 30, 2002, of which \$210 million had been issued and \$165.2 million was outstanding.

During fiscal year 2002, the State issued \$50 million in Conservation Projects Bonds for the first time. Not more than \$50 million in Conservation Projects Bonds may be issued in a fiscal year and not more than \$200 million may be issued.

General obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2002, are presented in the table below.

For the year ended June 30, 2002, NOTE 15 summarizes changes in general obligation bonds.

**Primary Government-Governmental Activities  
General Obligation Bonds  
As of June 30, 2002**  
*(dollars in thousands)*

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities .....	2000-02	4.5%-5.4%	2023	\$ 711,923	\$ 510,000
Higher Education Capital Facilities .....	2000-02	4.5%-5.4%	2023	739,428	436,310
Highway Capital Improvements .....	1997-01	4.1%-5.0%	2011	702,500	350,000
Infrastructure Improvements .....	1990-02	3.3%-7.6%	2022	1,264,379	120,014
Highway Obligations .....	1993-97	4.5%-4.8%	2005	87,000	∞
Coal Research and Development .....	1992-02	4.0%-5.6%	2013	49,515	13,000
Natural Resources Capital Facilities .....	1995-02	4.5%-5.6%	2018	165,224	62,000
Conservation Projects .....	2002	4.3%	2017	51,160	∞
Total General Obligation Bonds .....				<u>\$3,771,129</u>	<u>\$1,491,324</u>



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

Future general obligation debt service requirements, as of June 30, 2002, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2003 .....	\$ 301,110	\$ 169,986	\$ 471,096
2004 .....	310,775	158,341	469,116
2005 .....	281,640	144,967	426,607
2006 .....	270,180	132,818	402,998
2007 .....	268,025	121,171	389,196
2008-2012 .....	1,149,745	435,374	1,585,119
2013-2017 .....	789,935	203,973	993,908
2018-2022 .....	436,490	54,965	491,455
2023-2027 .....	26,340	668	27,008
	3,834,240	1,422,263	5,256,503
Net Unamor- tized Premium/ (Discount) .....	(63,111)	—	(63,111)
Total .....	<u>\$3,771,129</u>	<u>\$1,422,263</u>	<u>\$5,193,392</u>

As of June 30, 2002, the outstanding balance reported for Infrastructure Improvement Bonds included approximately \$63.9 million in variable rate bonds that were issued during fiscal year 2002. The adjustable interest rate on the bonds is reset weekly at a rate determined by the remarketing agent, not to exceed 12 percent. The rate for these bonds was 1.15 percent, as of June 30, 2002.

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, 2002, \$45.1 million of Infrastructure Improvement Bonds are considered defeased and no longer outstanding.

**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 Office of Business Development, and the Ohio 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**

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.

Since fiscal year 1998, the Treasurer of State has issued a total of \$190 million in State Infrastructure Bank Bonds for various highway construction projects sponsored by the Department of Transportation. 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 accounted for in business-type activities finance the costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus and other office buildings and related facilities constructed by the OBA for shared use by local governments. The principal and interest requirements on the OBA bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 5D.

Revenue bonds outstanding for the primary government, as of June 30, 2002, are presented in the table at the top of the following page.

For the year ended June 30, 2002, NOTE 15 summarizes changes in revenue bonds.



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**Primary Government  
Revenue Bonds  
As of June 30, 2002**  
*(dollars in thousands)*

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
<b>Governmental Activities:</b>				
Treasurer of State:				
Economic Development .....	1997	6.7%-7.7%	2022	\$144,760
State Infrastructure Bank .....	1998-02	4.5%-5.0%	2009	152,878
Total Governmental Activities .....				297,638
<b>Business-Type Activities:</b>				
Bureau of Workers' Compensation .....	1994	3.3%-5.1%	2014	168,770
Ohio Building Authority .....	1986-97	4.8%-9.8%	2008	21,953
Total Business-Type Activities.....				190,723
Total Revenue Bonds.....				<u>\$488,361</u>

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2002, are presented in the table below.

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,

2002, no obligation for the refunding bonds has been included in the financial statements.

**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

**Primary Government  
Future Funding Requirements for Revenue Bonds  
As of June 30, 2002**  
*(dollars in thousands)*

Year Ending June 30,	Governmental Activities			Business-Type Activities			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003.....	\$ 26,505	\$ 17,819	\$ 44,324	\$ 13,531	\$ 9,569	\$ 23,100	\$ 40,036	\$ 27,388	\$ 67,424
2004.....	27,290	16,454	43,744	14,731	8,930	23,661	42,021	25,384	67,405
2005.....	28,155	14,968	43,123	15,887	9,686	25,573	44,042	24,654	68,696
2006.....	29,055	13,453	42,508	17,321	8,767	26,088	46,376	22,220	68,596
2007.....	30,035	11,843	41,878	18,506	6,431	24,937	48,541	18,274	66,815
2008-2012.....	68,670	40,263	108,933	81,640	19,184	100,824	150,310	59,447	209,757
2013-2017.....	36,490	26,244	62,734	31,255	2,209	33,464	67,745	28,453	96,198
2018-2022.....	46,950	9,533	56,483	∞	∞	∞	46,950	9,533	56,483
	293,150	150,577	443,727	192,871	64,776	257,647	486,021	215,353	701,374
Net Unamortized Premium/(Discount) .....	4,488	—	4,488	(2,148)	—	(2,148)	2,340	—	2,340
Total.....	<u>\$297,638</u>	<u>\$150,577</u>	<u>\$448,215</u>	<u>\$190,723</u>	<u>\$64,776</u>	<u>\$255,499</u>	<u>\$488,361</u>	<u>\$215,353</u>	<u>\$703,714</u>



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

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, 2001, approximately \$649.9 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, 2001, are as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2002 .....	\$113,840	\$ 30,182	\$144,022
2003 .....	32,175	27,801	59,976
2004 .....	33,355	26,032	59,387
2005 .....	34,555	24,176	58,731
2006 .....	35,590	22,283	57,873
2007-2011 .....	195,855	81,945	277,800
2012-2016 .....	171,180	31,143	202,323
2017-2021 .....	32,975	2,285	35,260
	649,525	245,847	895,372
Net Unamortized Premium/(Discount) .....	4,657	—	4,657
Unamortized Loss .....	(4,309)	—	(4,309)
Total .....	\$649,873	\$245,847	\$895,720

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 for the discretely presented component units, as of June 30, 2002, are presented in the table below, which also continues on the following page.

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, \$5.9 million in bonds had an adjustable interest rate that is reset weekly at a rate determined by the remarketing agency, not to exceed 10 percent. The rate for these notes was 1.71 percent, as of December 31, 2001.

**Component Units  
Future Funding Requirements for Revenue Bonds  
As of June 30, 2002**  
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/01)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2002 .....	\$ 181,390	\$ 71,130	\$ 252,520				\$ 70,329	\$ 21,011	\$ 91,340
2003 .....	103,270	65,451	168,721	\$278,676	\$ 16,584	\$295,260	13,626	19,003	32,629
2004 .....	113,105	59,917	173,022	15,253	13,342	28,595	15,426	18,353	33,779
2005 .....	97,680	54,807	152,487	16,030	12,644	28,674	17,545	17,570	35,115
2006 .....	97,875	48,951	146,826	15,068	11,947	27,015	17,550	16,670	34,220
2007 .....	∞	∞	∞	15,585	11,260	26,845	∞	∞	∞
2007-2011 .....	422,550	172,578	595,128	∞	∞	∞	∞	∞	∞
2008-2012 .....	∞	∞	∞	76,811	45,082	121,893	78,280	70,415	148,695
2012-2016 .....	312,720	69,825	382,545	∞	∞	∞	∞	∞	∞
2013-2017 .....	∞	∞	∞	42,886	29,758	72,644	82,045	49,658	131,703
2017-2021 .....	95,910	14,111	110,021	∞	∞	∞	∞	∞	∞
2018-2022 .....	∞	∞	∞	36,545	19,351	55,896	63,490	27,804	91,294
2022-2026 .....	14,400	1,323	15,723	∞	∞	∞	∞	∞	∞
2023-2027 .....	∞	∞	∞	26,325	11,152	37,477	44,375	14,870	59,245
2028-2032 .....	∞	∞	∞	28,140	3,382	31,522	31,720	3,465	35,185
	1,438,900	558,093	1,996,993	551,319	174,502	725,821	434,386	258,819	693,205
Net Unamortized Premium/(Discount) .....	(5,195)	—	(5,195)	—	—	—	(6,702)	—	(6,702)
Unamortized Loss .....	(12,785)	∞	(12,785)	∞	∞	∞	∞	∞	∞
Total .....	\$1,420,920	\$558,093	\$1,979,013	\$551,319	\$174,502	\$725,821	\$427,684	\$258,819	\$686,503

*(Continued)*



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**Component Units  
Future Funding Requirements for Revenue Bonds  
As of June 30, 2002  
(Continued)**  
*(dollars in thousands)*

Year Ending December 31 or June 30,	Kent State University			Other Component Units			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2002.....							\$ 181,390	\$ 71,130	\$ 252,520
2003.....	\$ 3,980	\$ 12,121	\$ 16,101	\$ 58,355	\$ 29,368	\$ 87,723	514,610	144,535	659,145
2004.....	1,815	11,946	13,761	31,838	27,448	59,286	175,637	131,656	307,293
2005.....	1,860	11,860	13,720	31,309	25,957	57,266	162,305	123,621	285,926
2006.....	1,715	11,771	13,486	30,103	24,480	54,583	162,306	114,719	277,025
2007.....	2,790	11,688	14,478	30,438	23,892	54,330	66,363	63,510	129,873
2007-2011.....	∞	∞	∞	∞	∞	∞	422,550	172,578	595,128
2008-2012.....	18,005	56,310	74,315	141,567	96,497	238,064	314,663	268,304	582,967
2012-2016.....	∞	∞	∞	∞	∞	∞	312,720	69,825	382,545
2013-2017.....	38,560	49,409	87,969	123,303	58,787	182,090	286,794	187,612	474,406
2017-2021.....	∞	∞	∞	∞	∞	∞	95,910	14,111	110,021
2018-2022.....	49,830	38,421	88,251	74,175	31,313	105,488	224,040	116,889	340,929
2022-2026.....	∞	∞	∞	∞	∞	∞	14,400	1,323	15,723
2023-2027.....	54,900	24,835	79,735	56,188	14,316	70,504	181,788	65,173	246,961
2028-2032.....	104,915	10,671	115,586	23,400	1,650	25,050	188,175	19,168	207,343
	278,370	239,032	517,402	600,676	333,708	934,384	3,303,651	1,564,154	4,867,805
Net Unamortized Premium/(Discount) .....	—	—	—	1,287	—	1,287	(10,610)	—	(10,610)
Unamortized Loss .....	∞	∞	∞	∞	∞	∞	(12,785)	∞	(12,785)
Total .....	\$278,370	\$239,032	\$517,402	\$601,963	\$333,708	\$935,671	\$3,280,256	\$1,564,154	\$4,844,410

**NOTE 12 SPECIAL OBLIGATION BONDS**

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in governmental activities.

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, Highway Safety and Highway Operating Special Revenue funds, and Underground Parking Garage Enterprise Fund, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2002, are presented in the table on the top of the following page.



**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

**Primary Government-Governmental Activities  
Special Obligation Bonds  
As of June 30, 2002  
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
<b>Ohio Building Authority .....</b>	1986-02	3.3%-9.8%	2021	\$2,317,964	\$615,910
<b>Treasurer of State:</b>					
Chapter 154 Bonds:					
Higher Education Facilities .....	1992-01	4.3%-6.1%	2014	1,517,695	—
Mental Health Facilities.....	1993-02	4.1%-6.0%	2016	275,721	103,915
Parks and Recreation Facilities .....	1993-02	4.0%-5.5%	2017	115,447	26,100
Elementary and Secondary Education ...	1995-99	3.7%-5.8%	2008	162,275	—
Total Special Obligation Bonds.....				<u>\$4,389,102</u>	<u>\$745,925</u>

For the year ended June 30, 2002, NOTE 15 summarizes changes in special obligation bonds.

Future special obligation debt service requirements, as of June 30, 2002, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2003 .....	\$ 465,789	\$ 212,472	\$ 678,261
2004 .....	463,560	190,470	654,030
2005 .....	441,348	176,011	617,359
2006 .....	430,984	153,396	584,380
2007 .....	428,364	124,009	552,373
2008-2012 .....	1,494,574	358,768	1,853,342
2013-2017 .....	543,300	97,515	640,815
2018-2022 .....	130,445	11,284	141,729
	4,398,364	1,323,925	5,722,289
Net Unamortized Premium/ (Discount).....	(9,262)	—	(9,262)
Total .....	<u>\$4,389,102</u>	<u>\$1,323,925</u>	<u>\$5,713,027</u>

During fiscal year 2002, the OBA had three separate advance refundings as follows:

€# The OBA issued approximately \$250 million in refunding bonds with an average interest rate of 4.38 percent to defease approximately \$250 million in principal and interest on the special obligation bonds being refunded (\$213 million *in substance*). At the date of the refunding, the refunded bonds had an average interest rate of 5.98 percent. The refunding resulted in an economic gain of \$10 million.

€# The OBA issued approximately \$13 million in refunding bonds with an average interest rate of 3.84 percent to defease approximately \$13 million in principal and interest on the special obligation bonds being refunded (\$6.6 million *de-feased in substance*). At the date of the refunding, the refunded bonds had an average interest rate of 6.34 percent. The refunding resulted in an economic gain of \$405 thousand.

€# The OBA issued approximately \$59 million in refunding bonds with an average interest rate of 3.88 percent to defease *in substance* approximately \$56 million in principal and interest on the special obligation bonds being refunded. At the date of the refunding, the refunded bonds had an average interest rate of 5.79 percent. The refunding resulted in an economic gain of \$2.5 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, 2002, \$417.4 million and \$380.5 million of OBA and Chapter 154 special obligation bonds, respectively, are considered defeased and no longer outstanding.



**NOTE 13 CERTIFICATES OF PARTICIPATION**

As of June 30, 2002, approximately \$9.9 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio 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.

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,

2002, are presented in the first table below.

As of June 30, 2002, the primary government's future commitments under the COP financing arrangements are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2003 .....	\$ 2,530	\$ 558	\$ 3,088
2004 .....	890	465	1,355
2005 .....	945	408	1,353
2006 .....	1,005	348	1,353
2007 .....	800	285	1,085
2008-2012 ..	3,730	851	4,581
Total .....	<u>\$9,900</u>	<u>\$2,915</u>	<u>\$12,815</u>

For the year ended June 30, 2002, NOTE 15 summarizes changes in COP obligations.

For the State's component units, approximately \$10 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at the Ohio State University and University of Cincinnati.

As of June 30, 2002, future commitments under the COP financing arrangements for the State's component units are detailed in the second table below.

**Primary Government — Governmental Activities  
Certificate of Participation Obligations  
As of June 30, 2002  
(dollars in thousands)**

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project .....	1992	6.5%	2012	\$5,890
Waterfront Transit Line Project.....	1996	4.8%	2003	1,695
Rickenbacker Port Authority Improvements .....	1996	6.1%	2007	2,315
Total Certificates of Participation.....				<u>\$9,900</u>

**Component Units  
Future Funding Requirements for Certificate of Participation Obligations  
As of June 30, 2002  
(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
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
2007 .....	360	277	637	90	36	126	450	313	763
2008-2012.....	2,130	1,105	3,235	475	105	580	2,605	1,210	3,815
2013-2017.....	2,710	513	3,223	95	5	100	2,805	518	3,323
2018-2022.....	625	16	641	—	—	—	625	16	641
Total .....	<u>\$8,805</u>	<u>\$3,287</u>	<u>\$12,092</u>	<u>\$1,180</u>	<u>\$ 347</u>	<u>\$1,527</u>	<u>\$9,985</u>	<u>\$3,634</u>	<u>\$13,619</u>





**NOTE 14 OTHER NONCURRENT LIABILITIES**

As of June 30, 2002, in addition to bonds and certificate of participation obligations discussed in NOTES 10 through 13, the State reports the following non-current liabilities in its financial statements (dollars in thousands):

<b>Governmental Activities:</b>	
Compensated Absences .....	\$ 381,929
Capital Leases Payable .....	3,933
Litigation Liabilities.....	30,000
Liability for Escheat Property .....	103,590
Total Governmental Activities.....	<u>519,452</u>
<b>Business-Type Activities:</b>	
Compensated Absences .....	12,648
Capital Leases Payable .....	57,171
Workers' Compensation:	
Deferred Revenue.....	413,086
Benefits Payable .....	13,267,172
Other (includes compensated absences totaling \$20,903) .....	1,797,022
Deferred Prize Awards Payable.....	997,944
Tuition Benefits Payable .....	738,200
Total Business-Type Activities.....	<u>17,283,243</u>
Total Primary Government.....	<u>\$17,802,695</u>
<b>Component Units:</b>	
Compensated Absences .....	\$ 206,265
Capital Leases Payable .....	202,082
Intergovernmental Payable .....	1,343,734
Deferred Revenue.....	132,637
Other.....	232,913
Total Component Units .....	<u>\$ 2,117,631</u>

For the year ended June 30, 2002, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow.

**A. Compensated Absences**

For the primary government, the compensated absences liability, as of June 30, 2002, was \$415.5 million, of which \$381.9 million is allocable to governmental activities and \$33.6 million is allocable to business-type activities.

As of June 30, 2002, \$206.3 million of the "Other Noncurrent Liabilities" balance reported for component units represents compensated absences.

**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 as a liability 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.

Operating leases (leases on assets not recorded in the Statement of Net Assets) 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 2002 were approximately \$94.4 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2002, are as follows (dollars in thousands):

<u>Primary Government</u>	
<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2003.....	\$5,952
2004.....	13
Total minimum lease payments.....	<u>\$5,965</u>

<u>Year Ending June 30,</u>	<u>Capital Leases</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
2003.....	\$1,982	\$16,123	\$18,105
2004.....	1,270	16,108	17,378
2005.....	725	16,107	16,832
2006.....	347	16,107	16,454
2007.....	156	—	156
Total Mini- mum Lease Payments .....	4,480	64,445	68,925
Amount for interest .....	(547)	(7,274)	(7,821)
Present Value of Net Mini- mum Lease Payments .....	<u>\$3,933</u>	<u>\$57,171</u>	<u>\$61,104</u>



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

As of June 30, 2002, the primary government had the following capital assets (net of accumulated depreciation for proprietary funds) under capital leases (dollars in thousands):

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Equipment....	\$8,481	\$55,596	\$64,077
Vehicles.....	113	—	113
Total .....	<u>\$8,594</u>	<u>\$55,596</u>	<u>\$64,190</u>

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense.

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary funds. For the component units, capital lease obligations are included under the "Other Liabilities" account. Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the component unit funds, as of June 30, 2002, are presented in the table below.

**C. Litigation Liabilities**

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, 2002, \$30 million in liabilities ultimately payable from various governmental funds has been recorded for this purpose.

For information on the State's loss contingencies arising from pending litigation, see NOTE 19.

**D. Liability for Escheat Property**

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2002, this liability totaled approximately \$103.6 million.

**E. Workers' Compensation**

**Deferred Revenue**

Deferred revenue in the amount of \$413.1 million is reported as a noncurrent liability in the Workers' Compensation Enterprise Fund. This balance represents employer assessments for disabled workers benefits and for self-insuring employers guaranty deposits received or in the course of collection, but not yet recognized.

**Benefits Payable**

As discussed in NOTE 20A., 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, 2002, in the amount of approximately \$13.3 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.

**Component Units  
Future Funding Requirements for Capital Lease Obligations  
and Capital Assets Acquired Under Leases  
As of June 30, 2002**

*(dollars in thousands)*

Year Ending June 30,	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
2003.....	\$ 6,277	\$ 10,140	\$12,531	\$ 28,948
2004.....	4,955	11,047	9,386	25,388
2005.....	4,294	11,047	5,836	21,177
2006.....	4,150	11,198	4,792	20,140
2007.....	2,814	11,647	3,490	17,951
2008-2012 .....	614	60,755	14,214	75,583
2013-2017 .....	—	48,584	519	49,103
2018-2022 .....	—	67,289	—	67,289
Total Minimum Lease Payments....	23,104	231,707	50,768	305,579
Amount for Interest.....	(2,122)	(93,390)	(7,985)	(103,497)
Present Value of Net Minimum Lease Payments.....	<u>\$20,982</u>	<u>\$138,317</u>	<u>\$42,783</u>	<u>\$202,082</u>
Land.....	\$ —	\$ —	\$ 140	\$ 140
Buildings .....	—	135,361	6,658	142,019
Land Improvements .....	—	—	11,145	11,145
Equipment.....	28,543	—	50,717	79,260
Total.....	<u>\$28,543</u>	<u>\$135,361</u>	<u>\$68,660</u>	<u>\$232,564</u>



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

**Other Workers' Compensation Liabilities**

Also, the Workers' Compensation Enterprise Fund reports approximately \$1.8 billion in other noncurrent liabilities, as of June 30, 2002, of which 1.) \$1.62 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20A., 2.) \$81.2 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$95.4 million consists of other miscellaneous liabilities, including \$20.9 million in compensated absences.

**F. Deferred Prize Awards Payable**

Deferred prize awards payable in installments over future years totaling approximately \$997.9 million, as of June 30, 2002, are reported as "Liabilities Payable from Restricted Assets" at present value based upon interest rates the Treasurer of State provides the 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, 2002, is as follows (dollars in thousands):

<u>Year Ending June 30,</u>	
2003.....	\$ 145,307
2004.....	142,228
2005.....	136,113
2006.....	126,735
2007.....	115,626
2008-2012.....	382,229
2013-2017.....	315,351
2018-2022.....	219,580
	1,583,169
Unamortized Discount.....	(585,225)
Net Prize Liability .....	\$ 997,944

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

**G. Tuition Benefits Payable**

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise

Fund totaling \$738.2 million, as of June 30, 2002, 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 11 percent for 2003, 10 percent for 2004, nine percent for 2005 and 6.5 percent annually thereafter; and a 2.5 percent Consumer Price Index inflation rate. The projected tuition growth rates represent a change in the assumption for annual tuition growth from the constant annual 8.2 percent growth rate assumption previously applied. The 6.5 percent assumption for 2006 and later years approximates the average real increase in tuition annually from 1975 through 2005 (adjusted for inflation) assuming the indicated increases in tuition from 2003 through 2005 combined with the actuary's 2.5 percent assumption for future inflation. This change in actuarial assumption is summarized below (dollars in millions):

Actuarial Surplus, as of June 30, 2001 .....	\$68.6
Adjustment to Prior Fiscal Year's Surplus .....	3.0
Interest on the Surplus at 7.5 Percent .....	5.4
Recognition of Shortfall	
in Investment Returns .....	(23.3)
Additional Surplus from New Unit Purchases .....	(8.5)
Credits Redeemed at Lower Rate .....	0.2
Higher-Than-Assumed Tuition Increase .....	(28.8)
Budget Savings .....	0.1
Lower-Than-Expected Units/Credits	
Redeemed .....	(4.0)
Interest Gain on Late Tuition Payouts .....	0.3
Changes in Actuarial Assumptions .....	(35.9)
Other .....	(0.9)
Actuarial Surplus, as of June 30, 2002 -Before	
Actuarial Present Value (APV) Basis Points	
Revenue .....	(23.8)
APV of Payments from Variable Program .....	23.8
Actuarial Surplus, as of June 30, 2002 .....	\$ 0.0

As of June 30, 2002, the actuarial value of net assets available for payment of the tuition benefits payable was \$714.4 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



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

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.

**H. Intergovernmental Payable**

As of June 30, 2002, the School Facilities Commission Component Unit Fund reports an intergovern-

mental payable balance totaling approximately \$1.34 billion for long-term funding contracts the Commission has with local school districts. The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

**NOTE 15 CHANGES IN NONCURRENT LIABILITIES**

**Primary Government**

Changes in noncurrent liabilities, for the year ended June 30, 2002, are presented for the primary government in the following table.

**Primary Government  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2002**  
*(dollars in thousands)*

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amount Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10) .....	\$ 3,034,037	\$1,018,158	\$ 281,066	\$ 3,771,129	\$ 300,974
Revenue Bonds (NOTE 11) .....	218,900	105,451	26,713	297,638	30,335
Special Obligations (NOTE 12) .....	4,731,842	449,558	792,298	4,389,102	465,909
Total Bonds and Notes Payable .....	7,984,779	1,573,167	1,100,077	8,457,869	797,218
Certificates of Participation (NOTE 13) .....	12,305	—	2,405	9,900	2,530
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	361,578	318,725	298,374	381,929	48,068
Capital Leases Payable .....	4,722	1,479	2,268	3,933	1,735
Litigation Liabilities .....	20,000	30,000	20,000	30,000	—
Liability for Escheat Property .....	102,218	35,299	33,927	103,590	35,863
Total Other Noncurrent Liabilities .....	488,518	385,503	354,569	519,452	85,666
Governmental Activities-Noncurrent Liabilities	8,485,602	1,958,670	1,457,051	8,987,221	885,414
<b>Business-Type Activities:</b>					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11) .....	202,614	468	12,359	190,723	13,531
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	11,547	9,595	8,494	12,648	1,725
Capital Leases Payable .....	199	69,657	12,685	57,171	13,048
Workers' Compensation:					
Deferred Revenue .....	428,017	8,483	23,414	413,086	14,263
Benefits Payable .....	12,505,975	2,881,197	2,120,000	13,267,172	1,631,590
Other:					
Adjustment Expenses Liability .....	1,606,719	51,615	38,000	1,620,334	437,955
Premium Payment Security Deposits .....	80,081	3,449	2,258	81,272	—
Miscellaneous .....	91,551	27,332	23,467	95,416	7,990
Deferred Prize Awards Payable .....	1,067,945	80,225	150,226	997,944	79,836
Tuition Benefits Payable .....	486,800	278,675	27,275	738,200	55,800
Total Other Noncurrent Liabilities .....	16,278,834	3,410,228	2,405,819	17,283,243	2,242,207
Business-Type Activities-Noncurrent Liabilities	16,481,448	3,410,696	2,418,178	17,473,966	2,255,738
Total Primary Government .....	\$24,967,050	\$5,369,366	\$3,875,229	\$26,461,187	\$3,141,152



**NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)**

As reported in the separately issued financial report for the Workers' Compensation Enterprise Fund, the noncurrent portion of the "Other Liabilities-Miscellaneous" account presented in the table on the previous page for workers' compensation includes compensated absences in the amount (dollars in thousands) of \$20,903 and \$19,932, as of June 30, 2002 and 2001, respectively.

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2002, the State included interest expense on its debt issues that support the State's governmental activities in the following governmental functions rather than reporting it as direct interest expense. The related borrowings were essential to

the creation or continuing existence of the programs they finance (dollars in thousands).

**Governmental Activities:**

Primary, Secondary and Other Education	\$ 35,805
Higher Education Support .....	105,067
Health and Human Services .....	28
Environmental Protection and Natural Resources.....	140
Transportation .....	4
General Government.....	9,040
Community and Economic Development	13,337
Intergovernmental .....	<u>65,530</u>
Total Interest Expense	
Charged to Governmental Functions .	<u>\$228,951</u>

**Component Units**

Changes in noncurrent liabilities, for the year ended June 30, 2002 (December 31, 2001 for the Ohio Water Development Authority), are presented in the following table for the State's discretely presented component units.

**Component Units  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2002**  
*(dollars in thousands)*

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amount Due Within One Year
<b>Bonds and Notes Payable:</b>					
Revenue Bonds (NOTE 11):					
Ohio Water Development Authority .....	\$1,398,142	\$ 245,745	\$ 222,967	\$1,420,920	\$ 181,280
Ohio State University.....	395,150	264,465	108,296	551,319	278,676
University of Cincinnati.....	428,068	12,018	12,402	427,684	70,329
All Other Component Units.....	<u>825,612</u>	<u>88,550</u>	<u>33,829</u>	<u>880,333</u>	<u>62,399</u>
Total Bonds and Notes Payable .....	<u>3,046,972</u>	<u>610,778</u>	<u>377,494</u>	<u>3,280,256</u>	<u>592,684</u>
<b>Certificates of Participation (NOTE 13):</b>					
Ohio State University.....	9,675	—	870	8,805	925
University of Cincinnati.....	1,430	—	250	1,180	250
Total Certificates of Participation .....	<u>11,105</u>	<u>—</u>	<u>1,120</u>	<u>9,985</u>	<u>1,175</u>
<b>Other Noncurrent Liabilities (NOTE 14):</b>					
Compensated Absences:					
Ohio State University.....	55,439	10,386	4,498	61,327	4,976
University of Cincinnati.....	54,406	3,601	1,345	56,662	28,086
All Other Component Units.....	<u>84,360</u>	<u>19,306</u>	<u>15,390</u>	<u>88,276</u>	<u>23,300</u>
Total Compensated Absences.....	<u>194,205</u>	<u>33,293</u>	<u>21,233</u>	<u>206,265</u>	<u>56,362</u>
Capital Leases Payable:					
Ohio State University.....	7,812	17,965	4,795	20,982	5,471
University of Cincinnati.....	141,252	—	2,935	138,317	3,055
All Other Component Units.....	<u>39,575</u>	<u>15,833</u>	<u>12,625</u>	<u>42,783</u>	<u>10,542</u>
Total Capital Leases Payable .....	<u>188,639</u>	<u>33,798</u>	<u>20,355</u>	<u>202,082</u>	<u>19,068</u>
Intergovernmental Payable:					
School Facilities Commission.....	<u>1,560,739</u>	<u>555,131</u>	<u>772,136</u>	<u>1,343,734</u>	<u>682,558</u>
Deferred Revenue:					
Ohio State University.....	83,697	402,775	382,697	103,775	93,775
All Other Component Units.....	<u>27,857</u>	<u>1,836</u>	<u>831</u>	<u>28,862</u>	<u>27,273</u>
Total Deferred Revenue .....	<u>111,554</u>	<u>404,611</u>	<u>383,528</u>	<u>132,637</u>	<u>121,048</u>

(Continued)



**NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)**

**Component Units**  
**Changes in Other Noncurrent Liabilities (Continued)**  
**For the Fiscal Year Ended June 30, 2002**  
*(dollars in thousands)*

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amount Due Within One Year
Other Liabilities:					
Ohio State University.....	138,960	7,633	7,075	139,518	47,056
University of Cincinnati.....	27,532	83,135	80,974	29,693	—
All Other Component Units.....	55,514	22,693	14,505	63,702	22,679
Total Other Liabilities.....	222,006	113,461	102,554	232,913	69,735
Total Other Noncurrent Liabilities.....	2,277,143	1,140,294	1,299,806	2,117,631	948,771
Component Units-Noncurrent Liabilities....	<u>\$5,335,220</u>	<u>\$1,751,072</u>	<u>\$1,678,420</u>	<u>\$5,407,872</u>	<u>\$1,542,630</u>

**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 a

pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 2002, revenue bonds and notes outstanding that represent "no commitment" debt for the State are as follows (dollars in thousands):

Organization	Outstanding Amount
<b>Ohio Department of Development:</b>	
Ohio Housing Finance Agency .....	\$2,423,074
Ohio Enterprise Bond Program.....	109,115
Hospital Facilities Bonds.....	21,110
Total No Commitment Debt ....	<u>\$2,553,299</u>

**NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS**

**A. Fund Deficits**

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2002 (dollars in thousands):

Primary Government:

Major Funds:	
Tuition Trust Authority Enterprise Fund.....	<u>(\$70,283)</u>
Nonmajor Governmental Funds:	
Mental Health and Retardation	
Special Revenue Fund.....	(\$44,151)
Commons Schools Capital Facilities	
General Obligations Debt Service Fund.....	(21)
Total .....	<u>(\$44,172)</u>

Component Units:

School Facilities Commission Fund.....	<u>(\$866,459)</u>
--	--------------------

**B. "Other" Fund Balance Reserves and Designations**

Details on the "Reserved for Other" account reported for the governmental funds, as of June 30, 2002, are presented in the table on the following page.

As of June 30, 2002, \$307 million and \$12.4 million of the General Fund's unreserved fund balance is designated for budget stabilization and compensated absences, respectively. The unreserved fund balance for nonmajor special revenue funds is designated for compensated absences in the amount of \$2.5 million, as of June 30, 2002.



**NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS (Continued)**

**Primary Government  
Governmental Funds — Reserved for Other  
As of June 30, 2002  
(dollars in thousands)**

	General Fund	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Governmental Funds
Other Assets — Prepays.....	\$ 186	\$ 194	\$ —	\$ 380
Advances to Local Governments .....	3,452	—	—	3,452
Department of Development's Office of Minority Financial Incentives — Mini-Loan Program Deposits .....	269	—	—	269
Noncurrent Portion of Interfund Receivables .....	220,566	—	—	220,566
Assets in Excess of Debt Service Requirements .....	—	—	285	285
Ohio Enterprise Bond Program .....	—	10,000	—	10,000
Coal Research and Development Program.....	—	4,944	—	4,944
Special Purpose Restrictions:				
Health and Human Services.....	—	13,138	—	13,138
Environmental Protection and Natural Resources.....	—	6,357	—	6,357
Community and Economic Development.....	—	44,970	—	44,970
Total Reserved for Other .....	<u>\$224,473</u>	<u>\$79,603</u>	<u>\$285</u>	<u>\$304,361</u>

**NOTE 18 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 \$165 thousand for the year ended December 31, 2001) 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, 2001 (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.....	<u>\$97,000</u>	<u>\$81,000</u>	<u>100.0%</u>

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



**NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)**

Summary financial information for the GLPF, for the fiscal year ended December 31, 2001, is as follows (dollars in thousands):

Cash and Investments .....	\$118,838
Other Assets .....	511
<b>Total Assets .....</b>	<b>\$119,349</b>
Total Liabilities .....	\$ 1,532
Total Fund Equity .....	117,817
<b>Total Liabilities and Fund Equity ...</b>	<b>\$119,349</b>
Total Revenues and Other Additions* .....	\$ (7,797)
Total Expenditures .....	(5,589)
<b>Net Decrease in Fund Equity .....</b>	<b>\$ (13,386)</b>

\*Includes \$13,493 for unrealized loss on investments.

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. The bonds provide funding for capital appropriations in the Special Revenue Fund, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2002 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
<b>Local Community Colleges:</b>			
Cuyahoga Community College	\$ 45,228	\$15,874	\$ 61,102
Jefferson Community College	3,976	20	3,996
Lakeland Community College	15,322	586	15,908
Lorain County Community College.....	22,194	2,105	24,299
Rio Grande Community College.....	4,442	447	4,889
Sinclair Community College....	42,008	3,777	45,785
<b>Total Local Community Colleges.....</b>	<b>133,170</b>	<b>22,809</b>	<b>155,979</b>
<b>Technical Colleges:</b>			
Belmont Technical College.....	5,119	3	5,122
Central Ohio Technical College.....	4,357	119	4,476
Hocking Technical College .....	17,592	4,588	22,180
Lima Technical College .....	7,454	270	7,724
Marion Technical College .....	3,756	350	4,106
Muskingum Technical College	5,449	1,228	6,677
North Central State College....	7,240	1,676	8,916
Stark State College of Technology.....	11,206	1,948	13,154
<b>Total Technical Colleges.....</b>	<b>62,173</b>	<b>10,182</b>	<b>72,355</b>
<b>Total .....</b>	<b>\$195,343</b>	<b>\$32,991</b>	<b>\$228,334</b>

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

**B. Related Organizations**

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

During fiscal year 2002, the State had the following related-party transactions with its related organizations:

- ≠ The primary government distributed \$2.4 million in motor vehicle fuel excise tax collections from the Revenue Distribution Fund to the Ohio Turnpike Commission. Also, the primary government paid the Commission approximately \$2.2 million from the Highway





**NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)**

Operating Fund to cover 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 fund-

ing support from the primary government, have been included in the agency funds.

€# From the Job, Family and Other Human Services Fund, the Public Defender's Office paid approximately \$673 thousand in compensation to the Ohio Legal Assistance Foundation for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies. Also, during fiscal year 2002, the Ohio Legal Assistance Foundation received approximately \$716 thousand in state assistance paid from the Job, Family and Other Human Services Fund.

**NOTE 19 CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations.

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 notice has been sent to the members of the class. Discovery is completed, and trial for liability only commenced January 13, 2003. 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 State's financial position.

**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 basic 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 to the State.

As a result of the fiscal year 2001 State of Ohio Single Audit (completed in March 2002), \$29.6 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, 2002.

**C. Tax Refund Claims**

As of June 30, 2002, sales and use tax refund claims estimated in the amount of \$18.6 million were 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 2002 for tax periods occurring in fiscal year 2002 and in prior years. No liability has been reported in the financial statements for this matter.



**NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)**

**D. Construction Commitments**

As of June 30, 2002, the Ohio Department of Transportation had total contractual commitments of approximately \$1.78 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$840.1 million, \$433.4 million, \$449 million, and \$56.6 million, respectively. As of June 30, 2002, other major non-highway construction commitments for the primary government's budgeted capital projects funds are as follows (dollars in thousands):

Mental Health/Mental Retardation	
Facilities Improvements.....	\$ 37,521
Parks and Recreation Improvements .....	25,212
Administrative Services	
Building Improvements .....	49,022
Youth Services Building Improvements.....	41,000
Adult Correctional Building Improvements ..	46,943
Highway Safety Building Improvements.....	7,732
Ohio Parks and Natural Resources.....	20,437
Total.....	<u>\$227,867</u>

**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
2003 .....	\$ 422,746	\$ —	\$ 422,746
2004 .....	352,827	—	352,827
2005 .....	352,827	—	352,827
2006 .....	352,827	—	352,827
2007 .....	352,827	—	352,827
2008-2012 ..	1,799,147	119,750	1,918,897
2013-2017 ..	1,799,147	119,750	1,918,897
2018-2022 ..	2,016,011	—	2,016,011
2023-2025 ..	1,209,607	—	1,209,607
Total .....	<u>\$8,657,966</u>	<u>\$239,500</u>	<u>\$8,897,466</u>

During fiscal year 2002, Ohio received \$368.6 million, which was approximately \$50.2 million or 12 percent less than the pre-adjusted base payment for the year. For the last three fiscal years, with fiscal year 2000 being the first year when base payments were made to the states under the settlement, the State has received a total of about \$1.1 billion, which is approximately \$114.8 million or 9.5 percent less than the total of the pre-adjusted base payments established for the last three fiscal years.

The moneys provide funding for the construction of elementary and secondary school capital facilities, new programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to the tobacco-growing areas in Ohio. Before the end of fiscal year 2002, the State transferred \$289.6 million in tobacco settlement revenues from the Special Revenue Fund to the General Fund to help make up for a shortfall in estimated tax revenues for fiscal year 2002. Also, the General Assembly has authorized the transfer of up to an additional \$285 million in tobacco settlement revenues, if needed to balance the fiscal year 2003 budget in the event of continued revenue shortfalls in the General Fund.



**NOTE 20 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 job-related injuries, disease, or death.

The "Benefits Payable" account balance reported in the Workers' Compensation Enterprise Fund, as of June 30, 2002, in the amount of approximately \$13.3 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 "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 5.8 percent to reflect the present value of future benefit payments. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$30.6 billion, as of June 30, 2002, and \$29.5 billion, as of June 30, 2001. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2002.

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 2002	Fiscal Year 2001
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1 .....	\$14,112	\$13,638
Incurred Compensation and Compensation Adjustment Benefits .....	2,662	2,494
Incurred Compensation and Compensation Adjustment Benefit Payments .....	(2,158)	(2,020)
Change in Liability Due to Decrease in Discount Rate .....	272	—
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30 .....	<u>\$14,888</u>	<u>\$14,112</u>



**NOTE 20 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.

	Fiscal Year 2002	Fiscal Year 2001
Claims Liabilities, as of July 1 .....	\$ 33,830	\$ 24,154
Incurred Claims .....	164,109	131,798
Claims Payments .....	<u>(151,464)</u>	<u>(122,122)</u>
Claims Liabilities, as of June 30 .....	<u>\$ 46,475</u>	<u>\$ 33,830</u>

For governmental funds, the primary government recognizes claims as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2002, approximately \$33.8 million in assets was available in the Agency Fund to cover claims. Changes in the balance of Ohio Med health claims liabilities during the past two fiscal years are as follows (dollars in thousands):

As of June 30, 2002, 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 \$12.7 million, thereby, resulting in a funding deficit. The net claims liability, which is payable from expendable financial resources in the governmental funds, as of June 30, 2002, is reported as a fund liability in the governmental and proprietary funds.

**C. Other Risk Financing Programs**

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.

**NOTE 21 SUBSEQUENT EVENTS**

**A. Bond Issuances and Authorizations**

Subsequent to June 30, 2002 (December 31, 2001 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, 2002  
(dollars in thousands)**

	Date	Interest Coupon Rates	Amount
<b>Primary Government:</b>			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Common Schools, Series 2002B.....	August 2002	3.0%-5.0%	\$ 200,000
Natural Resources Refunding, Series H.....	August 2002	2.5%-4.0%	17,640
Higher Education, Series 2002B .....	October 2002	2.0%-5.3%	175,000
Higher Education Refunding, Series 2002C.....	November 2002	5.3%-5.5%	<u>54,975</u>
			<u>447,615</u>
<i>Treasurer of State-General Obligation Bonds:</i>			
Infrastructure Improvement Refunding, Series 2002A.....	August 2002	5.4%-5.5%	59,920
Infrastructure Improvement, Series 2002B.....	October 2002	2.0%-5.3%	120,000
Highway Capital Improvements, Series G.....	November 2002	1.6%-5.3%	<u>135,000</u>
			<u>314,920</u>
<i>Treasurer of State-Revenue Bonds:</i>			
Major New State Infrastructure Project, Series 2002-1 .....	September 2002	2.0%-5.0%	135,000
Revitalization Project, Series 2002A .....	October 2002	3.0%-5.0%	<u>50,000</u>
			<u>185,000</u>

(Continued)



**NOTE 21 SUBSEQUENT EVENTS (Continued)**

	Date	Interest Coupon Rates	Amount
<b>Primary Government: (Continued)</b>			
<i>Treasurer of State-Chapter 154 Special Obligation Bonds:</i>			
Mental Health Capital Facilities, Series II-2002A.....	August 2002	2.3%-5.3%	30,000
Mental Health Capital Facilities Refunding, Series II-2002B .....	August 2002	3.0%-5.3%	38,065
Higher Education Capital Facilities Refunding, Series II-2002A ...	August 2002	2.0%-5.5%	253,275
Parks and Recreation Capital Facilities Bonds, Series II 2002B ..	August 2002	2.5%-3.0%	9,675
			<u>331,015</u>
<i>Ohio Building Authority Special Obligation Bonds:</i>			
Adult Correctional Building Fund Projects, 2002 Series A.....	September 2002	2.0%-5.0%	50,000
Adult Correctional Building Fund Projects Refunding, 2002 Series B .....	September 2002	2.0%-5.3%	90,560
			<u>140,560</u>
Total Primary Government .....			<u>\$1,419,110</u>
<b>Component Units:</b>			
<i>Ohio Water Development Authority Revenue Bonds and Notes:</i>			
Water Pollution Control Loan Fund-Water Quality, Series 2002 .....	February 2002	2.5%-5.3%	\$200,115
Water Development Adjustable Rate, RD Loan Advance Series 2002-A.....	April 2002	Variable	7,975
Drinking Water Assistance, State Match Series 2002 .....	May 2002	3.0%-5.0%	30,000
Drinking Water Assistance, Leverage Series 2002 .....	May 2002	3.0%-5.0%	60,000
Pure Water Refunding, Series 2002.....	August 2002	1.8%-5.0%	99,615
Fresh Water Improvement Revenue Bonds, Series 2002 .....	August 2002	3.0%-5.4%	106,780
Pure Water Refunding Variable Rate, Series 2002B.....	November 2002	Variable	108,000
			<u>612,485</u>
<i>University of Cincinnati Revenue Bonds:</i>			
Millennium Research Institute and Power House, Series 2002F	July 2002	2.5%-5.4%	46,090
Total Component Units .....			<u>\$658,575</u>

As specified in legislation passed prior to June 30, 2002, the General Assembly approved the following increases in bond issue authorizations that became effective after June 30, 2002 (dollars in thousands):

Common Schools Capital Facilities...	\$345,000
Higher Education Capital Facilities....	50,000
Infrastructure Improvements .....	240,000
Total .....	<u>\$635,000</u>

**B. DeRolph Case — State School Funding Plan**  
Litigation, similar to that in other states, has been pending in Ohio courts since 1991 questioning the constitutionality of Ohio's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools." On December 11, 2002, the Ohio Supreme Court, in a 4-3 decision on a motion to reconsider its own decision rendered in September 2001, concluded (as it had in its 1997 and 2000 opinions in that litigation) that the State did not comply with that requirement, even after again noting and crediting significant State steps in recent years. The Court directed the General Assembly "to enact a school-funding scheme that is thorough and efficient, as explained in [its prior decisions in 1997 and 2000], and the accompanying concurrences."

It is not possible at this time to state what or when the General Assembly's further responses will be, or what effect they or any related actions may have on the State's overall financial condition (particularly in the current biennium) or on specific state operations or functions.

**C. Workers' Compensation — Intentional Tort Program Refunds**

On September 24, 1992, the U.S. District Court issued an order prohibiting the Bureau of Workers' Compensation from disbursing assets for its Intentional Tort Program until such order was lifted or amended by the court. On August 26, 2002, the U.S. Sixth Circuit Appeals Court denied the contention that employers were entitled to reimbursement from the program for amounts paid by employers to settle intentional tort lawsuits that occurred between 1986 and 1991. The Bureau's management is developing a plan to refund the total assets of the Intentional Tort Program to the employers, which will be distributed after the period for appealing the decision to the U.S. Supreme Court has passed. As of June 30, 2002, the amount of total assets to be refunded to employers was \$66 million.

# **REQUIRED SUPPLEMENTARY INFORMATION**



**Pavement Network**

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate

highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

**Condition Assessment Data for the Pavement Network**

**Priority Subsystem:**

		Calendar Year 2002	
	PCR	Lane-Miles	%
Excellent.....	85-100	6,753	55.74%
Good.....	75-84	2,688	22.19
Fair .....	65-74	2,162	17.85
Poor.....	Less than 65	511	4.22
		<u>12,114</u>	<u>100.00%</u>

**General Subsystem:**

	PCR	Lane-Miles	%
Excellent.....	85-100	10,635	34.89%
Good.....	75-84	6,547	21.47
Fair .....	55-74	12,393	40.65
Poor.....	Less than 55	912	2.99
		<u>30,487</u>	<u>100.00%</u>

**Comparison of Estimated-to-Actual Maintenance/Preservation Costs**  
(dollars in thousands)

	Fiscal Year 2002
<b>Priority Subsystem:</b>	
Estimated .....	\$251,216
Actual .....	319,518
<b>General Subsystem:</b>	
Estimated .....	\$110,956
Actual .....	151,978



**Bridge Network**

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a general appraisal condition rating from 0 (minimum) to 9 (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

**Condition Assessment Data for the Bridge Network**

	General Appraisal Rating	Calendar Year 2002	
		Square Feet of Deck Area	%
Excellent.....	7-9	43,395,068	53.56%
Good .....	5-6	34,898,954	43.08
Fair.....	3-4	2,687,455	3.32
Poor.....	0-2	30,112	.04
		<u>81,011,589</u>	<u>100.00%</u>

**Comparison of Estimated-to-Actual Maintenance/Preservation Costs**  
*(dollars in thousands)*

	Fiscal Year 2002
Estimated .....	\$192,105
Actual .....	210,084