Ohio Office of Budget and Management

State of Ohio

Ted Strickland

Governor

OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2006

State of Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Introduction
This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2006. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

Financial Highlights
Government-wide Financial Statements
Net assets of the State's primary government reported in the amount of $19.47 billion, as of June 30, 2006, increased $1.71 billion since the previous year. Net assets of the State's component units reported in the amount of $12.76 billion, as of June 30, 2006, increased $1.3 billion since the end of last fiscal year.

Fund Financial Statements
Governmental funds reported combined ending fund balances of $6.07 billion that was comprised of $310.7 million reserved for specific purposes, such as for debt service, state and local highway construction, and federal programs; $6.68 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans receivable, loan commitments, and inventories; $1.01 billion in designations for budget stabilization and other purposes; and a $1.93 billion deficit.

As of June 30, 2006, the General Fund's fund balance was approximately $1.91 billion, including $50.4 million reserved for "other" specific purposes, as detailed in NOTE 17; $567.3 million reserved for nonappropriable items; and $1.01 billion in designations for budget stabilization and other purposes. The General Fund's fund balance increased by $627.2 million (exclusive of a $5.6 million increase in inventories) or 49.1 percent during fiscal year 2006. Due to greater-than-expected personal income tax revenue for fiscal year 2006 and executive-ordered and other spending reductions, the General Fund ended the year with an overall positive fund balance. Various transfers-in from other funds provided additional resources to cover anticipated spending in the General Fund during fiscal year 2006.

Proprietary funds reported net assets of $523.5 million, as of June 30, 2006, an increase of $873.5 million since June 30, 2005. Most of the net increase was due to the $863.2 million net gains reported for the Workers' Compensation Enterprise Fund. Increases in net assets of $11.7 million for the Unemployment Compensation Enterprise Fund and $11.8 million for the Tuition Trust Authority Enterprise Fund offset a decrease in net assets of $22.4 million in the Lottery Commission Enterprise Fund. The loss for the Lottery Commission Enterprise Fund is largely attributable to decreases in investment income. For the Workers' Compensation Enterprise Fund, the increase is mainly due to a decline in benefit payments and premium credits to employers of $1.22 billion. The Tuition Trust Authority's increase in net assets resulted from investment income exceeding tuition benefit payments by $12.8 million. The Unemployment Compensation Enterprise Fund's increase in net assets resulted from increases in premium and assessment income of $121.7 million in fiscal year 2006, and decreases in benefits and claims expenses of $23.9 million.

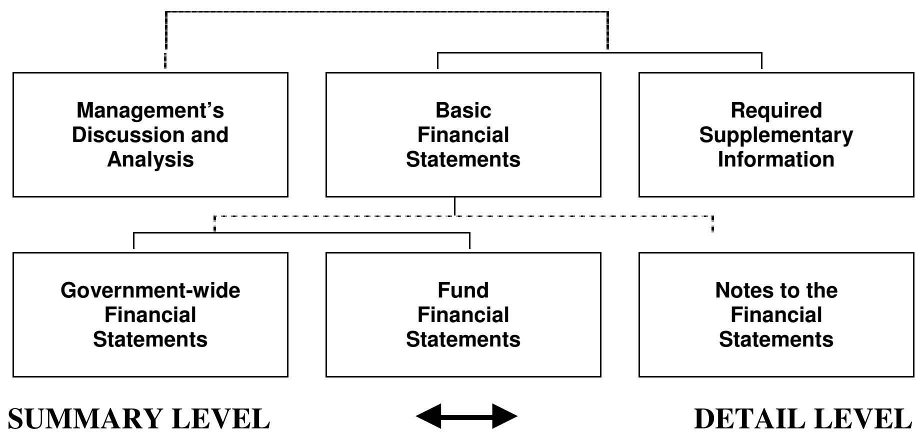
Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations
Overall, the carrying amount of total long-term debt for the State's primary government increased $582.9 million or 5.5 percent during fiscal year 2006 to end the fiscal year with a reported balance of $11.16 billion in long-term debt. During the year, the State issued at par $1.37 billion in general obligation bonds, of which $121.4 million were refunding bonds, $199.3 million in revenue bonds, and $109.8 million in special obligation bonds, of which $34.8 million were refunding bonds. Changes in the primary government's long-term debt for fiscal year 2006 can be found in NOTE 15.

Overview of the Financial Statements

This annual report consists of management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, required supplementary information, and combining statements for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds. The basic financial statements are comprised of the government-wide financial statements and fund financial statements.

Figure 1 below illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, as explained later, this report includes an optional section that contains combining statements that provide details about the State's nonmajor governmental and proprietary funds and discretely presented component units.

Figure 1
Required Components of the
State of Ohio's Annual Financial Report



The *Government-wide Financial Statements* provide financial information about the State as a whole, including its component units.

The *Fund Financial Statements* focus on the State's operations in more detail than the government-wide financial statements. The financial statements presented for governmental funds report on the State's general government services. Proprietary fund statements report on the activities that the State operates like private-sector businesses. Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others outside of the government, to whom the resources belong.

Following the fund financial statements, the State includes financial statements for its major component units within the basic financial statements section. Nonmajor component units are also presented in aggregation under a single column in the component unit financial statements.

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages 52 through 124 of this report.

In addition to the basic financial statements and accompanying notes, a section of required supplementary information further discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Required supplementary information can be found on pages 125 through 128 of this report.

Figure 2 on the following page summarizes the major features of the State's financial statements.

Figure 2
Major Features of the State of Ohio's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements: Governmental Funds	Fund Statements: Proprietary Funds	Fund Statements: Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program	Instances in which the State is the trustee or agent for someone else's resources
Required Financial Statements	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. For these statements, the State applies accounting methods similar to those used by private-sector companies; that is, the State follows the accrual basis of accounting and the economic resources focus when preparing the government-wide financial statements. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of the timing of related cash inflows or outflows.

The two government-wide financial statements report the State's net assets and how they have changed. Net assets — the difference between the State's assets and liabilities — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net assets indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors such as changes in the State's economic indicators and the condition of the State's highway system when assessing the State's overall financial status.

The State's government-wide financial statements, which can be found on pages 20 through 23 of this report, are divided into three categories as follows.

Governmental Activities — Most of the State's basic services are reported under this category, such as 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, general government, and community and economic development. Taxes, federal grants, charges for services, including license, permit, and other fee income, fines, and forfeitures, and restricted investment income finance most of these activities.

Business-type Activities — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insurance program, lottery operations, unemployment compensation program, the leasing and maintenance operations of the Ohio Building Authority, guaranteed college tuition credit program, liquor control operations, underground parking garage operations at the statehouse, and the Auditor of State's governmental auditing and accounting services.

Component Units — The State presents the financial activities of the School Facilities Commission, Cultural Facilities Commission, eTech Ohio Commission, Ohio Water Development Authority, Ohio Air Quality Development Authority, and 23 state-assisted colleges and universities as discretely presented component units under a separate column in the government-wide financial statements. The Ohio Building Authority is presented as a blended component unit with its activities blended and included under governmental and business-type activities. Although legally separate, the State is financially accountable for its component units, as is further explained in NOTE 1A. to the financial statements.

Fund Financial Statements
The fund financial statements provide more detailed information about the State's most significant funds — not the State as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State has three kinds of funds — governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds — Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements applying the modified accrual basis of accounting and a current financial resources focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State's governmental funds include the General Fund and 15 special revenue funds, 21 debt service funds, and 11 capital projects funds. Under separate columns, information is presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Job, Family and Other Human Services, Education, Highway Operating, and Revenue Distribution special revenue funds, all of which are considered major funds. Data from the other 43 governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State's budgetary process is explained further in NOTE 1D. to the financial statements.

The basic governmental fund financial statements can be found on pages 24 through 35 of this report while the combining fund statements and schedules can be found on pages 132 through 189.

Proprietary Funds — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information. Like the government-wide financial statements, the State prepares the proprietary fund financial statements for its eight enterprise funds applying the accrual basis of accounting and an economic resources focus.

Under separate columns, information is presented in the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the Workers' Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other five enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows. The basic proprietary fund financial statements can be found on pages 36 through 43 of this report while the combining fund statements can be found on pages 192 through 199.

Fiduciary Funds — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The State excludes the State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds from its government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 44 through 47 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets. During fiscal year 2006, as shown in the table below, the combined net assets of the State's primary government increased $1.61 billion or 9 percent. Net assets reported for governmental activities increased $738.7 million or 4.1 percent and business-type activities increased $873.3 million. Condensed financial information derived from the Statement of Net Assets for the primary government follows.

Primary Government
Statement of Net Assets
As of June 30, 2006
With Comparatives as of June 30, 2005
(dollars in thousands)

	As of June 30, 2006			As of June 30, 2005 (as restated)*		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Assets:						
Current and Other Noncurrent Assets	$16,168,793	$21,449,240	$37,618,033	$14,886,874	$24,904,062	$39,790,936
Capital Assets	23,828,773	137,283	23,966,056	23,302,596	155,175	23,457,771
Total Assets	39,997,566	21,586,523	61,584,089	38,189,470	25,059,237	63,248,707
Liabilities:						
Current and Other Liabilities	9,343,834	(416,894)	8,926,940	8,951,203	3,418,792	12,369,995
Noncurrent Liabilities	11,710,147	21,479,919	33,190,066	11,033,381	21,990,295	33,023,676
Total Liabilities	21,053,981	21,063,025	42,117,006	19,984,584	25,409,087	45,393,671
Net Assets:						
Invested in Capital Assets, Net of Related Debt	20,889,063	10,363	20,899,426	20,285,186	(1,839)	20,283,347
Restricted	2,121,564	760,376	2,881,940	1,908,583	793,531	2,702,114
Unrestricted (Deficits)	(4,067,042)	(247,241)	(4,314,283)	(3,988,883)	(1,141,542)	(5,130,425)
Total Net Assets	$18,943,585	$523,498	$19,467,083	$18,204,886	$ (349,850)	$17,855,036

*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

As of June 30, 2006, the primary government's investment in capital assets (i.e., land, buildings, land improvements, machinery and equipment, vehicles, infrastructure, and construction-in-progress), less related outstanding debt, was $20.9 billion. Restricted net assets were approximately $2.88 billion, resulting in a $4.31 billion deficit. Net assets are restricted when constraints on their use are 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) legally imposed through constitutional or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide Statement of Net Assets reflects a $4.07 billion deficit for unrestricted governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the $10.21 billion of outstanding general obligation and special obligation debt at June 30, 2006, $7.03 billion is attributable to debt issued for state assistance to component units (School Facilities Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Assets as restricted net assets. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

Additionally, as of June 30, 2006, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of $420.7 million (see NOTE 14A.) and a $957.7 million interfund payable due to the workers' compensation component of business-type activities for the State's workers' compensation liability (see NOTE 7A.). These unfunded liabilities also contribute to the reported deficit for governmental activities.

Condensed financial information derived from the Statement of Activities, which reports how the net assets of the State's primary government changed during fiscal years 2006 and 2005, follows.

Primary Government
Statement of Activities
For the Fiscal Year Ended June 30, 2006
With Comparatives for the Fiscal Year Ended June 30, 2005
(dollars in thousands)

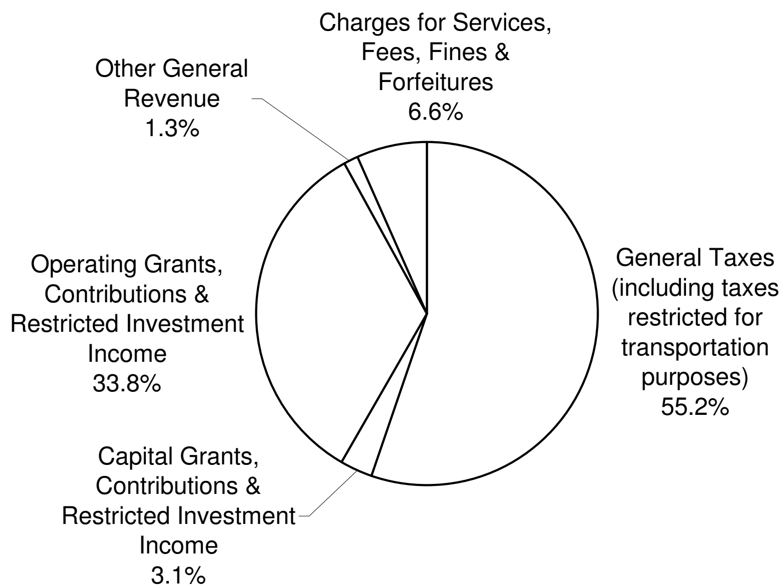
	Fiscal Year 2006			Fiscal Year 2005 (as restated)*		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Program Revenues:						
Charges for Services, Fees, Fines and Forfeitures	$2,810,257	6,197,814	$9,008,071	$ 2,554,433	$6,056,105	$8,610,538
Operating Grants, Contributions and Restricted Investment Income/(Loss)	14,336,540	883,003	15,219,543	13,774,602	1,183,511	14,958,113
Capital Grants, Contributions and Restricted Investment Income/(Loss)	1,288,100	—	1,288,100	1,088,146	—	1,088,146
Total Program Revenues	18,434,897	7,080,817	25,515,714	17,417,181	7,239,616	24,656,797
General Revenues:						
General Taxes	21,567,653	—	21,567,653	20,653,898	—	20,653,898
Taxes Restricted for Transportation	1,850,939	—	1,850,939	1,753,390	—	1,753,390
Tobacco Settlement	336,044	—	336,044	321,335	—	321,335
Escheat Property	93,782	—	93,782	91,867	—	91,867
Unrestricted Investment Income	128,772	—	128,772	46,797	2,040	48,837
Other	295	932	1,227	287	5,837	6,124
Total General Revenues	23,977,485	932	23,978,417	22,867,574	7,877	22,875,451
Total Revenues	42,412,382	7,081,749	49,494,131	40,284,755	7,247,493	47,532,248
Expenses:						
Primary, Secondary and Other Education	11,157,283	—	11,157,283	10,500,807	—	10,500,807
Higher Education Support	2,608,007	—	2,608,007	2,475,281	—	2,475,281
Public Assistance and Medicaid	14,909,149	—	14,909,149	14,247,598	—	14,247,598
Health and Human Services	3,526,763	—	3,526,763	3,333,997	—	3,333,997
Justice and Public Protection	3,111,577	—	3,111,577	2,972,666	—	2,972,666
Environmental Protection and Natural Resources	406,632	—	406,632	397,852	—	397,852
Transportation	1,925,841	—	1,925,841	2,080,958	—	2,080,958
General Government	952,248	—	952,248	670,146	—	670,146
Community and Economic Development	3,618,550	—	3,618,550	3,432,302	—	3,432,302
Interest on Long-Term Debt (excludes interest charged as program expense)	175,732	—	175,732	175,700	—	175,700
Workers' Compensation	—	2,011,480	2,011,480	—	3,232,669	3,232,669
Lottery Commission	—	1,625,309	1,625,309	—	1,581,100	1,581,100
Unemployment Compensation	—	1,161,776	1,161,776	—	1,194,040	1,194,040
Ohio Building Authority	—	25,797	25,797	—	27,327	27,327
Tuition Trust Authority	—	67,162	67,162	—	30,214	30,214
Liquor Control	—	423,373	423,373	—	401,187	401,187
Underground Parking Garage	—	2,993	2,993	—	2,692	2,692
Office of Auditor of State	—	71,729	71,729	—	73,501	73,501
Total Expenses	42,391,782	5,389,619	47,781,401	40,287,307	6,542,730	46,830,037
Surplus/(Deficiency) Before Transfers	20,600	1,692,130	1,712,730	(2,552)	704,763	702,211
Transfers-Internal Activities	818,636	(818,636)	—	807,653	(807,653)	—
Change in Net Assets	839,236	873,494	1,712,730	805,101	(102,890)	702,211
Net Assets, July 1 (as restated)	18,104,349	(349,996)	17,754,353	17,399,785	(246,960)	17,152,825
Net Assets, June 30	$18,943,585	$523,498	$19,467,083	$18,204,886	$(349,850)	$17,855,036

*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

Governmental Activities
Revenues slightly outpaced expenses during fiscal year 2006, and when combined with transfers from the State's business-type activities, net assets for governmental activities increased from $18.1 billion, at July 1, 2005, as restated, to $18.94 billion, at June 30, 2006, or $839.2 million. Revenues for fiscal year 2006 in the amount of $42.41 billion were 5.3 percent higher than those reported for fiscal year 2005. This increase in revenues can, in part, be attributed to strong personal income tax, corporation franchise tax, and cigarette tax collections, which offset decreases in sales tax collections. Expenses followed the trend as the reported $42.39 billion in spending represented a 5.2 percent increase over fiscal year 2005. Net transfers for fiscal year 2006 also increased to $818.6 million, or by 1.4 percent, when compared to fiscal year 2005.

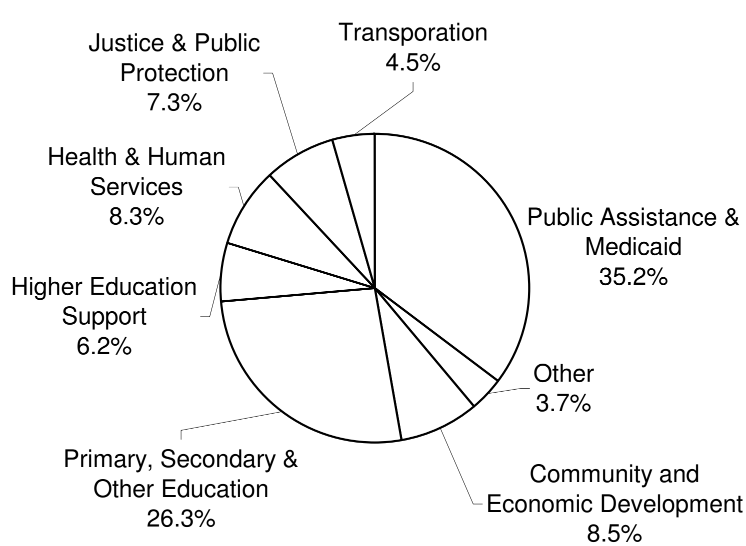
The following charts illustrate revenue by sources and expenses by program of governmental activities as percentages of total revenues and program expenses, respectively, reported for the fiscal year ended June 30, 2006.

Governmental Activities — Sources of Revenue
Fiscal Year 2006



Total FY 06 Revenue for Governmental Activities = $42.41 Billion

Governmental Activities — Expenses by Program
Fiscal Year 2006



Total FY 06 Program Expenses for Governmental Activities = $42.39 Billion

The following tables present the total expenses and net cost of each of the State's governmental programs for the fiscal years ended June 30, 2006 and 2005. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs; costs not covered by program revenues are essentially funded with the State's general revenues, which are primarily comprised of taxes, tobacco settlement revenue, escheat property, and unrestricted investment income.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Year Ended June 30, 2006
With Comparatives for the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	For the Fiscal Year Ended June 30, 2006			
Program	**Program Expenses**	**Net Cost of Program**	**Net Cost as Percentage of Total Expenses for Program**	**Net Cost as Percentage of Total Expenses — All Programs**
Primary, Secondary and Other Education	$11,157,283	$ 9,503,034	85.2%	22.4%
Higher Education Support	2,608,007	2,570,775	98.6	6.1
Public Assistance and Medicaid	14,909,149	4,751,780	31.9	11.2
Health and Human Services	3,526,763	1,289,924	36.6	3.0
Justice and Public Protection	3,111,577	1,881,421	60.5	4.5
Environmental Protection and Natural Resources	406,632	126,932	31.2	.3
Transportation	1,925,841	553,793	28.8	1.3
General Government	952,248	160,992	16.9	.4
Community and Economic Development	3,618,550	2,942,502	81.3	6.9
Interest on Long-Term Debt	175,732	175,732	100.0	.4
Total Governmental Activities	$42,391,782	$23,956,885	56.5	56.5%

	For the Fiscal Year Ended June 30, 2005 (as restated) *			
Program	**Program Expenses**	**Net Cost of Program**	**Net Cost as Percentage of Total Expenses for Program**	**Net Cost as Percentage of Total Expenses — All Programs**
Primary, Secondary and Other Education	$10,500,807	$8,867,939	84.5%	22.0%
Higher Education Support	2,475,281	2,458,391	99.3	6.1
Public Assistance and Medicaid	14,247,598	4,373,022	30.7	10.9
Health and Human Services	3,333,997	1,221,040	36.6	3.0
Justice and Public Protection	2,972,666	1,811,792	61.0	4.5
Environmental Protection and Natural Resources	397,852	138,895	34.9	.4
Transportation	2,080,958	919,793	44.2	2.3
General Government	670,146	147,334	22.0	.4
Community and Economic Development	3,432,302	2,756,220	80.3	6.8
Interest on Long-Term Debt	175,700	175,700	100.0	.4
Total Governmental Activities	$40,287,307	$22,870,126	56.8	56.8%

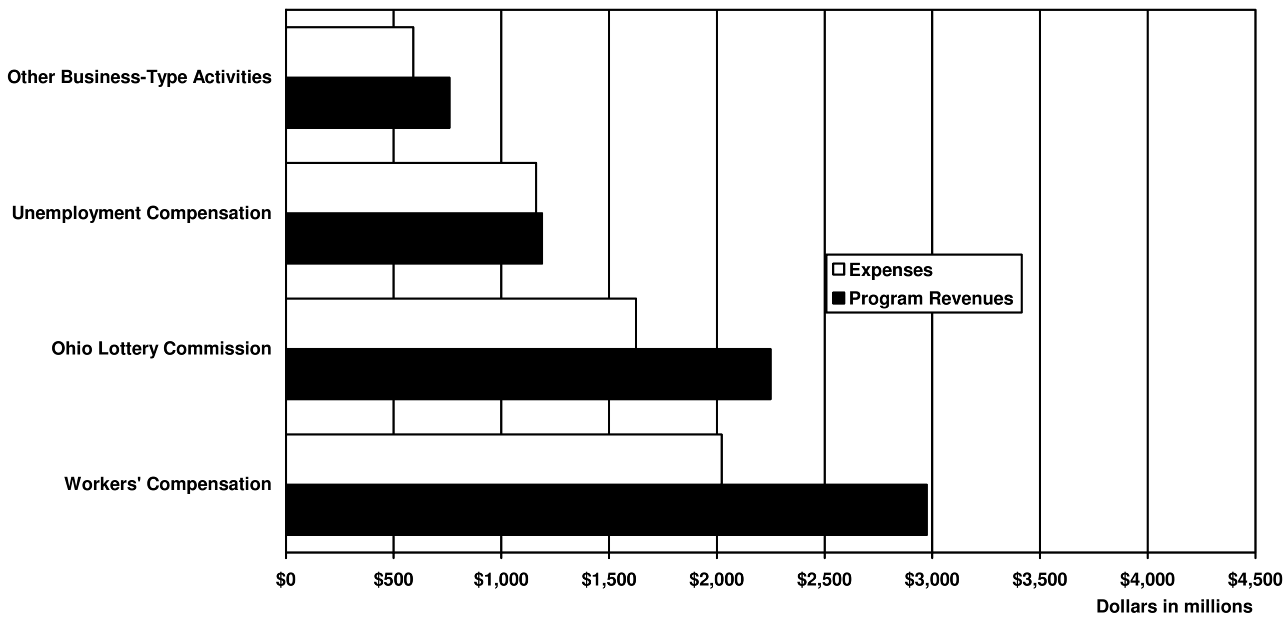
*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

Business-Type Activities

The State's enterprise funds reported net assets of $523.5 million, as of June 30, 2006, as compared to $(350) million in net assets, as of June 30, 2005. The primary reason for the increase in business-type activities was the Workers' Compensation Fund, which reported net assets of $(126.6) million, as of June 30, 2006, as compared to $(989.8) million, an 863.2 million increase since June 30, 2005. The Unemployment Compensation Fund posted an $11.7 million or 1.8 percent increase in net assets during fiscal year 2006 when the fund reported net assets of

$675.7 million, as of June 30, 2006. The Tuition Trust Authority Fund reported net assets of $(228.8) million, as of June 30, 2006, as compared to $(240.6) million in net assets, as of June 30, 2005, a 4.9 percent increase, while the Lottery Commission Fund reported $129.6 million in net assets as of June 30, 2006, compared to $152.1 million in net assets as of June 30, 2005, a 14.7 percent decrease. The chart below compares program expenses and program revenues for business-type activities.

Business-Type Activities — Expenses and Program Revenues
Fiscal Year 2006



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2006 and June 30, 2005 (dollars in thousands).

	As of and for the Fiscal Year Ended June 30, 2006			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance (Deficit)	$ 281,261	$ (3,033,576)	$ 819,835	$ (1,932,480)
Designated Fund Balance	1,010,689	—	—	1,010,689
Total Fund Balance	1,909,683	1,023,218	3,134,233	6,067,134
Total Revenues	26,044,204	12,453,561	3,936,363	42,434,128
Total Expenditures	25,215,953	12,272,170	6,329,065	43,817,188

	As of and for the Fiscal Year Ended June 30, 2005 (as restated)*			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance (Deficit)	$ —	$ (3,182,789)	$ 846,736	$ (2,336,053)
Designated Fund Balance	649,420	—	—	649,420
Total Fund Balance	1,276,815	645,800	3,212,671	5,135,286
Total Revenues	25,452,628	10,986,081	3,802,370	40,241,079
Total Expenditures	24,444,884	11,124,976	5,890,767	41,460,627

*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

General Fund
Fund balance for the General Fund, the main operating fund of the State, increased by $627.2 million (exclusive of a $5.6 million increase in inventories) or 49.1 percent during the current fiscal year. Key factors for most of the increase were strong personal income tax revenue resulting from an expansion in the economy, increased corporate and public utility tax collections due to the imposition of the new commercial activity tax (CAT), a portion of which was deposited into the General Fund, and increased cigarette tax collections due to an increase in the cigarette tax. These increases in tax revenues, when coupled with investment proceeds that more than doubled compared to fiscal year 2005, outpaced mandated spending increases in the Public Assistance and Medicaid function and in the Primary, Secondary and Other Education function.

General Fund Budgetary Highlights
The State ended the first year of its biennial budget period on June 30, 2006 with a General Fund budgetary fund balance (i.e., cash less encumbrances) of $2.07 billion. Total budgetary sources for the General Fund (including $425.6 million in transfers from other funds) in the amount of $27.72 billion were above final estimates by $219.5 million or .8 percent during fiscal year 2006, while total tax receipts were above final estimates by $241.9 million or 1.2 percent. During fiscal year 2006, it was not necessary to use any of the $568.4 million that had been designated for budget stabilization purposes at June 30, 2005.

Total budgetary uses for the General Fund (including $273.4 million in transfers to other funds) in the amount of $27.52 billion were below final estimates by $676.6 million or 2.4 percent for fiscal year 2006.

Consistent with state law, the Governor's Executive Budget for the 2006-07 biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the appropriations act (Act) for the 2006-07 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2005.

The Act provided for total GRF biennial revenue of approximately $51.5 billion (a 3.8-percent increase over the 2004-05 biennial revenue) and total GRF biennial expenditures of approximately $51.3 billion (a five-percent increase over the 2004-05 biennial expenditures). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8 percent for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4 percent for higher education; 4.2 percent for elementary and secondary education; 5.5 percent for corrections and youth services; and 4.8 percent for mental health and mental retardation.

The GRF expenditure authorizations for the 2006-07 biennium reflected and were supported by significant restructuring of major State taxes, including:

- A 21-percent reduction in Ohio's personal income tax rates phased in at 4.2 percent a year over the 2005 through 2009 tax years.

- Phased elimination of the corporate franchise tax at a rate of approximately 20 percent a year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).

- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio that will be phased in over the 2006 through 2010 fiscal years. When fully phased in, the CAT will be levied at a rate of 0.26 percent on gross receipts in excess of $1 million. (The inclusion of wholesale and retail food sales for off-premise consumption, projected to produce approximately $140 million annually once the CAT is fully-phased in, is subject to a legal challenge.) In the next four fiscal years, as the CAT phases-in, the General fund is not expected to receive any revenues from this tax unless collections exceed estimates. Instead, all the tax receipts will be used to compensate school districts and local governments for tax revenues lost due to the phase-out of the tangible personal property tax. In addition, supplemental transfers from the General fund will probably be needed to fully replace the tangible personal property tax losses.

- A 5.5-percent state sales and use tax (reduced from the six-percent rate in effect during the 2004-05 biennium).

- An increase in the cigarette tax rate from 55 cents a pack (of 20 cigarettes) to $1.25 a pack.

The State ended fiscal year 2006 with a GRF cash balance of $1.53 billion and a GRF budgetary fund balance of $1.03 billion. Of the ending GRF budgetary fund balance, the State carried forward $631.9 million to cover the variance of GRF appropriations over estimated revenue for fiscal year 2007, to offset the one-time cost of accelerating the phase-in of reductions in Ohio's personal income tax withholding rates, and to maintain 0.5 percent of GRF revenue for fiscal year 2007 as an ending fund balance. Additionally, the State made a fiscal year-end designation that resulted in a cash transfer-out from the GRF in early fiscal year 2007 in the amount of $394 million, which includes $40.5 million in receipts collected from a broad tax-amnesty initiative and deposited in the state treasury in June 2006, for budget stabilization purposes.

Other Major Governmental Funds

Fund balance for the *Job, Family and Other Human Services Fund*, as of June 30, 2006, was $177.7 million, an increase of $294.1 million as compared to the deficit of $116.4 million at June 30, 2005. Revenues exceeded expenditures by $250.8 million, while net transfers-in totaled $43.3 million.

Fund balance for the *Education Fund*, as of June 30, 2006, totaled $64.8 million, a decrease of $1.8 million since June 30, 2005. Fiscal year 2006 net transfers-in for the fund in the amount of $626.7 million were not quite enough to cover the excess of expenditures over revenues reported for the fund in the amount of $628.5 million.

Fund balance for the *Highway Operating Fund*, as of June 30, 2006, totaled $752.8 million, an increase of $171.8 million (including a $7 million increase in inventories) since June 30, 2005. The increase was due to an increase in the fund's revenues to $2.11 billion in fiscal year 2006 from $1.81 billion in fiscal year 2005. The revenue increase for this fund was due in part to a two-cent increase in the motor vehicle fuel tax rate from 26 cents a gallon to 28 cents a gallon, effective July 1, 2005. Expenditures in the amount of $2.16 billion also increased significantly during fiscal year 2006 when compared to the $2.05 billion in expenditures reported for fiscal year 2005.

Fund balance for the *Revenue Distribution Fund*, as of June 30, 2006, totaled $27.9 million, a decrease of $86.7 million since June 30, 2005. Fiscal year 2006 net transfers-out to other governmental funds of $700.3 million were greater than the $613.7 million excess of revenues over expenditures, thus contributing to the decrease in fund balance.

Major Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

For the *Workers' Compensation Fund*, the $863.2 million increase in net assets was primarily due to a decrease in benefit payments of approximately $983 million, and the elimination of any payments of premium credits to employers in fiscal year 2006. These changes resulted in a decrease in operating expenses of $1.22 billion, to $2.01 billion in fiscal year 2006 from $3.23 billion in fiscal year 2005. The Bureau of Workers' Compensation reported net investment income of $763.8 million compared to net investment income of $988.4 million reported in the previous fiscal year. The decrease in net investment income was primarily attributable to a change in the investment strategy and asset allocations. Prior to the third quarter of fiscal year 2006, investments were primarily in fixed maturities, domestic equity securities, and international securities with 77 external managers. These contracts were terminated, and substantially all assets were transitioned to a passively managed bond index fund that replicates the medium duration Lehman Aggregate Bond index. As a result of these changes, the fair value of the investment portfolio in fiscal year 2006 increased by $104.9 million compared to the $488.1 million increase in fair value during fiscal year 2005. These decreases in investment income were partially offset by a $230.4 million increase in earnings on fixed maturity investments during fiscal year 2006 as compared to fiscal year 2005.

Workers' compensation benefits and claims expenses were $169.5 million less than premium and assessment income in fiscal year 2006, whereas in fiscal year 2005 benefits and claims expenses exceeded premium and assessment income by $715.7 million.

Workers' compensation benefits and claims expenses were $1.93 billion in fiscal year 2006 as compared to $2.92 billion in fiscal year 2005. The decrease in workers' compensation benefits is due largely to reductions in the cost of pharmacy benefits, lower hospital costs, and decreases in the number of newly awarded permanent total disability claims, all of which had a favorable impact on the calculation of medical reserves.

For fiscal year 2006, the *Lottery Commission Fund* reported $624.3 million in net income before transfers of $646.3 million and $472 thousand to the Education and General funds, respectively, posting a $22.4 million decrease in the fund's net assets. For fiscal year 2005, the *Lottery Commission Fund* reported $674.3 million in income before transfers of $645.1 million and $536 thousand to the Education and General funds, respectively, posting a $28.6 million increase in the fund's net assets. The fiscal year 2006 decrease in the Lottery Commission fund's net assets is primarily due to investment income of $22.3 million in fiscal year 2006, as compared to

$90.5 million in fiscal year 2005. The decrease in investment income was primarily due to the net effect of recognizing an unrealized loss on the investments dedicated to the payment of annuity prizes.

Unemployment benefits and claims expenses of $1.16 billion were $23.8 million less than in fiscal year 2005, while premium and assessment income of $1.12 billion exceeded that of fiscal year 2005 by $121.7 million for the *Unemployment Compensation Fund,* which contributed to the increase in the fund's net assets of $11.8 million for fiscal year 2006. For calendar years 2005 and 2006, Ohio's annualized average unemployment rate was 6.1 percent and 5.9 percent, respectively, according to the U.S. Department of Labor.

Nonmajor Proprietary Funds
For fiscal year 2006, the *Tuition Trust Authority* Fund reduced its deficit by $11.8 million or 4.9 percent. The Authority's primary source of operating income is investment income (due to the suspension of the sale of tuition credits), while the primary operating expense is for tuition benefit payments. The deficit reduction, therefore, was primarily due to investment income of $69.6 million exceeding benefits and claims expenses of $56.8 million, by $12.8 million. Tuition benefits expense increased by $35.2 million, or 162.8 percent, over fiscal year 2005.

The *Liquor Control* Fund reported an increase to net assets of $6.7 million, or 35 percent, after transferring $138 million to the General Fund and $38.9 million to other governmental funds. Sales increased in the amount of $50.6 million, which, less the related increase in cost of goods sold of $19.8 million, provided the resources necessary to increase transfers to governmental funds by $22.3 million over fiscal year 2005.

The net assets of the *Office of Auditor of State* Fund increased by $2.5 million, or 23.7 percent, to $12.8 million, during fiscal year 2006. This increase was primarily due to a decrease in operating expenses of $2.1 million, which is primarily attributable to a decrease in the Office's liability for workers' compensation.

In fiscal year 2006, transfers from proprietary funds to governmental funds totaled $881 million, up $13.5 million or 1.6 percent when compared to the $867.5 million in transfers-out reported in fiscal year 2005.

Capital Asset and Debt Administration

Capital Assets
As of June 30, 2006 and June 30, 2005, the State had invested $23.97 billion and $23.46 billion, net of accumulated depreciation of $2.31 billion and $2.14 billion, respectively, in a broad range of capital assets, as detailed in the table below.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2006
With Comparatives as of June 30, 2005
(dollars in thousands)

	As of June 30, 2006			As of June 30, 2005 *(as restated)*		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 1,736,463	$ 11,994	$ 1,748,457	$ 1,632,382	$ 11,994	$ 1,644,376
Buildings	1,995,971	106,607	2,102,578	1,996,106	113,831	2,109,937
Land Improvements	186,105	15	186,120	170,386	16	170,402
Machinery and Equipment	191,668	15,809	207,477	171,528	27,332	198,860
Vehicles	132,658	2,080	134,738	130,050	1,931	131,981
Infrastructure:						
Highway Network:						
General Subsystem	8,337,768	—	8,337,768	8,315,025	—	8,315,025
Priority Subsystem	7,196,979	—	7,196,979	6,823,023	—	6,823,023
Bridge Network	2,430,629	—	2,430,629	2,332,077	—	2,332,077
Parks, Recreation, and Natural Resources System	39,034	—	39,034	31,329	—	31,329
	22,247,275	136,505	22,383,780	21,601,906	155,104	21,757,010
Construction-in-Progress	1,581,498	778	1,582,276	1,700,690	71	1,700,761
Total Capital Assets, Net	$23,828,773	$137,283	$23,966,056	$23,302,596	$155,175	$23,457,771

During fiscal year 2006, the State recognized $236.6 million in annual depreciation expense relative to its general governmental capital assets as compared with $212.7 million in depreciation expense recognized in fiscal year 2005.

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2006 totaling approximately $612.4 million, as compared with $388.4 million in the previous fiscal year. The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 2.17 percent (about a 2.26 percent increase for governmental activities and an 11.53 percent decrease for business-type activities). As is further detailed in NOTE 19E. of the notes to the financial statements, the State had $114.4 million in major construction commitments (unrelated to infrastructure), as of June 30, 2006, as compared with the $159.2 million balance reported for June 30, 2005.

Modified Approach
For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. The modified approach allows a government *not to report depreciation expense* for eligible infrastructure assets if the government manages the eligible infrastructure assets using an asset management system that possesses certain characteristics and the government can document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level it sets (and discloses). Under the modified approach, the State is required to expense all spending (i.e., preservation and maintenance costs) on infrastructure assets except for additions and improvements. Infrastructure assets accounted for using the modified approach include approximately 42,668 in lane miles of highway (12,500 in lane miles for the priority highway subsystem and 30,168 in lane miles for the general highway subsystem) and approximately 83.4 million square feet of deck area that comprises 12,531 bridges for which the State has the responsibility for ongoing maintenance.

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. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems, respectively, to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2005, indicates that only 3.6 percent and 1.9 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For calendar year 2004, only 4.5 percent and 2.2 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2005, indicates that only 2.7 percent and .01 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively. For calendar year 2004, only 2.8 percent and .02 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively.

For fiscal year 2006, total actual maintenance and preservation costs for the priority and general subsystems were $410 million and $312.1 million, respectively, compared to estimated costs of $376.6 million for the priority system and $214.8 million for the general system, while total actual maintenance and preservation costs for the bridge network was $262 million compared to estimated costs of $246.1 million. For the previous fiscal year, total actual maintenance and preservation costs for the priority and general subsystems were $350.4 million and $292.3 million respectively, compared to estimated costs of $337.2 million for the priority system and $197.7 million for the general system, while total actual maintenance and preservation costs for the bridge network was $231.9 million compared to estimated costs of $241.7 million.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of the report.

Debt — Bonds and Notes Payable and Certificates of Participation Obligations
The State's general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State, including the Ohio Building Authority (OBA), a blended component unit of the State, are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds issued by the State and the OBA are supported with lease payments from tenants of facilities constructed with the proceeds from the bond issuances. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2006, the State issued at par $1.37 billion in general obligation bonds, $199.3 million in revenue bonds, and $109.8 million in special obligation bonds. Of the general obligation bonds and special obligation bonds issued at par, $121.4 million and $34.8 million, respectively, were refunding bonds. The total increase in the State's debt obligations for the current fiscal year, as based on carrying amount, was 5.5 percent (a 5.8 percent increase for governmental activities and a 10.5 percent decrease for business-type activities).

As of June 30, 2006 and June 30, 2005, the State had total debt of approximately $11.16 billion and $10.57 billion, respectively, as shown in the table below.

Bonds and Notes Payable and Certificates of Participation
As of June 30, 2006
With Comparatives as of June 30, 2005
(dollars in thousands)

	As of June 30, 2006			As of June 30, 2005		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Bonds and Notes Payable:						
General Obligation Bonds	$ 6,893,521	$ —	$ 6,893,521	$ 6,039,203	$ —	$ 6,039,203
Revenue Bonds and Notes	720,675	135,215	855,890	591,888	151,063	742,951
Special Obligation Bonds	3,317,325	—	3,317,325	3,699,936	—	3,699,936
Certificates of Participation	90,389	—	90,389	92,142	—	92,142
Total Debt	$11,021,910	$135,215	$11,157,125	$10,423,169	$151,063	$10,574,232

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

For special obligation bonds, which the Ohio Building Authority and the Treasurer of State issue and General Revenue Fund appropriations secure, Moody's rating is Aa2 while S&P and Fitch rate these bonds AA.

The State's revenue bonds are rated as follows:

Revenue Bonds	Fitch	Moody's	S&P	Source of State Payment
Governmental Activities:				
Treasurer of State:				
Economic Development	A+	Aa3	AA-	Net Liquor Profits
State Infrastructure Bank	AA-	Aa2	AA	Federal Transportation Grants
Revitalization Projects	A+	A1	A+	Net Liquor Profits
Business-Type Activities:				
Bureau of Workers' Compensation	AA	Aa3	AA	Workers' Compensation Enterprise Fund
Ohio Building Authority	AA	Aa2	AA	Lease-Rental Receipts

On February 16, 2007, Moody's changed their "credit outlook" on the State from "stable" to "negative." The change in credit outlook is not a precursor to a rating change, but is an indication over the intermediate to longer term of a potential change.

Limitations on Debt
Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the state official responsible for making the five-percent determinations and certifications. Application of the five-percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly, and that cap does not apply to bonds issued to retire bond anticipation notes for which the requirements were met as to the bonds anticipated at the time of note issuance, or to debt issued to defend the State in time of war.

More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 of the financial statements.

Conditions Expected to Affect Future Operations

Economic Factors
Nationally, economic indicators turned negative as February 2007 came to a close. Real gross domestic product (GDP) expanded 2.2 percent in the fourth quarter, down from the original estimate of 3.5 percent. This marks the third consecutive quarter with less than three percent real growth in the GDP, and the first such trend since the three quarters ending in the first quarter of calendar year 2003. Real GDP grew at a rate of 3.3 percent for the year, as compared to 3.2 percent for 2005. Consumer spending, exports, and government purchases contributed to the growth in the GDP, but increased inventories held down the rate of growth. Consumer spending remains strong, as does investment in nonresidential structures and exports, but housing is extremely weak. Most forecasters predict that economic activity will rebound to estimates later in the year.

Consumer spending in the Midwest continues to follow national trends, while Midwest retail sales were flat in January 2007 as compared to December 2006, and on a year-over-year basis, retail sales increased only 1.8 percent. By comparison, retail sales nationally were also unchanged from December 2006 to January 2007, and increased 2.3 percent for the year.

Ohio employment decreased during December 2006—the seventh straight monthly decline. Job losses were concentrated in Manufacturing and Government. Job gains occurred primarily in Trade, Transportation and Utilities, Educational and Health Services, and Leisure and Hospitality. Total employment was up by 8,900 jobs from December 2005—well below the trend of the past two years.

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

Through February, 2007, GRF revenues and disbursements remain under estimates. Fiscal year-to-date GRF revenues were $250 million, or 1.5 percent, below expectations, but GRF tax sources were $80.5 million, or 0.7 percent, above the estimate. In comparison with the same point in time in fiscal year 2006, year-to-date GRF revenue decreased by $335.7 million, or 2.1 percent.

Fiscal year-to-date sale and use tax receipts were below estimate by $104.3 million, or 2.1 percent, due to the implementation of various tax reforms mentioned previously, as well as weakness in the sales tax. As a result, total tax receipts have fallen $182.5 million, or 1.5 percent, below fiscal year 2006 year-to-date levels. Other tax receipts, in total, were above estimates for fiscal year-to-date, most notably the personal income tax ($56.9 million, or 1.1 percent), and the corporate franchise tax ($137 million, or 40.9 percent). Federal grants were below estimate by $360.5 million, or 8.9 percent, due to lower than expected spending on healthcare, which has caused both federal grant receipts and healthcare disbursements to fall below estimate.

Year-to-date GRF disbursements were below estimate by $702 million, or 3.9 percent, primarily due to healthcare disbursements which were below estimate by $459.9 million, or 6.7 percent. In comparison with the same point in time in fiscal year 2006, year-to-date GRF disbursements decreased $259.2 million, or 1.5 percent.

Contacting the Ohio Office of Budget and Management
This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or by e-mail at obm@obm.state.oh.us.