Ohio Office of Budget and Management

State of Ohio

Ted Strickland

Governor

OHIO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2008

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2008
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 8,121,369	$ 125,660	$ 8,247,029	$ 3,652,949
Cash and Cash Equivalents	124,533	394,326	518,859	1,097,019
Investments	1,015,478	16,979,459	17,994,937	6,575,242
Collateral on Lent Securities	3,304,352	40,072	3,344,424	1,099,521
Deposit with Federal Government	—	427,589	427,589	—
Taxes Receivable	1,697,595	—	1,697,595	—
Intergovernmental Receivable	1,393,488	7,273	1,400,761	57,758
Premiums and Assessments Receivable	—	3,702,636	3,702,636	—
Investment Trade Receivable	—	81,315	81,315	—
Loans Receivable, Net	1,044,323	—	1,044,323	288,186
Receivable from Primary Government	—	—	—	40,336
Receivable from Component Units	4,014,630	—	4,014,630	—
Other Receivables	462,333	449,321	911,654	1,122,668
Inventories	76,242	37,306	113,548	53,716
Other Assets	111,837	17,374	129,211	594,412
Restricted Assets:				
Cash Equity with Treasurer	—	105	105	7,155
Cash and Cash Equivalents	141,797	1,216	143,013	480,441
Investments	392,040	1,497,705	1,889,745	1,299,426
Collateral on Lent Securities	—	307,740	307,740	—
Intergovernmental Receivable	—	—	—	76
Loans Receivable, Net	—	—	—	3,886,554
Other Receivables	205,737	4,300	210,037	—
Capital Assets Being Depreciated, Net	2,459,431	116,249	2,575,680	7,942,041
Capital Assets Not Being Depreciated	22,170,333	11,994	22,182,327	1,159,161
TOTAL ASSETS	**46,735,518**	**24,201,640**	**70,937,158**	**29,356,661**
LIABILITIES:				
Accounts Payable	604,335	43,503	647,838	461,549
Accrued Liabilities	428,736	5,862	434,598	612,505
Medicaid Claims Payable	920,976	—	920,976	—
Obligations Under Securities Lending	3,304,352	347,812	3,652,164	1,099,521
Investment Trade Payable	—	129,896	129,896	—
Intergovernmental Payable	1,705,143	924	1,706,067	31,328
Internal Balances	816,582	(816,582)	—	—
Payable to Primary Government	—	—	—	4,014,630
Payable to Component Units	40,151	215	40,366	—
Unearned Revenue	334,976	1,672	336,648	402,298
Benefits Payable	—	5,395	5,395	—
Refund and Other Liabilities	816,673	93,104	909,777	80,313
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,043,690	16,005	1,059,695	835,371
Due in More Than One Year	15,265,187	81,281	15,346,468	5,527,538
Certificates of Participation:				
Due in One Year	9,863	—	9,863	405
Due in More Than One Year	177,473	—	177,473	4,670
Other Noncurrent Liabilities:				
Due in One Year	141,017	2,562,809	2,703,826	1,196,788
Due in More Than One Year	540,205	18,593,645	19,133,850	1,298,641
TOTAL LIABILITIES	**26,149,359**	**21,065,541**	**47,214,900**	**15,565,557**

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS:				
Invested in Capital Assets,				
Net of Related Debt.......................................	*21,983,900*	*32,068*	*22,015,968*	*5,469,999*
Restricted for:				
Primary, Secondary and Other Education....	*41,842*	—	*41,842*	*2,573*
Transportation and Highway Safety............	*844,666*	—	*844,666*	—
State and Local				
Highway Construction...............................	*118,011*	—	*118,011*	—
Federal Programs...	*76,396*	—	*76,396*	*22*
Coal Research				
and Development Program.......................	—	—	—	*6,929*
Clean Ohio Program.....................................	*90,485*	—	*90,485*	—
Community and Economic Development				
and Capital Purposes................................	*1,420,180*	—	*1,420,180*	*4,582*
Debt Service...	—	—	—	*2,580,256*
Enterprise Bond Program.............................	*10,000*	—	*10,000*	—
Deferred Lottery Prizes.................................	—	*44,126*	*44,126*	—
Unemployment Compensation.....................	—	*452,082*	*452,082*	—
Ohio Building Authority.................................	—	*25,558*	*25,558*	—
Nonexpendable for				
Colleges and Universities..........................	—	—	—	*3,350,650*
Expendable for				
Colleges and Universities..........................	—	—	—	*1,972,687*
Unrestricted (Deficits).......................................	*(3,999,321)*	*2,582,265*	*(1,417,056)*	*403,406*
TOTAL NET ASSETS...................................	***$ 20,586,159***	***$ 3,136,099***	***$ 23,722,258***	***$ 13,791,104***

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education	$ 11,304,014	$ 29,479	$ 1,704,781	$ —	$ (9,569,754)
Higher Education Support	2,729,423	4,049	48,371	—	(2,677,003)
Public Assistance and Medicaid	16,003,345	1,021,341	10,351,564	—	(4,630,440)
Health and Human Services	3,651,313	297,356	2,041,821	714	(1,311,422)
Justice and Public Protection	3,127,726	879,534	240,751	789	(2,006,652)
Environmental Protection and Natural Resources	394,459	202,183	77,998	4,370	(109,908)
Transportation	2,078,872	49,141	114,621	1,050,676	(864,434)
General Government	746,490	694,492	180,554	1,645	130,201
Community and Economic Development	4,017,838	362,388	363,020	12,115	(3,280,315)
Interest on Long-Term Debt (excludes interest charged as program expense)	173,934	—	—	—	(173,934)
TOTAL GOVERNMENTAL ACTIVITIES	**44,227,414**	**3,539,963**	**15,123,481**	**1,070,309**	**(24,493,661)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,675,254	2,160,649	719,870	—	205,265
Lottery Commission	1,704,848	2,332,866	88,007	—	716,025
Unemployment Compensation	1,333,180	1,174,979	21,208	—	(136,993)
Ohio Building Authority	28,117	26,725	802	—	(590)
Tuition Trust Authority	121,673	11,864	47,562	—	(62,247)
Liquor Control	460,398	663,830	—	—	203,432
Underground Parking Garage	2,665	2,782	8	—	125
Office of Auditor of State	73,225	44,956	25	—	(28,244)
TOTAL BUSINESS-TYPE ACTIVITIES	**6,399,360**	**6,418,651**	**877,482**	**—**	**896,773**
TOTAL PRIMARY GOVERNMENT	**$ 50,626,774**	**$ 9,958,614**	**$ 16,000,963**	**$ 1,070,309**	**$ (23,596,888)**
COMPONENT UNITS:					
School Facilities Commission	$ 799,861	$ 86,765	$ 98,389	$ —	$ (614,707)
Ohio Water Development Authority	128,993	146,298	147,444	—	164,749
Ohio State University	3,922,257	2,743,454	654,682	6,754	(517,367)
University of Cincinnati	989,155	453,837	232,374	1,228	(301,716)
Other Component Units	4,650,667	2,773,193	463,787	48,325	(1,365,362)
TOTAL COMPONENT UNITS	**$ 10,490,933**	**$ 6,203,547**	**$ 1,596,676**	**$ 56,307**	**$ (2,634,403)**

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
CHANGES IN NET ASSETS:				
Net (Expense) Revenue	$ (24,493,661)	$ 896,773	$ (23,596,888)	$ (2,634,403)
General Revenues:				
Taxes:				
Income	9,887,502	—	9,887,502	—
Sales	7,863,969	—	7,863,969	—
Corporate and Public Utility	1,610,629	—	1,610,629	—
Cigarette	950,646	—	950,646	—
Other	1,732,034	—	1,732,034	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,820,336	—	1,820,336	—
Total Taxes	23,865,116	—	23,865,116	—
Tobacco Settlement	362,897	—	362,897	—
Escheat Property	185,016	—	185,016	—
Unrestricted Investment Income	250,293	—	250,293	(183,255)
State Assistance	—	—	—	2,137,077
Federal	2	—	2	—
Other	200	19	219	217,603
Additions to Endowments and Permanent Fund Principal	—	—	—	133,647
Transfers-Internal Activities	885,842	(885,842)	—	—
TOTAL GENERAL REVENUES, CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**25,549,366**	**(885,823)**	**24,663,543**	**2,305,072**
CHANGE IN NET ASSETS	**1,055,705**	**10,950**	**1,066,655**	**(329,331)**
NET ASSETS, JULY 1 (as restated)	19,530,454	3,125,149	22,655,603	14,120,435
NET ASSETS, JUNE 30	**$ 20,586,159**	**$ 3,136,099**	**$ 23,722,258**	**$ 13,791,104**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
ASSETS:			
Cash Equity with Treasurer	$ 3,397,620	$ 310,513	$ 128,550
Cash and Cash Equivalents	10,283	2,884	59
Investments	601,021	8,266	2,641
Collateral on Lent Securities	1,294,439	120,795	42,162
Taxes Receivable	1,112,695	—	—
Intergovernmental Receivable	545,398	345,982	111,411
Loans Receivable, Net	254,317	—	250
Interfund Receivable	6,615	84	65
Receivable from Component Units	—	—	—
Other Receivables	166,635	186,782	220
Inventories	26,295	—	—
Other Assets	17,626	2,156	6,185
TOTAL ASSETS	**$ 7,432,944**	**$ 977,462**	**$ 291,543**
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	$ 164,460	$ 83,318	$ 20,321
Accrued Liabilities	167,716	22,277	2,319
Medicaid Claims Payable	805,179	1,014	—
Obligations Under Securities Lending	1,294,439	120,795	42,162
Intergovernmental Payable	467,150	178,802	54,557
Interfund Payable	715,117	15,144	2,871
Payable to Component Units	12,815	1,420	1,108
Deferred Revenue	434,175	177,211	7,484
Unearned Revenue	—	232,090	45,622
Refund and Other Liabilities	763,146	5,347	—
Liability for Escheat Property	7,375	—	—
TOTAL LIABILITIES	4,831,572	837,418	176,444
FUND BALANCES:			
Reserved for:			
Debt Service	—	—	—
Encumbrances	386,672	1,031,904	29,155
Noncurrent Portion of Loans Receivable	249,717	—	250
Loan Commitments	—	—	—
Inventories	26,295	—	—
State and Local Highway Construction	—	—	—
Federal Programs	—	2,782	7,677
Other	81,687	29,101	545
Unreserved/Designated	1,012,288	—	—
Unreserved/Undesignated:			
General Fund	844,713	—	—
Special Revenue Funds	—	(923,743)	77,472
Debt Service Funds	—	—	—
Capital Projects Funds	—	—	—
TOTAL FUND BALANCES (DEFICITS)	2,601,372	140,044	115,099
TOTAL LIABILITIES AND FUND BALANCES	**$ 7,432,944**	**$ 977,462**	**$ 291,543**

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

HIGHWAY OPERATING	REVENUE DISTRIBUTION	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 970,612	$ 220,770	$ —	$ 3,093,304	$ 8,121,369
746	11,279	141,938	99,141	266,330
—	—	392,040	403,550	1,407,518
368,684	84,331	—	1,393,941	3,304,352
66,421	509,636	—	8,843	1,697,595
100,213	—	—	290,484	1,393,488
102,895	—	—	686,861	1,044,323
1,181	116,432	915,531	4,909	1,044,817
—	—	4,014,630	—	4,014,630
5,385	—	205,737	103,311	668,070
29,664	—	—	20,283	76,242
3,279	—	—	6,487	35,733
$ 1,649,080	**$ 942,448**	**$ 5,669,876**	**$ 6,111,114**	**$ 23,074,467**
$ 143,560	$ —	$ —	$ 192,676	$ 604,335
28,842	—	—	60,141	281,295
—	—	—	114,783	920,976
368,684	84,331	—	1,393,941	3,304,352
1,584	824,889	—	178,161	1,705,143
93,615	1,106	—	1,033,580	1,861,433
330	—	—	24,478	40,151
8,855	22,777	205,469	145,363	1,001,334
—	7,092	—	50,172	334,976
—	47,603	—	1,916	818,012
—	—	—	—	7,375
645,470	987,798	205,469	3,195,211	10,879,382
—	—	5,464,267	43,701	5,507,968
1,402,115	—	—	2,042,677	4,892,523
100,888	—	—	669,916	1,020,771
—	—	—	104,702	104,702
29,664	—	—	20,283	76,242
—	118,012	—	—	118,012
11,095	—	—	39,207	60,761
7,787	—	—	81,968	201,088
—	—	—	—	1,012,288
—	—	—	—	844,713
(547,939)	(163,362)	—	169,770	(1,387,802)
—	—	140	—	140
—	—	—	(256,324)	(256,324)
1,003,610	(45,350)	5,464,407	2,915,900	12,195,082
$ 1,649,080	**$ 942,448**	**$ 5,669,876**	**$ 6,111,111**	**$ 23,074,464**

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STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008
(dollars in thousands)

Total Fund Balances for Governmental Funds	***$ 12,195,085***
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:	
Land	*1,885,136*
Buildings and Improvements, net of $1,630,611 accumulated depreciation	*1,935,616*
Land Improvements, net of $200,657 accumulated depreciation	*199,236*
Machinery and Equipment, net of $443,767 accumulated depreciation	*199,401*
Vehicles, net of $131,320 accumulated depreciation	*138,894*
Infrastructure, net of $6,916 accumulated depreciation	*18,445,790*
Construction-in-Progress	*1,825,691*
	24,629,764
Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.	
Taxes Receivable	*386,052*
Intergovernmental Receivable	*288,587*
Other Receivables	*320,713*
Other Assets	*5,982*
	1,001,334
Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.	*76,104*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued Liabilities:	
Interest Payable	*(147,441)*
Refunds and Other Liabilities	*1,373*
Bonds and Notes Payable:	
General Obligation Bonds	*(7,310,376)*
Revenue Bonds	*(6,413,182)*
Special Obligation Bonds	*(2,585,319)*
Certificates of Participation	*(187,336)*
Other Noncurrent Liabilities:	
Compensated Absences	*(398,311)*
Capital Leases Payable	*(9,804)*
Litigation Liabilities	*(11,303)*
Estimated Claims Payable	*(3,787)*
Liability for Escheat Property	*(250,642)*
	(17,316,128)
Total Net Assets of Governmental Activities	***$ 20,586,159***

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, 2008
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
REVENUES:			
Income Taxes	$ 8,955,642	$ —	$ —
Sales Taxes	7,556,034	—	—
Corporate and Public Utility Taxes	1,198,202	—	—
Motor Vehicle Fuel Taxes	—	—	—
Cigarette Taxes	950,644	—	—
Other Taxes	601,557	2,911	—
Licenses, Permits and Fees	328,260	484,006	579
Sales, Services and Charges	51,351	509	447
Federal Government	5,626,381	5,322,652	1,679,458
Tobacco Settlement	1,135	—	—
Escheat Property	137,125	—	—
Investment Income	395,408	31,280	5,284
Other	582,672	206,822	27,761
TOTAL REVENUES	**26,384,411**	**6,048,180**	**1,713,529**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	7,735,139	1,614	2,335,627
Higher Education Support	2,270,998	186	22,258
Public Assistance and Medicaid	10,548,380	5,454,677	—
Health and Human Services	1,277,637	572,830	1,833
Justice and Public Protection	2,101,223	51,573	14,703
Environmental Protection and Natural Resources	86,833	—	—
Transportation	22,625	—	—
General Government	438,076	2,261	—
Community and Economic Development	641,619	45,727	—
CAPITAL OUTLAY	10	2,298	—
DEBT SERVICE	—	—	—
TOTAL EXPENDITURES	**25,122,540**	**6,131,166**	**2,374,421**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**1,261,871**	**(82,986)**	**(660,892)**
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	7,998	—	—
Premiums/Discounts	—	—	—
Capital Leases	1,533	—	—
Transfers-in	496,538	28,991	697,399
Transfers-out	(1,424,672)	(5,082)	(23,193)
TOTAL OTHER FINANCING SOURCES (USES)	**(918,603)**	**23,909**	**674,206**
NET CHANGE IN FUND BALANCES	**343,268**	**(59,077)**	**13,314**
FUND BALANCES, July 1	2,255,526	199,121	101,785
Increase for Changes in Inventories	2,578	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 2,601,372**	**$ 140,044**	**$ 115,099**

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

HIGHWAY OPERATING	REVENUE DISTRIBUTION	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ —	$ 802,907	$ —	$ 7,788	$ 9,766,337
—	285,289	—	22,646	7,863,969
—	1,480,009	—	1,540	2,679,751
645,922	1,128,516	—	45,898	1,820,336
—	—	—	2	950,646
—	13,859	—	44,586	662,913
68,780	350,650	—	1,057,145	2,289,420
2,545	—	—	28,315	83,167
1,104,333	—	—	2,007,184	15,740,008
—	—	333,135	—	334,270
—	—	—	—	137,125
39,512	2,255	14,893	117,303	605,935
45,574	102	—	335,494	1,198,425
1,906,666	**4,063,587**	**348,028**	**3,667,901**	**44,132,302**
—	790,601	97,370	1,675	10,962,026
—	—	—	294,024	2,587,466
—	—	—	—	16,003,057
—	1,968	—	1,738,005	3,592,273
—	318,387	—	640,794	3,126,680
—	—	—	322,810	409,643
2,056,952	—	—	589	2,080,166
—	—	—	208,437	648,774
—	2,228,982	—	990,381	3,906,709
—	—	—	545,517	547,825
—	—	225,948	1,648,627	1,874,575
2,056,952	**3,339,938**	**323,318**	**6,390,859**	**45,739,194**
(150,286)	**723,649**	**24,710**	**(2,722,958)**	**(1,606,892)**
—	—	5,531,595	675,106	6,214,699
—	—	(66,825)	24,080	(42,745)
—	—	—	—	1,533
481,553	200,869	—	1,757,680	3,663,030
(217,563)	(974,139)	(25,073)	(107,466)	(2,777,188)
263,990	**(773,270)**	**5,439,697**	**2,349,400**	**7,059,329**
113,704	**(49,621)**	**5,464,407**	**(373,558)**	**5,452,437**
888,196	4,271	—	3,269,178	6,718,077
1,710	—	—	20,283	24,571
$ 1,003,610	**$ (45,350)**	**$ 5,464,407**	**$ 2,915,903**	**$ 12,195,085**

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, 2008

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds...........................		***$ 5,452,437***
Change in Inventories...		*24,571*
		5,477,008
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...	*716,613*	
Depreciation Expense...	*(345,128)*	
Excess of Capital Outlay Over Depreciation Expense...................................		*371,485*
Debt 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..	*(268,000)*	
Revenue Bonds...	*(5,791,594)*	
Special Obligation Bonds...	*(80,000)*	
Refunding Bonds, including Bond Premium/Discount, Net...............................	—	
Certificates of Participation...	*(75,105)*	
Premiums and Discounts, Net:		
General Obligation Bonds..	*(11,106)*	
Revenue Bonds...	*56,507*	
Special Obligation Bonds...	*(1,944)*	
Certificates of Participation...	*(712)*	
Deferred Refunding Loss..	—	
Capital Leases...	*(1,533)*	
Total Debt Proceeds...		*(6,173,487)*
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:		
Debt Principal Retirement and Defeasements:		
General Obligation Bonds..	*535,605*	
Revenue Bonds...	*154,940*	
Special Obligation Bonds...	*454,854*	
Certificates of Participation...	*9,320*	
Capital Lease Payments...	*10,466*	
Total Long-Term Debt Repayment...		*1,165,185*
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues increased by this amount this year.		*114,784*

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:

Increase in Bond Issue Costs Included in Other Assets...................................	*20,978*	
Increase in Accrued Interest and Other Accrued Liabilities..............................	*(22,986)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net....................	*27,834*	
Amortization of Deferred Refunding Loss...	*(23,348)*	
Decrease in Compensated Absences...	*51,977*	
Increase in Litigation Liabilities...	*(6,605)*	
Decrease in Estimated Claims Payable...	*4,989*	
Decrease in Liability for Escheat Property..	*47,891*	
Total additional expenditures...		*100,730*
Change in Net Assets of Governmental Activities...		***$ 1,055,705***

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, 2008

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes	$ 9,146,500	$ 9,149,200	$ 9,114,735	$ (34,465)
Sales Taxes	7,680,621	7,639,500	7,614,131	(25,369)
Corporate and Public Utility Taxes	1,233,306	1,151,106	1,142,408	(8,698)
Motor Vehicle Fuel Taxes	—	—	—	—
Cigarette Taxes	970,000	970,000	950,939	(19,061)
Other Taxes	630,520	620,520	600,290	(20,230)
Licenses, Permits and Fees	383,466	383,466	342,671	(40,795)
Sales, Services and Charges	38,634	38,634	38,173	(461)
Federal Government	5,876,989	5,672,433	5,711,473	39,040
Tobacco Settlement	—	—	1,135	1,135
Investment Income	180,868	180,868	132,415	(48,453)
Other	1,218,557	1,218,557	1,078,231	(140,326)
TOTAL REVENUES	**27,359,461**	**27,024,284**	**26,726,601**	**(297,683)**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	8,039,965	8,122,205	7,937,398	184,807
Higher Education Support	2,464,584	2,468,834	2,370,924	97,910
Public Assistance and Medicaid	11,211,005	11,401,005	11,245,785	155,220
Health and Human Services	1,520,566	1,530,498	1,451,396	79,102
Justice and Public Protection	2,272,003	2,290,466	2,230,112	60,354
Environmental Protection and Natural Resources	136,537	136,855	126,659	10,196
Transportation	37,952	37,952	34,587	3,365
General Government	797,064	814,082	701,116	112,966
Community and Economic Development	729,852	775,237	763,601	11,636
CAPITAL OUTLAY	122	122	98	24
DEBT SERVICE	1,273,858	1,241,155	1,220,143	21,012
TOTAL BUDGETARY EXPENDITURES	**28,483,508**	**28,818,411**	**28,081,819**	**736,592**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(1,124,047)**	**(1,794,127)**	**(1,355,218)**	**438,909**
OTHER FINANCING SOURCES (USES):				
Transfers-in	1,320,345	1,318,566	1,395,388	76,822
Transfers-out	(762,515)	(762,515)	(786,174)	(23,659)
TOTAL OTHER FINANCING SOURCES (USES)	**557,830**	**556,051**	**609,214**	**53,163**
NET CHANGE IN FUND BALANCES	**$ (566,217)**	**$ (1,238,076)**	**(746,004)**	**$ 492,072**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			1,607,476	
Outstanding Encumbrances at Beginning of Fiscal Year			1,368,069	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 2,229,541**	

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

JOB, FAMILY AND OTHER HUMAN SERVICES				EDUCATION			
BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/
ORIGINAL	FINAL	ACTUAL	(NEGATIVE)	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
		$ —				$ —	
		—				—	
		—				—	
		—				—	
		—				—	
		2,911				—	
		484,904				579	
		509				447	
		3,994,208				1,688,028	
		—				—	
		30,902				5,187	
		395,668				37,874	
		4,909,102				**1,732,115**	
$ 2,665	$ 2,665	1,890	$ 775	$ 2,449,000	$ 2,596,724	2,426,517	$ 170,207
7,985	7,985	1,860	6,125	31,061	32,541	27,511	5,030
5,995,101	6,012,573	5,291,223	721,350	—	—	—	—
762,146	763,851	605,692	158,159	3,575	3,575	2,300	1,275
76,830	95,047	72,347	22,700	35,570	36,020	25,152	10,868
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
2,260	2,260	1,285	975	—	—	—	—
46,672	46,672	46,604	68	—	—	—	—
26,515	26,526	4,286	22,240	—	—	—	—
—	—	—	—	—	—	—	—
$ 6,920,174	**$ 6,957,579**	**6,025,187**	**$ 932,392**	**$ 2,519,206**	**$ 2,668,860**	**2,481,480**	**$ 187,380**
		(1,116,085)				**(749,365)**	
		3,708				688,099	
		(6,579)				(1,005)	
		(2,871)				**687,094**	
		(1,118,956)				**(62,271)**	
		(859,939)				83,922	
		1,065,196				38,121	
		$ (913,699)				**$ 59,772**	

(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, 2008

(dollars in thousands)

(continued)

	HIGHWAY OPERATING			
	BUDGET			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:				
Income Taxes			$ —	
Sales Taxes			—	
Corporate and Public Utility Taxes			—	
Motor Vehicle Fuel Taxes			670,044	
Cigarette Taxes			—	
Other Taxes			—	
Licenses, Permits and Fees			67,920	
Sales, Services and Charges			2,545	
Federal Government			1,148,410	
Tobacco Settlement			—	
Investment Income			33,984	
Other			126,486	
TOTAL REVENUES			**2,049,389**	
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
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	4,204,113	5,507,792	3,741,583	1,766,209
General Government	—	—	—	—
Community and Economic Development	—	—	—	—
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE	10,555	10,555	10,520	35
TOTAL BUDGETARY EXPENDITURES	**$ 4,214,668**	**$ 5,518,347**	**3,752,103**	**$ 1,766,244**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES			**(1,702,714)**	
OTHER FINANCING SOURCES (USES):				
Transfers-in			482,027	
Transfers-out			(207,298)	
TOTAL OTHER FINANCING SOURCES (USES)			**274,729**	
NET CHANGE IN FUND BALANCES			**(1,427,985)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			(827,538)	
Outstanding Encumbrances at Beginning of Fiscal Year			1,667,535	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ (587,988)**	

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

REVENUE DISTRIBUTION			
BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL	ACTUAL	
		$ 725,666	
		245,945	
		1,373,179	
		1,175,922	
		—	
		13,859	
		508,920	
		—	
		—	
		—	
		2,229	
		102	
		4,045,822	
$ 711,992	$ 711,992	706,305	$ 5,687
—	—	—	—
—	—	—	—
1,972	1,972	1,972	—
554,483	554,483	496,936	57,547
—	—	—	—
—	—	—	—
—	—	—	—
2,241,584	2,241,584	2,142,890	98,694
—	—	—	—
—	—	—	—
$ 3,510,031	**$ 3,510,031**	**3,348,103**	**$ 161,928**
		697,719	
		673,646	
		(1,422,544)	
		(748,898)	
		(51,179)	
		259,522	
		—	
		$ 208,343	

STATE OF OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2008
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 11,856	$ 81,658	$ —
Cash and Cash Equivalents	366,222	10,588	4,617
Collateral on Lent Securities	2,933	31,232	—
Restricted Assets:			
Cash Equity with Treasurer	—	105	—
Investments	—	50,468	—
Collateral on Lent Securities	—	307,740	—
Other Receivables	—	4,300	—
Deposit with Federal Government	—	—	427,589
Intergovernmental Receivable	—	—	137
Premiums and Assessments Receivable	996,984	—	17,186
Investment Trade Receivable	81,315	—	—
Interfund Receivable	74,527	—	—
Other Receivables	384,997	44,431	11,769
Inventories	—	—	—
Other Assets	2,686	7,188	6,396
TOTAL CURRENT ASSETS	**1,921,520**	**537,710**	**467,694**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	1,216	—	—
Investments	—	735,003	—
Investments	16,903,409	—	—
Premiums and Assessments Receivable	2,688,466	—	—
Interfund Receivable	752,833	—	—
Capital Assets Being Depreciated, Net	102,536	4,389	—
Capital Assets Not Being Depreciated	11,994	—	—
TOTAL NONCURRENT ASSETS	**20,460,454**	**739,392**	**—**
TOTAL ASSETS	**22,381,974**	**1,277,102**	**467,694**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	7,687	9,349	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	2,933	338,972	—
Investment Trade Payable	129,896	—	—
Intergovernmental Payable	—	—	509
Deferred Prize Awards Payable	—	54,873	—
Interfund Payable	—	5,655	—
Unearned Revenue	—	1,579	—
Benefits Payable	1,892,226	—	5,395
Payable to Component Units	—	215	—
Refund and Other Liabilities	576,831	42,244	9,708
Bonds and Notes Payable	16,005	—	—
TOTAL CURRENT LIABILITIES	**2,625,578**	**452,887**	**15,612**
NONCURRENT LIABILITIES:			
Deferred Prize Awards Payable	—	685,315	—
Interfund Payable	—	2,188	—
Benefits Payable	15,708,119	—	—
Refund and Other Liabilities	1,463,707	2,783	—
Bonds and Notes Payable	81,281	—	—
TOTAL NONCURRENT LIABILITIES	**17,253,107**	**690,286**	**—**
TOTAL LIABILITIES	**19,878,685**	**1,143,173**	**15,612**
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	18,368	4,389	—
Restricted for Deferred Lottery Prizes	—	44,126	—
Unrestricted	2,484,921	85,414	452,082
TOTAL NET ASSETS	**$ 2,503,289**	**$ 133,929**	**$ 452,082**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 32,146	$ 125,660
12,899	394,326
5,907	40,072
—	105
101,468	151,936
—	307,740
—	4,300
—	427,589
7,136	7,273
—	1,014,170
—	81,315
2,065	76,592
8,124	449,321
37,306	37,306
1,104	17,374
208,155	***3,135,079***
—	1,216
610,766	1,345,769
76,050	16,979,459
—	2,688,466
7,317	760,150
9,324	116,249
—	11,994
703,457	***21,903,303***
911,612	***25,038,382***
26,467	43,503
5,862	5,862
5,907	347,812
—	129,896
415	924
—	54,873
3,118	8,773
93	1,672
74,400	1,972,021
—	215
5,631	634,414
—	16,005
121,893	***3,215,970***
—	685,315
9,199	11,387
725,400	16,433,519
8,321	1,474,811
—	81,281
742,920	***18,686,313***
864,813	***21,902,283***
9,311	32,068
—	44,126
37,488	3,059,905
$ 46,799	***$ 3,136,099***

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 2,325,140	$ 11,963
Premium and Assessment Income	2,138,402	—	1,108,760
Federal Government	—	—	18,761
Investment Income	—	—	—
Other	22,247	7,726	34,291
TOTAL OPERATING REVENUES	**2,160,649**	**2,332,866**	**1,173,775**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	43,042	108,904	—
Bonuses and Commissions	—	143,926	—
Prizes	—	1,397,019	—
Benefits and Claims	2,587,483	—	1,333,000
Depreciation	11,798	990	—
Other	32,931	16	180
TOTAL OPERATING EXPENSES	**2,675,254**	**1,650,855**	**1,333,180**
OPERATING INCOME (LOSS)	**(514,605)**	**682,011**	**(159,405)**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	719,870	88,007	22,412
Interest Expense	—	(15,214)	—
Federal Grants	—	—	—
Other	—	(38,779)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	**719,870**	**34,014**	**22,412**
INCOME (LOSS) BEFORE TRANSFERS	**205,265**	**716,025**	**(136,993)**
TRANSFERS:			
Transfers-in	—	—	3,519
Transfers-out	(7,522)	(672,519)	(22,808)
TOTAL TRANSFERS	**(7,522)**	**(672,519)**	**(19,289)**
NET INCOME (LOSS)	**197,743**	**43,506**	**(156,282)**
NET ASSETS, JULY 1 (as restated)	2,305,546	90,423	608,364
NET ASSETS, JUNE 30	**$ 2,503,289**	**$ 133,929**	**$ 452,082**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 746,518	$ 3,083,621
—	3,247,162
—	18,761
(23,638)	(23,638)
74,839	139,103
797,719	**6,465,009**
488,432	488,432
81,754	233,700
—	143,926
—	1,397,019
110,940	4,031,423
2,943	15,731
1,668	34,795
685,737	**6,345,026**
111,982	**119,983**
810	831,099
(40)	(15,254)
25	25
(282)	(39,061)
513	**776,809**
112,495	**896,792**
43,713	47,232
(230,225)	(933,074)
(186,512)	**(885,842)**
(74,017)	**10,950**
120,816	3,125,149
$ 46,799	**$ 3,136,099**

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 2,323,038	$ —
Cash Received from Premiums and Assessments	2,467,854	—	1,115,723
Cash Received from Multi-State Lottery for Grand Prize Winner	—	111,152	—
Cash Received from Interfund Services Provided	70,311	1,822	—
Other Operating Cash Receipts	32,489	5,904	32,524
Cash Payments to Suppliers for Goods and Services	(63,120)	(82,287)	(32)
Cash Payments to Employees for Services	(244,568)	(25,298)	—
Cash Payments for Benefits and Claims	(2,237,987)	—	(1,187,002)
Cash Payments for Lottery Prizes	—	(1,480,621)	—
Cash Payments for Bonuses and Commissions	—	(144,062)	—
Cash Payments for Premium Reductions and Refunds	(127,852)	—	—
Cash Payments for Interfund Services Used	(12,711)	(3,989)	—
Other Operating Cash Payments	—	(16)	(51,999)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(115,584)**	**705,643**	**(90,786)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	3,519
Transfers-out	(7,522)	(672,519)	(22,808)
Federal Grants	—	—	—
NET CASH FLOWS (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(7,522)**	**(672,519)**	**(19,289)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(15,055)	—	—
Interest Paid	(5,291)	—	—
Acquisition and Construction of Capital Assets	(9,521)	(2,831)	—
Principal Receipts on Capital Leases Receivable	—	—	—
Proceeds from Sales of Capital Assets	120	193	—
NET CASH FLOWS (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(29,747)**	**(2,638)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(7,667,843)	(155,484)	(1,103,092)
Proceeds from the Sales and Maturities of Investments	7,023,339	108,274	1,217,104
Investment Income Received	859,795	39,447	60
Borrower Rebates and Agent Fees	(12,623)	(15,401)	—
Due to State	—	5,562	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**202,668**	**(17,602)**	**114,072**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**49,815**	**12,884**	**3,997**
CASH AND CASH EQUIVALENTS, JULY 1	329,479	79,467	620
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 379,294**	**$ 92,351**	**$ 4,617**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 733,290	$ 3,056,328
—	3,583,577
—	111,152
2,010	74,143
14,149	85,066
(482,957)	(628,396)
(92,396)	(362,262)
—	(3,424,989)
—	(1,480,621)
—	(144,062)
—	(127,852)
(2,946)	(19,646)
(109,346)	(161,361)
61,804	**561,077**
43,553	47,072
(230,225)	(933,074)
27	27
(186,645)	**(885,975)**
(2,696)	(17,751)
(31)	(5,322)
(1,131)	(13,483)
2,259	2,259
26	339
(1,573)	**(33,958)**
(1,518,848)	(10,445,267)
1,599,064	9,947,781
31,886	931,188
—	(28,024)
—	5,562
112,102	**411,240**
(14,312)	**52,384**
59,357	468,923
$ 45,045	**$ 521,307**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)
(continued)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (514,605)	$ 682,011	$ (159,405)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	11,798	990	—
Provision for Uncollectible Accounts	96,690	—	—
Amortization of Premiums and Discounts	(735)	—	—
Interest on Bonds, Notes and Capital Leases	5,291	—	—
Miscellaneous Nonoperating (Revenues) Expenses	(5,687)	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government	—	—	72,361
Intergovernmental Receivable	—	—	3,751
Premiums and Assessments Receivable	150,581	—	(5,400)
Interfund Receivable	60,394	—	—
Other Receivables	(110,392)	(2,689)	(1,781)
Inventories	—	—	—
Other Assets	450	(658)	1,387
Increase (Decrease) in Liabilities:			
Accounts Payable	(1,778)	(1,683)	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	(492)
Deferred Prize Awards Payable	—	20,611	—
Interfund Payable	—	(386)	—
Unearned Revenue	—	586	—
Benefits Payable	187,680	—	939
Refund and Other Liabilities	4,729	6,861	(2,146)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (115,584)**	**$ 705,643**	**$ (90,786)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 143,510	$ 80,922	$ —

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 111,982	$ 119,983
23,638	23,638
2,943	15,731
—	96,690
71	(664)
—	5,291
—	(5,687)
—	72,361
(884)	2,867
—	145,181
236	60,630
234	(114,628)
161	161
(182)	997
(4,893)	(8,354)
219	219
(23)	(515)
—	20,611
(785)	(1,171)
85	671
—	188,619
(70,998)	(61,554)
$ 61,804	**$ 561,077**
$ —	$ 224,432

STATE OF OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/07)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	12,226	81,399	—
Investments (at fair value):			
U.S. Government and Agency Obligations	—	—	3,346,875
Common and Preferred Stock	211,261	—	—
Corporate Bonds and Notes	—	—	—
Foreign Stocks and Bonds	13,369	—	—
Commercial Paper	—	—	1,130,358
Repurchase Agreements	—	—	11,896
Mutual Funds	430,426	5,106,293	469,313
Real Estate	51,108	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	121,074	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	94,654	—	—
Employer Contributions Receivable	1,546	—	—
Employee Contributions Receivable	1,087	—	—
Interfund Receivable	—	—	—
Other Receivables	730	16,540	1,170
Other Assets	—	—	—
Capital Assets, Net	10	—	—
TOTAL ASSETS	**937,491**	**5,204,232**	**4,959,612**
LIABILITIES:			
Accounts Payable	1,334	—	—
Accrued Liabilities	1,459	6,091	—
Obligations Under Securities Lending	94,654	—	—
Deferred Retirement Option Plan	5,631	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	709	13,299	1,564
TOTAL LIABILITIES	**103,787**	**19,390**	**1,564**
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits	718,779	—	—
Employees' Postemployment Healthcare Benefits	114,925	—	—
Individuals, Organizations and Other Governments	—	5,184,842	—
Pool Participants	—	—	4,958,048
TOTAL NET ASSETS	**$ 833,704**	**$ 5,184,842**	**$ 4,958,048**

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

AGENCY
$ 274,850
185,495
13,515,476
62,950,056
13,473,128
40,904,191
5,321,367
—
7,994,207
15,119,939
6,967,485
13,392,839
—
100,461
105,005
—
—
34
1,288
449,058
—
180,754,879
—
—
105,005
—
145,142
180,504,732
180,754,879
—
—
—
—
$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/07)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 24,233	$ —	$ —
Employees	8,901	—	—
Plan Participants	—	1,460,560	—
Other	719	—	—
Total Contributions	33,853	1,460,560	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	53,547	(963,314)	—
Interest, Dividends and Other	19,584	388,827	193,999
Total Investment Income	73,131	(574,487)	193,999
Less: Investment Expense	11,544	37,179	4,180
Net Investment Income	61,587	(611,666)	189,819
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	17,241,773
Reinvested Distributions	—	—	189,820
Shares Redeemed	—	—	(16,336,029)
Net Capital Share and Individual Account Transactions	—	—	1,095,564
TOTAL ADDITIONS	**95,440**	**848,894**	**1,285,383**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	44,677	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	10,354	—	—
Refunds of Employee Contributions	99	—	—
Administrative Expense	702	—	—
Transfers to Other Retirement Systems	331	—	—
Distributions to Shareholders and Plan Participants	—	1,194,920	189,820
TOTAL DEDUCTIONS	**56,163**	**1,194,920**	**189,820**
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits	34,198	—	—
Employees' Postemployment Healthcare Benefits	5,079	—	—
Individuals, Organizations and Other Governments	—	(346,026)	—
Pool Participants	—	—	1,095,563
TOTAL CHANGE IN NET ASSETS	39,277	(346,026)	1,095,563
NET ASSETS, JULY 1 (as restated)	794,427	5,530,868	3,862,485
NET ASSETS, JUNE 30	**$ 833,704**	**$ 5,184,842**	**$ 4,958,048**

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, 2008
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/07)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 3,630,349	$ 12	$ —
Cash and Cash Equivalents	—	32,163	386,518
Investments	—	47,419	516,401
Collateral on Lent Securities	1,093,224	—	—
Intergovernmental Receivable	—	245	666
Loans Receivable, Net	1,537	1,885	11,350
Receivable from Primary Government	200	—	5,972
Other Receivables	10	108	458,385
Inventories	—	—	25,434
Other Assets	38	—	37,675
TOTAL CURRENT ASSETS	**4,725,358**	**81,832**	**1,442,401**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer	2,573	—	—
Cash and Cash Equivalents	—	463,325	—
Investments	—	778,281	—
Intergovernmental Receivable	—	76	—
Loans Receivable, Net	—	3,886,554	—
Investments	—	26,994	2,178,654
Loans Receivable, Net	5,956	40,594	60,816
Other Receivables	—	4,745	9,384
Other Assets	—	46,636	—
Capital Assets Being Depreciated, Net	24	1,273	2,581,527
Capital Assets Not Being Depreciated	777	539	342,506
TOTAL NONCURRENT ASSETS	**9,330**	**5,249,017**	**5,172,887**
TOTAL ASSETS	**4,734,688**	**5,330,849**	**6,615,288**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	12,744	49,520	173,404
Accrued Liabilities	387	12,873	347,402
Obligations Under Securities Lending	1,093,224	—	—
Intergovernmental Payable	1,077,081	787	—
Unearned Revenue	—	—	168,535
Refund and Other Liabilities	1,105	—	34,875
Bonds and Notes Payable	—	201,875	509,068
Certificates of Participation	—	—	405
TOTAL CURRENT LIABILITIES	**2,184,541**	**265,055**	**1,233,689**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	642,487	—	—
Unearned Revenue	—	—	—
Refund and Other Liabilities	600	180	212,283
Payable to Primary Government	4,014,630	—	—
Bonds and Notes Payable	—	2,283,822	538,945
Certificates of Participation	—	—	4,670
TOTAL NONCURRENT LIABILITIES	**4,657,717**	**2,284,002**	**755,898**
TOTAL LIABILITIES	**6,842,258**	**2,549,057**	**1,989,587**
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	24	1,812	1,847,935
Restricted for:			
Primary, Secondary and Other Education	2,573	—	—
Federal Programs	—	—	—
Coal Research and Development Program	—	—	—
Community and Economic Development and Capital Purposes	—	—	—
Debt Service	—	2,580,256	—
Nonexpendable:			
Scholarships and Fellowships	—	—	—
Research	—	—	—
Endowments and Quasi-Endowments	—	—	1,228,922
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	—	—	5,971
Endowments and Quasi-Endowments	—	—	170,810
Current Operations	—	—	353,866
Loans, Grants and Other College and University Purposes	—	—	—
Unrestricted (Deficits)	(2,110,167)	199,724	1,018,197
TOTAL NET ASSETS (DEFICITS)	**$ (2,107,570)**	**$ 2,781,792**	**$ 4,625,701**

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
$ —	$ 22,588	$ 3,652,949
89,445	588,893	1,097,019
53,916	1,074,639	1,692,375
—	6,297	1,099,521
—	56,847	57,758
3,266	17,533	35,571
92	34,072	40,336
82,335	381,848	922,686
2,001	26,281	53,716
5,531	55,299	98,543
236,586	**2,264,297**	**8,750,474**
—	4,582	7,155
—	17,116	480,441
—	521,145	1,299,426
—	—	76
—	—	3,886,554
1,164,569	1,512,650	4,882,867
33,282	111,967	252,615
55,887	129,966	199,982
400,877	48,356	495,869
1,220,925	4,138,292	7,942,041
249,541	565,798	1,159,161
3,125,081	**7,049,872**	**20,606,187**
3,361,667	**9,314,169**	**29,356,661**
59,039	166,842	461,549
71,328	180,515	612,505
—	6,297	1,099,521
—	5,268	1,083,136
40,429	225,808	434,772
42,823	114,015	192,818
56,608	67,820	835,371
—	—	405
270,227	**766,565**	**4,720,077**
—	8,325	650,812
—	6,652	6,652
209,994	218,121	641,178
—	—	4,014,630
875,619	1,829,152	5,527,538
—	—	4,670
1,085,613	**2,062,250**	**10,845,480**
1,355,840	**2,828,815**	**15,565,557**
457,218	3,163,010	5,469,999
—	—	2,573
—	22	22
—	6,929	6,929
—	4,582	4,582
—	—	2,580,256
139,516	123,430	262,946
97,680	2,586	100,266
622,918	644,139	2,495,979
389,446	102,013	491,459
50,306	182,779	233,085
114,223	20,475	134,698
33,439	172,919	206,358
45,155	16,815	61,970
32,973	140,857	173,830
13	8,814	8,827
18,992	93,979	118,942
120,236	31,888	322,934
11,056	108,010	472,932
12,763	226,348	239,111
(140,107)	1,435,759	403,406
$ 2,005,827	**$ 6,485,354**	**$ 13,791,104**

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/07)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education	$ 799,855	$ —	$ —
Community and Economic Development	—	—	—
Cost of Services	—	113,071	—
Administration	—	11,364	—
Education and General:			
Instruction and Departmental Research	—	—	817,146
Separately Budgeted Research	—	—	391,987
Public Service	—	—	121,565
Academic Support	—	—	135,720
Student Services	—	—	86,829
Institutional Support	—	—	166,172
Operation and Maintenance of Plant	—	—	115,107
Scholarships and Fellowships	—	—	71,260
Auxiliary Enterprises	—	—	220,682
Hospitals	—	—	1,526,253
Interest on Long-Term Debt	—	395	42,437
Depreciation	6	117	213,594
Other	—	4,046	13,505
TOTAL EXPENSES	**799,861**	**128,993**	**3,922,257**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	86,765	146,298	2,743,454
Operating Grants, Contributions and Restricted Investment Income	98,389	147,444	654,682
Capital Grants, Contributions and Restricted Investment Income	—	—	6,754
TOTAL PROGRAM REVENUES	**185,154**	**293,742**	**3,404,890**
NET PROGRAM (EXPENSE) REVENUE	**(614,707)**	**164,749**	**(517,367)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	6,218	(141,558)
State Assistance	97,370	—	556,384
Other	—	19	2,316
TOTAL GENERAL REVENUES	**97,370**	**6,237**	**417,142**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**—**	**59,108**
CHANGE IN NET ASSETS	**(517,337)**	**170,986**	**(41,117)**
NET ASSETS (DEFICITS), JULY 1 (as restated)	(1,590,233)	2,610,806	4,666,818
NET ASSETS (DEFICITS), JUNE 30	**$ (2,107,570)**	**$ 2,781,792**	**$ 4,625,701**

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
$ —	$ 29,905	$ 829,760
—	27,827	27,827
—	—	113,071
—	—	11,364
283,503	1,481,502	2,582,151
157,843	186,909	736,739
57,247	134,908	313,720
63,944	404,127	603,791
37,722	216,819	341,370
87,404	428,892	682,468
63,560	302,512	481,179
23,630	201,731	296,621
78,163	569,950	868,795
—	286,021	1,812,274
41,264	74,295	158,391
88,040	274,038	575,795
6,835	31,231	55,617
989,155	**4,650,667**	**10,490,933**
453,837	2,773,193	6,203,547
232,374	463,787	1,596,676
1,228	48,325	56,307
687,439	**3,285,305**	**7,856,530**
(301,716)	**(1,365,362)**	**(2,634,403)**
—	(47,915)	(183,255)
239,105	1,244,218	2,137,077
5,235	210,033	217,603
244,340	**1,406,336**	**2,171,425**
37,668	**36,871**	**133,647**
(19,708)	**77,845**	**(329,331)**
2,025,535	6,407,509	14,120,435
$ 2,005,827	**$ 6,485,354**	**$ 13,791,104**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2008, 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 (GASB 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.

1. Blended Component Units

The Ohio Building Authority, the Buckeye Tobacco Settlement Financing 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 another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets or through policy modification authority.

School Facilities Commission
Cultural Facilities Commission
eTech Ohio Commission
Ohio Air Quality Development Authority
Ohio Capital Fund

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
Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

The School Facilities Commission, Cultural Facilities Commission, and eTech Ohio Commission, which are governmental component units that use special revenue fund reporting, do not issue separately audited financial reports.

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.

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 14.

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 non-exchange 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* section 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 is 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, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and proprietary 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, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for the sales and services and premium and assessment income since 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 and revenue from the federal government for extended unemployment benefits are also reported as operating revenues for the Unemployment Compensation Fund, since these sources provide significant funding for the payment of unemployment benefits – the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, 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.

Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund — This fund accounts for the payment of principal and interest on the revenue bonds issued to fund long-lived capital projects at State-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

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.

The State reports the following fiduciary fund types:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007.

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

Investment Trust Fund — The STAR Ohio 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.

The State reports the following major component unit funds:

The *School Facilities Commission* accounts for grants that provide assistance to local school districts for the construction of school buildings.

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, which provides financial assistance to local governments for the construction of wastewater and sewage facilities, are presented for the fiscal year ended December 31, 2007. The Ohio State University Fund accounts for the university's operations, including its health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation.

C. Measurement Focus and Basis of Accounting

Government-wide, Enterprise 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.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

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. The revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and 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 unearned 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 revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and 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 availability period.

For revenue arising from exchange transactions (i.e., charges for goods and services), the State defers revenue recognition when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of exchange.

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 State meeting eligibility requirements are reported as unearned revenue. The State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period.

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, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded 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.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

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.

The State’s Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

Improvements General Obligations
Highway Improvements General Obligations
Development General Obligations
Highway General Obligations
Public Improvements General Obligations
Vietnam Conflict Compensation
General Obligations
Economic Development Revenue Bonds
Infrastructure Bank Revenue Bonds

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revitalization Project Revenue Bonds
Buckeye Tobacco Settlement Financing Authority
Revenue Bonds
Chapter 154 Special Obligations
School Building Program Special Obligations
Ohio Building Authority Special Obligations
Transportation Certificates of Participation
OAKS Certificates of Participation
STARS Certificates of Participation
OAKS Project
STARS Project

For budgeted funds, the State's Ohio Administrative Knowledge 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.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at www.obm.ohio.gov/SectionPages/FinancialReporting. This Summary 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 estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio 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 include investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

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 (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio 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 5.

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 5.

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 the payment of deferred lottery prize awards, revenue bonds, and tuition benefits in the enterprise funds.

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 capital 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, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, 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 capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, 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 improvements 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, including easements	All, regardless of cost
Land Improvements	15,000
Machinery and Equipment	15,000
Vehicles	15,000
Infrastructure:	
Highway Network	500,000
Bridge Network	500,000
Park and Natural Resources Network	All, regardless of cost

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

Buildings	20-45 Years
Land Improvements	10-30 Years
Machinery and Equipment	3-15 Years
Vehicles	5-15 Years
Park and Natural Resources Infrastructure Network	10-50 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. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Medicaid Claims Payable
The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

M. 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.

N. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 “Refund 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 is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick 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.

O. Fund Balance

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

Reserved
Reservations represent balances that are not appropriable 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.

P. Risk Management

The State’s primary government is self-insured for claims under its traditional healthcare plans 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 Workers’ Compensation Enterprise Fund, for the financing of their respective workers’ compensation liabilities. These liabilities are reported in the governmental funds under the “Interfund Payable” account. (See NOTE 7).

Q. 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

R. Intra-Entity Balances and Activities
Balances due between the primary government and its discretely presented component units are reported 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).

S. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Restatements
Restatements of net assets, as of June 30, 2007, for the primary government and component units that resulted from prior period adjustments for corrections of errors are presented in the following tables (dollars in thousands).

Government-Wide Financial Statements:	Business-Type Activities	Total Primary Government	Component Units
Net Assets, as of June 30, 2007, As Previously Reported	$3,126,531	$22,656,985	$14,125,856
Corrections that Increased/(Decreased) Net Assets:			
Noncurrent Liabilities	(1,382)	(1,382)	-
Ohio Capital Fund	-	-	(5,421)
Total Corrections, Net	(1,382)	(1,382)	(5,421)
Net Assets, July 1, 2007, As Restated	$3,125,149	$22,655,603	$14,120,435

Fiduciary Fund Financial Statements:	Investment Trust
Net Assets, as of June 30, 2007, As Previously Reported	$3,919,623
Changes in Reporting Entity	(57,138)
Net Assets, July 1, 2007, As Restated	$3,862,485

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

Discretely Presented Component Units Fund Financial Statements:	Nonmajor Component Units	Total Component Units
Net Assets, as of June 30, 2007, As Previously Reported	$6,412,930	$14,125,856
Corrections that Increased/(Decreased) Net Assets:		
Ohio Capital Fund	(5,421)	(5,421)
Total Corrections, Net	(5,421)	(5,421)
Net Assets, July 1, 2007, As Restated	$6,407,509	$14,120,435

B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2008, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*
- Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27.*
- Governmental Accounting Standards Board (GASB) Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- Governmental Accounting Standards Board (GASB) Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

GASB 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB 48 establishes the criteria for reporting transactions as revenue or as a liability, whereby an interest in the government's expected cash flows from collecting specific receivables or specific revenues are exchanged for immediate cash payments, generally a single lump sum. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions.

GASB 50 establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. It amends note disclosures and required supplementary information (RSI) standards of Statements No. 25*, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with applicable changes adopted in Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB 56 incorporates into the GASB authoritative literature, certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addressed three issues not included in the authoritative literature that establishes accounting principles - related party transactions, going concern considerations, and subsequent events. The Statement does not establish new accounting standards but rather incorporates the existing guidance into the GASB standards to the extent appropriate in a governmental environment.

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

GASB Technical Bulletin No. 2008-1 clarifies the requirements of Statements 27 and 45 for calculating the annual required contribution (ARC) adjustment. Specifically, this Technical Bulletin applies to situations in which the actuarial valuation separately identifies the actual amount that is included in the ARC related to the amortization of past employer contribution deficiencies or excess contributions to a pension or other postemployment benefit (OPEB) plan (the known amount).

C. Recently Issued GASB Pronouncements
In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The requirements of GASB 49 are effective for financial statements for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The requirements of GASB 51 are effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies among state and local governments, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The provisions of GASB 52 are effective for financial statements for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by similar entities. It requires endowments to report their land and other real estate investments at fair value. Additionally, governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for their investments reported at fair value.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The requirements of GASB 53 are effective for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivatives instruments entered into by state and local governments. This Statement describes the methods of evaluating effectiveness such as consistent critical terms method and more quantitative methods such as synthetic instrument method, dollar-offset method, and regression analysis method. A key provision of this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value.

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of GASB 54 are effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Management has not yet determined the impact that the new GASB pronouncements will have on the State's financial statements.

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 2008. 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.

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

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 2008, whenever signed into law or otherwise legally authorized.

For fiscal year 2008, no excess 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, 2008
(dollars in thousands)

		Major Special Revenue Funds			
	General	Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis	$2,601,372	$140,044	$115,099	$1,003,610	($45,350)
Less: Reserved Fund Balances	744,371	1,063,787	37,627	1,551,549	118,012
Less: Designated Fund Balances	1,012,288	-	-	-	-
Unreserved/Undesignated Fund Balances — GAAP Basis	844,713	(923,743)	77,472	(547,939)	(163,362)
BASIS DIFFERENCES					
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer	(60,665)	(7,924)	(18,192)	(7,549)	(12,428)
Taxes Receivable	(1,112,695)	-	-	(66,421)	(509,636)
Intergovernmental Receivable	(545,398)	(345,982)	(111,411)	(100,213)	-
Loans Receivable, Net	(254,317)	-	(250)	(102,895)	-
Interfund Receivable	(6,615)	(84)	(65)	(1,181)	(116,432)
Other Receivables	(166,635)	(186,782)	(220)	(5,385)	-
Deferred Revenue	434,175	177,211	7,484	8,855	22,777
Unearned Revenue	-	232,090	45,622	-	7,092
Total Revenue Accruals/Adjustments	(1,712,150)	(131,471)	(77,032)	(274,789)	(608,627)
Expenditure Accruals/Adjustments:					
Cash Equity with Treasurer	(64,124)	(8,106)	(752)	(12,631)	-
Inventories	(26,295)	-	-	(29,664)	-
Other Assets	(17,626)	(2,156)	(6,185)	(3,279)	-
Accounts Payable	164,459	83,316	20,318	143,561	-
Accrued Liabilities	167,716	22,277	2,319	28,842	-
Medicaid Claims Payable	805,179	1,014	-	-	-
Intergovernmental Payable	467,150	178,802	54,557	1,584	824,889
Interfund Payable	715,117	15,144	2,871	93,615	1,106
Payable to Component Units	12,814	1,420	1,108	330	-
Refund and Other Liabilities	763,146	5,347	-	-	47,603
Liability for Escheat Property	7,375	-	-	-	-
Total Expenditure Accruals/Adjustments	2,994,911	297,058	74,236	222,358	873,598
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:					
Noncurrent Portion of Loans Receivable	249,717	-	250	100,888	-
Inventories	26,295	-	-	29,664	-
State and Local Highway Construction	-	-	-	-	118,011
Federal Programs	-	2,782	7,677	11,095	-
Other	81,687	29,101	545	7,787	-
From Undesignated (Non-GAAP Budgetary Basis) to Designated	1,012,288	-	-	-	-
Cash and Investments Held Outside of State Treasury	(611,304)	(11,150)	(2,700)	(746)	(11,279)
Other	-	2	4	(1)	2
Total Other Adjustments	758,683	20,735	5,776	148,687	106,734
Total Basis Differences	2,041,444	186,322	2,980	96,256	371,705
TIMING DIFFERENCES					
Encumbrances	(656,616)	(176,278)	(20,680)	(136,305)	-
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$2,229,541	($913,699)	$59,772	($587,988)	$208,343

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 cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in any of the following: a commercial account that is payable or about the be withdrawn, 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:

- US Treasury Bills, notes, bonds or other obligation or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Building Authority, and the Ohio Housing Finance Agency;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state, and rated at the time of purchase in the two highest rating categories by two nationally recognized rating agencies;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;
- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- 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;
- Bankers' acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under section 135.45, Ohio Revised Code;
- Debt interest, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, of foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are rated at the time of purchase in the three highest categories by two nationally recognized rating agencies, and denominated and payable in U.S. funds; and
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. However, in the case of foundations and other component units of the colleges and universities, deposits of these entities are not subject to the legal requirements for deposits of governmental entities.

Deposits 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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate and other investments.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215, by calling (614) 466-2160, or by accessing the Treasurer of State's website at www.ohiotreasurer.org.

C. Deposit and Investment Risks

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government sponsored enterprises.

1. Custodial Credit Risk

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging financial institution, or by the pledging institution's trust department or agent but not in the government's name. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.

The table below reports the carrying amount of deposits, as of June 30, 2008, held by the primary government, including fiduciary activities, and its component units and the extent of exposure to custodial credit risk.

Custodial credit risk for investments exists when a government is unable to recover the value of investment or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

The State's reporting entity has not established specific policies for managing custodial credit risk exposure for investments.

Primary Government (including Fiduciary Activities) and Component Units
Deposits—Custodial Credit Risk
As of June 30, 2008
(dollars in thousands)

			Uninsured Portion of Reported Bank Balance		
	Carrying Amount	Bank Balance	Uncollateralized	Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government	$945,946	$913,747	$10,741	$260,775	$177
Component Units	868,108	994,918	28,300	813,363	89,906
Total Deposits — Reporting Entity	$1,814,054	$1,908,665	$39,041	$1,074,138	$90,083

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following tables report the fair value, as of June 30, 2008, of investments by type for the primary government, including fiduciary activities, and its component units, and the extent of exposure to custodial credit risk (dollars in thousands).

Primary Government (including Fiduciary Activities) and Component Units
Investments—Custodial Credit Risk
As of June 30,2008
(dollar in thousands)

Investments for the Primary Government (including Fiduciary Activities), as of June 30, 2008	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Departmentor Agent but not in the State's Name
Investments Subject to Custodial Credit Risk Exposure:		
U.S. Government Obligations	$11,051,819	$185,516
U.S. Government Obligations—Strips	921,582	-
U.S. Agency Obligations	16,111,050	-
U.S. Agency Obligations—Strips	301,398	-
Common and Preferred Stock	66,273,647	-
Corporate Bonds and Notes	17,940,733	-
Corporate Bonds and Notes—Strips	394	-
Municipal Obligations	226,004	-
Commercial Paper	8,724,466	-
Repurchase Agreements	18,487	259
Mortgage and Asset-Backed Securities	13,448,703	-
International Investments:		
Foreign Stocks	38,508,908	-
Foreign Bonds	3,031,916	-
High-Yield and Emerging Markets Fixed Income	1,417,563	-
Securities Lending Collateral:		
Commercial Paper	22,943	-
Repurchase Agreements	1,555,000	-
Mortgage and Asset-Backed Securities	2,013	-
Variable Rate Notes	1,924,176	-
Master Notes	202,000	-
U.S. Agency Obligations	172,928	-
Corporate Bonds	16,022	-
Bond Mutual Funds	874,860	-
Negotiable Certificates of Deposit	175,244	-
		$185,775
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	747,459	
U.S. Agency Obligations	3,977,813	
U.S. Agency Obligations—Strips	9,144	
Common and Preferred Stock	85,925	
International Investments:		
Foreign Stocks	4,255	
International Investments-Commingled Equity Funds	1,175,674	
Equity Mutual Funds	9,533,402	
Bond Mutual Funds	7,811,423	
Real Estate	15,171,047	
Venture Capital	6,967,485	
Partnerships and Hedge Funds	136,500	
Investment Contracts	5,966	
Deposit with Federal Government	427,589	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(4,759,624)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(530,544)	
Total Investments — Primary Government	$223,685,370	

(Continued)

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments for Component Units, as of June 30, 2008	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department of Agent but not in the Component Unit's Name	Counterparty but not in the Component Unit's Name
Investments Subject to Custodial Credit Risk Exposure:			
U.S. Government Obligations	$300,061	$178,099	$68,741
U.S. Government Obligations—Strips	5,676	3,715	-
U.S. Agency Obligations	919,242	445,844	187,669
Common and Preferred Stock	1,156,228	227,015	366,701
Corporate Bonds and Notes	283,928	156,936	74,626
Commercial Paper	24,246	7,325	-
Repurchase Agreements	176,455	39,416	118,359
Mortgage and Asset-Backed Securities	69,586	401	-
Negotiable Certificates of Deposit	1,781	-	-
Municipal Obligations	136,088	80,017	52,571
International Investments:			
Foreign Stocks	266,103	647	-
Foreign Bonds	7	-	-
Other Investments	3,788	-	-
		$1,139,415	$868,667
Investments Not Subject to Custodial Credit Risk Exposure:			
Equity Mutual Funds	2,171,735		
Bond Mutual Funds	947,415		
Real Estate	197,374		
Life Insurance	16,679		
Investment Contracts	239,314		
Charitable Remainder Trusts	292,258		
Partnerships and Hedge Funds	845,512		
Investment in State Treasurer's Cash and Investment Pool	4,759,624		
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio)	530,544		
Total Investments — Component Units	13,343,644		
Total Investments — Reporting Entity	$237,029,014		

Reconciliation of Deposits and Investments Disclosures with Financial Statements
As of June 30, 2008
(dollars in thousands)

	Government-Wide Statement of Net Assets				
	Governmental Activities	Business-Type Activities	Component Unit	Fiduciary Funds Statement of Net Assets	Total
Cash Equity with Treasurer	$8,121,369	$125,660	$3,652,949	$274,850	$12,174,828
Cash and Cash Equivalents	124,533	394,326	1,097,019	279,120	1,894,998
Investments	1,015,478	16,979,459	6,575,242	190,631,122	215,201,301
Collateral on Lent Securities	3,304,352	40,072	1,099,521	199,659	4,643,604
Deposit with Federal Government	-	427,589	-	-	427,589
Restricted Assets:					
Cash Equity with Treasurer	-	105	7,155	-	7,260
Cash and Cash Equivalents	141,797	1,216	480,441	-	623,454
Investments	392,040	1,497,705	1,299,426	-	3,189,171
Collateral on Lent Securities	-	307,740	-	-	307,740
Total Reporting Entity	$13,099,569	$19,773,872	$14,211,753	$191,384,751	$238,469,945
Total Carrying Amount of Deposits and Investments per Financial Statements					$238,469,945
Outstanding Warrants and Other Reconciling Items					390,260
Differences Resulting from Component Units with December 31 Year-Ends					(17,137)
Total Carrying Amount of Deposits and Investments Disclosed in Note 4					$238,843,068

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2008, reported for the primary government and its component units is (dollars in thousands) $238,469,945. The total of the carrying amounts of both deposits in the amount of $1,814,054 and investments in the amount of $237,029,014 that has been categorized and disclosed in this note is $238,843,068. A reconciliation of the difference is presented in the table on the previous page.

2. Credit Risk

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in one of the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short term debt rating of at least "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer;
- Banker acceptances must carry a minimum of "AA" for long-term debt ("AAA" for foreign issuers) by a majority of the agencies rating the issuer. For the short-term debt, the rating must be "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer;
- Corporate notes must be rated at a minimum of "Aa" by Moody's Investors Service and a minimum of "AA" by Standard & Poor's for long-term debt;
- Foreign debt must be guaranteed as to principal and interest by the United States or be rated in one of the three highest categories by at least two rating agencies; and
- For Registered Investment Companies (Mutual Funds), no-load money market mutual funds must carry a rating of "AAm", "AAm-G", or better by Standard & Poor's or the equivalent rating of another agency.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund
The Fund requires an average credit quality no lower than an "A" rating for fixed income securities.

State Highway Patrol Retirement
System Pension Trust Fund
When purchased, bond investments must be rated within the four highest classifications of at least two rating agencies.

STAR Ohio Investment Trust Fund
Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1" or higher, and at least 50 percent of the total average portfolio must be rated "A-1+" or better.

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 15 percent of the total Global Bond portfolio assets. Under the Cash Management Policy, issues rated in the A2/P2 category are limited to five percent of portfolio and one percent per issuer. Those rated in the A3/P3 category are limited to two percent of the portfolio (one-half percent per issuer) with a final maturity of the next business day.

For the Ohio Police and Fire Pension Fund,

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Securities in the core fixed income portfolio shall be rated "BBB-" or better by two standard rating agencies at the time of the purchase;
- Securities in the high yield fixed income portfolio are high yield bonds issued by U.S. corporations with a minimum rating of "CCC" or equivalent;
- Investment managers may purchase securities that are "Not Rated" as long as they deem these securities to be at least equivalent to the minimum ratings; and
- Commercial paper must be rated within the two highest classifications established by two standard rating agencies.

Ohio Water Development Authority Component Unit Fund
The Authority's policy authorizes the acquisition of repurchase agreements from financial institutions with a Moody's or Standard & Poor's rating of "A" and the entering into investment agreements with financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody's and/or Standard and Poor's.

University of Cincinnati Component Unit Fund
The policy governing the university's temporary investment pool permits investments in securities rated "A" or higher at the time of purchase. Endowment investment-grade bonds are limited to those in the first four grades of any rating system. Below-investment grade, high-yield bond investments and certain unrated investments having strategic value to the university are permitted.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2008
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$20,012,404	$59,555	$16,904	$ -	$ -	$ -
U.S. Agency Obligations—Strips	310,542	-	-	-	-	-
Corporate Bonds and Notes	2,918,683	2,707,653	5,856,387	4,896,605	520,404	755,180
Corporate Bonds and Notes—Strips	394	-	-	-	-	-
Municipal Bonds	95,586	103,915	13,069	13,434	-	-
Commercial Paper	4,303,446	1,384,390	3,023,420	-	-	-
Repurchase Agreements	15,764	2,464	-	-	-	-
Mortgage and Asset-Backed Securities	12,857,854	302,819	87,027	78,072	1,231	4,009
Foreign Bonds	251,590	189,092	741,145	1,004,692	261,756	100,873
High-Yield & Emerging Markets Fixed Income	14,413	3,242	41,593	113,133	301,788	559,593
Bond Mutual Funds	7,191,072	194,935	4,939	33,998	58,950	60,686
Investment Contracts	-	-	-	-	-	-
Securities Lending Collateral:						
Commercial Paper	-	3,993	3,983	-	-	-
Repurchase Agreements	-	300,000	1,255,000	-	-	-
Mortgage and Asset-Backed Securities	-	2,013	-	-	-	-
Variable Rate Notes	74,936	801,957	937,818	109,465	-	-
Master Notes	-	202,000	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
U.S. Government Agency	172,928	-	-	-	-	-
Bond Mutual Funds	874,860					
Negotiable Certificates of Deposit	-	75,000	100,244	-	-	-
Total Primary Government	$49,094,472	$6,333,028	$12,081,529	$6,249,399	$1,144,129	$1,480,341

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ -	$20,088,863
U.S. Agency Obligations—Strips	-	-	-	-	-	310,542
Corporate Bonds and Notes	218,231	159	-	-	67,431	17,940,733
Corporate Bonds and Notes—Strips	-	-	-	-	-	394
Municipal Bonds	-	-	-	-	-	226,004
Commercial Paper	-	-	-	-	13,210	8,724,466
Repurchase Agreements	-	-	-	-	259	18,487
Mortgage and Asset-Backed Securities	5,096	-	170	-	112,425	13,448,703
Foreign Bonds	4,426	-	-	7,013	471,329	3,031,916
High-Yield & Emerging Markets Fixed Income	122,275	-	-	7,903	253,623	1,417,563
Bond Mutual Funds	-	-	-	-	266,843	7,811,423
Investment Contracts	-	-	-	-	5,966	5,966
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	14,967	22,943
Repurchase Agreements	-	-	-	-	-	1,555,000
Mortgage and Asset-Backed Securities	-	-	-	-	-	2,013
Variable Rate Notes	-	-	-	-	-	1,924,176
Master Notes	-	-	-	-	-	202,000
Corporate Bonds	-	-	-	-	16,022	16,022
U.S. Government Agency	-	-	-	-	-	172,928
Bond Mutual Funds	-	-	-	-	-	874,860
Negotiable Certificates of Deposit	-	-	-	-	-	175,244
Total Primary Government	$350,028	$159	$170	$14,916	$1,222,075	$77,970,246

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units
Investment Credit Ratings
As of June 30, 2008
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$784,748	$416	$ -	$ -	$ -	$ -
Corporate Bonds and Notes	76,872	64,569	115,395	16,614	2,146	3,832
Commercial Paper	-	-	24,246	-	-	-
Repurchase Agreements	137,039	-	-	-	-	-
Mortgage and Asset-Backed Securities	1,787	-	-	-	-	-
Negotiable Certificates of Deposit	-	-	-	-	-	-
Municipal Obligations	114,382	21,072	384	-	-	-
Bond Mutual Funds	508,222	268,858	41,076	22,175	3,224	2,777
Foreign Bonds	-	-	-	-	-	-
Investment Contracts	-	-	-	-	-	-
Other Investments	-	-	-	-	-	-
Total Component Units	$1,623,050	$354,915	$181,101	$38,789	$5,370	$6,609

Investment Type	Credit Rating CCC/Caa	CC/Ca	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$134,078	$919,242
Corporate Bonds and Notes	717	126	3,657	283,928
Commercial Paper	-	-	-	24,246
Repurchase Agreements	-	-	39,416	176,455
Mortgage and Asset-Backed Securities	-	-	67,799	69,586
Negotiable Certificates of Deposit	-	-	1,781	1,781
Municipal Obligations	-	-	250	136,088
Bond Mutual Funds	1,002	-	100,081	947,415
Foreign Bonds	-	-	7	7
Investment Contracts	-	-	239,314	239,314
Other Investments	-	-	2,386	2,386
Total Component Units	$1,719	$126	$588,769	$2,800,448

All investments, as categorized by credit ratings in the tables above and on the previous page, meet the requirements of the State's laws and policies, when applicable.

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
D	Currently highly vulnerable to nonpayment for failure to pay by due date

3. Concentration of Credit Risk
The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

For investments that are included in the treasury's cash and investment pool, and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 25 percent of the State's total average portfolio;
- Bankers acceptances cannot exceed 10 percent of the State's total average portfolio;
- Debt interests cannot exceed 25 percent of the State's total average portfolio;
- Debt interests in foreign nations may not exceed one percent of the State's total average portfolio; and,
- Debt interests of a single issuer may not exceed one-half of one percent of the State's total average portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury	100
Federal Agency (fixed rate)	100
Federal Agency (callable)	55
Federal Agency (variable rate)	10
Repurchase Agreements	25
Bankers' Acceptances	10
Commercial Paper	25
Corporate Notes	5
Foreign Notes	1
Certificates of Deposit	20
Municipal Obligations	10
STAR Ohio	25
Mutual Funds	25

The investment policies of the Treasurer of State's Office also specify that commercial paper is limited to no more than five percent of the issuing corporation's total outstanding commercial paper, and investments in a single issuer are further limited to no more than two percent of the total average portfolio except for the U.S. government obligations, limited at 100 percent; repurchases agreement counterparties, limited at the lesser of five percent of $250 million; bankers' acceptances, limited at five percent; corporate notes and foreign debt, limited at one-half of one percent; and mutual funds, limited at 10 percent.

For the U.S. Equity Portfolio of the Workers' Compensation Enterprise Fund, no single holding is to be more than five percent of the entire portfolio at market, or five percent of the outstanding equity securities of any one corporation.

For the Lottery Commission Enterprise Fund, no more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser or five percent or $250 million; and mutual funds, 10 percent maximum.

The State Highway Patrol Retirement System Pension Trust Fund's policy prohibits the investment of more than 10 percent of its fixed income portfolio in securities of any one issuer with the exception of U.S. government securities, or the investment of more than five percent of the Fund's total investments in any one issuer with the exception of U.S. government securities.

For the STAR Ohio Investment Trust Fund, investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. Treasury obligations, limited at 100 percent; U.S. Agency obligations, limited at 33 percent; repurchase agreement counterparties, limited at the lesser of 10 percent of $500 million; and mutual funds, limited at 10 percent.

As of June 30, 2008, all investments meet the requirements of the State's law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Issuer	Amount	Percentage of Investment Balance
Governmental and Business-Type Activities:		
Federal National Mortgage Association	$3,885,968	13%
Federal Home Loan Bank	1,134,239	4%
Federal Home Loan Mortgage Corporation	2,093,929	7%
STAR Ohio Investment Trust Fund:		
Federal National Mortgage Association	1,500,651	23%
Federal Home Loan Bank	1,465,244	22%
Federal Home Loan Mortgage Corporation	1,279,300	19%
School Facilities Commission Component Unit Fund:		
Federal National Mortgage Association	1,392,604	29%
Federal Home Loan Bank	451,339	9%
Federal Home Loan Mortgage Corporation	718,226	15%
Ohio Water Development Authority Component Unit Fund (12/31/07):		
AIGMFC	194,720	15%
FNMA	96,311	7%
FHLB...	109,916	8%

4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted policies to mitigate this risk.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with the Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long term investments.

Variable rate notes are permitted if they meet the following criteria:

- the note has an ultimate maturity of less than three years;
- the rate resets frequently to follow money market rates;
- the note is indexed to a money market rate that correlates (by at least 95 percent) with overall money market rate changes, even during wide swings in interest rates, e.g., federal funds, 3-month treasury bill, LIBOR; and
- any cap on the interest rate is at least 15 percent (1500 basis points) higher than the coupon at purchase.

The Lottery Commission Enterprise Fund's investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

For the State Highway Patrol Retirement System Pension Trust Fund, investment policies require that the Fund's fixed income portfolio has an average maturity of 10 years or less.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment policies governing the STAR Ohio Investment Trust Fund limit maturities of investments to a final stated maturity of 397 days or less. The weighted average maturity of each portfolio is limited to 60 days or less.

Investments purchased under the Cash Management Policy of the Ohio Public Employees Retirement System are limited to a weighted average maturity of 90 days. Fixed rate notes are required to have an average maturity of 14 months. Floating rate notes, with a rating of AA or higher, are limited to an average maturity of three years. All other issues are limited to a two-year average maturity.

All investments of the Ohio Water Development Authority Component Unit Fund must mature within five years unless the investment is matched to a specific obligation or debt of the Authority.

The policy of the University of Cincinnati Component Unit Fund stipulates that the weighted average maturity in the Temporary Investment Pool shall be no longer than five years. The weighted average of the fixed income maturities in the university's endowment portfolio shall not exceed 20 years.

As of June 30, 2008, several investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to the interest rate changes. The U.S. agency obligations investment type includes $6.8 million of investments with call dates during fiscal years 2009 and 2011. These investments have maturities between fiscal year 2010 and 2014 and are reported in the table on the following page as maturing in one to five years.

Several investments reported as "Collateral on Lent Securities" have terms that make them highly sensitive to interest rate changes as of June 30, 2008. Master Notes of $187 million, variable rate notes of $716 million, and U.S. agency obligations of $148 million have daily reset dates. Mortgage and asset-backed securities of $2 million, variable rate notes of $556 million, and negotiable certificates of deposit of $75 million have monthly reset dates. Variable rate notes of $528 million and negotiable certificates of deposit of $100 million have quarterly reset dates.

The Lottery Commission Enterprise Fund has collateral on lent securities with reset dates. Master notes and variable rate notes with reset dates are reported as collateral on lent securities. Master notes of $15 million, and U.S. agency obligations of $25 million have daily reset dates. Variable rate notes of $57 million, $45 million, and $20 million, respectively, have daily, monthly, and quarterly reset dates.

Also during fiscal year 2008, the Treasurer of State acted as the custodian of the Retirement System Agency Fund's investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective system's Comprehensive Annual Financial Report.

The following tables list the investment maturities of the State's investments. All investments at June 30, 2008, meet the requirements of the State's laws and policies, when applicable.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2008
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$717,123	$2,299,371	$1,729,023	$7,053,761	$11,799,278
U.S. Government Obligations—Strips	23,071	80,554	95,277	722,680	921,582
U.S. Agency Obligations	7,218,978	7,785,758	1,111,312	3,972,815	20,088,863
U.S. Agency Obligations—Strips	11,440	91,255	106,776	101,071	310,542
Corporate Bonds and Notes	1,973,801	4,635,680	3,494,361	7,836,891	17,940,733
Corporate Bonds and Notes—Strips	-	-	-	394	394
Municipal Bonds	-	-	3,707	222,297	226,004
Commercial Paper	8,724,466	-	-	-	8,724,466
Repurchase Agreements	18,487	-	-	-	18,487
Mortgage and Asset-Backed Securities	16,367	233,399	554,614	12,644,323	13,448,703
Foreign Bonds	155,467	456,799	755,741	1,663,909	3,031,916
High-Yield & Emerging Markets Fixed Income	214,187	231,669	670,868	300,839	1,417,563
Bond Mutual Funds	3,190,196	1,267,467	2,300,722	1,053,038	7,811,423
Investment Contracts	-	5,966	-	-	5,966
Securities Lending Collateral:					
Commercial Paper	22,943	-	-	-	22,943
Repurchase Agreements	1,555,000	-	-	-	1,555,000
Mortgage and Asset-Backed Securities	2,013	-	-	-	2,013
Variable Rate Notes	1,924,176	-	-	-	1,924,176
Master Notes	202,000	-	-	-	202,000
Corporate Bonds	16,022	-	-	-	16,022
U.S. Agency Obligations	172,928	-	-	-	172,928
Bond Mutual Funds	874,860	-	-	-	874,860
Negotiable Certificates of Deposit	175,244	-	-	-	175,244
Total Primary Government	$27,208,769	$17,087,918	$10,822,401	$35,572,018	$90,691,106

Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2008
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$83,871	$167,183	$31,912	$17,095	$300,061
U.S. Government Obligations—Strips	850	4,040	396	390	5,676
U.S. Agency Obligations	392,271	329,786	100,965	96,220	919,242
Corporate Bonds and Notes	105,599	78,065	30,241	70,023	283,928
Commercial Paper	24,246	-	-	-	24,246
Repurchase Agreements	176,455	-	-	-	176,455
Mortgage and Asset-Backed Securities	3,503	4,227	5,311	56,545	69,586
Negotiable Certificates of Deposit	733	1,048	-	-	1,781
Municipal Obligations	75,181	5,632	1,550	53,725	136,088
Bond Mutual Funds	309,256	313,568	253,654	70,937	947,415
Foreign Bonds	-	7	-	-	7
Investment Contracts	180,829	-	-	58,485	239,314
Other Investments	367	1,836	183	-	2,386
Total Component Units	$1,353,161	$905,392	$424,212	$423,420	$3,106,185

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates. That State's law and investment policies include provisions to limit the exposure to this type of risk.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by full faith and credit of that foreign nation.

Investment policies of the Treasurer of State's Office further limit the types of authorized investments. These requirements include maturity limitations of five years at the date of purchase and denomination of principal and interest in U.S. dollars. Other limitations are noted in the previous sections of this note that discuss credit risk and concentration of credit risk.

Investment policies regarding foreign currency risk have also been adopted for the following significant entities reported in the primary government and are specific to those entities:

Workers' Compensation Enterprise Fund
The Fund's investment policy requires that:

- equity securities of any one international company shall not exceed five percent of the total value of all the investments in international equity securities, and

- equity securities of any one international company shall not exceed five percent of the company's outstanding equity securities.

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to five percent of the total Global Bond portfolio. Additionally, no more than 25 percent of the Global Bond portfolio assets may be from non-U.S. issuers.

The State Teachers Retirement System international investments include forward contracts and equity swaps with negative fair values. Negative investment values, as applicable, are included by currency for Fiduciary Activities in the table on the following page.

As of June, 30, 2008, investments denominated in the currency of foreign nations, as detailed in the tables appearing on the next two pages for the primary government and its discretely presented component units, meet the requirements of the State's laws and policies, when applicable.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
International Investments—Foreign Currency Risk
As of June 30, 2008
(dollars in thousands)

	Fiduciary Activities			
Currency	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Total
Argentinean Peso	$515	$3,905	$ -	$4,420
Australian Dollar	722,793	-	-	722,793
Brazilian Real	467,044	56,819	19,040	542,903
British Pound	2,531,211	130,433	-	2,661,644
Bulgarian Lev	2,692	-	-	2,692
Canadian Dollar	941,748	79,797	-	1,021,545
Chilean Peso	17,601	17,650	-	35,251
Chinese Yuan	11,413	-	-	11,413
Colombian Peso	3,661	-	6,013	9,674
Czech Koruna	74,977	-	-	74,977
Danish Krone	164,222	-	-	164,222
Egyptian Pound	53,226	2,616	287	56,129
Euro	4,881,495	238,459	(683)	5,119,271
Hong Kong Dollar	965,034	-	-	965,034
Hungarian Forint	36,873	3,498	-	40,371
Indian Rupee	129,337	-	-	129,337
Indonesian Rupiah	110,074	12,270	330	122,674
Israeli Shekel	125,419	2,478	-	127,897
Japanese Yen	2,495,813	-	29	2,495,842
Jordanian Dollar	1	-	-	1
Malaysian Ringgit	133,110	9,273	6,305	148,688
Mexican Peso	167,664	14,658	4,963	187,285
New Zealand Dollar	(5,112)	-	-	(5,112)
Norwegian Krone	330,722	-	-	330,722
Pakistani Rupee	9,827	-	-	9,827
Philippines Peso	18,462	-	-	18,462
Polish Zloty	55,034	2,419	-	57,453
Romanian Leu	2,052	-	-	2,052
Russian Ruble	46,212	-	-	46,212
Singapore Dollar	269,224	-	-	269,224
South African Rand	300,262	4,167	-	304,429
South Korean Won	759,918	422	-	760,340
Sri Lankan Rupee	5,763	-	-	5,763
Swedish Krona	279,980	36,939	-	316,919
Swiss Franc	817,194	-	-	817,194
Taiwan Dollar	540,674	-	-	540,674
Thailand Baht	158,775	-	-	158,775
Turkish Lira	186,471	21,811	1,033	209,315
Ukraine Hryvana	2,345	-	-	2,345
Uruguyuan Peso	-	6,368	643	7,011
Zimbabwean Dollar	1,328	-	-	1,328
Investments Held in Foreign Currency	$17,815,054	$643,982	$37,960	$18,496,996
Foreign Investments Held in U.S. Dollars				25,641,320
Total Foreign Investments-Primary Government, including Fiduciary Activities				$44,138,316

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units
International Investments—Foreign Currency Risk
As of June 30, 2008
(dollars in thousands)

The Ohio State University:

Currency	Included in the Balance Reported For Common & Preferred Stock	Total
Australian Dollar	$4,346	$4,346
Brazilian Real	6,610	6,610
British Pound	26,363	26,363
Canadian Dollar	9,059	9,059
Danish Krone	1,590	1,590
Euro	62,775	62,775
Hong Kong Dollar	10,190	10,190
Hungarian Forint	461	461
Indonesian Rupiah	980	980
Israeli Shekel	179	179
Japanese Yen	38,687	38,687
Malaysian Ringgit	1,199	1,199
Mexican Peso	2,899	2,899
New Zealand Dollar	291	291
Norwegian Krone	6,674	6,674
Polish Zloty	377	377
Singapore Dollar	1,717	1,717
South African Rand	7,030	7,030
South Korean Won	11,259	11,259
Swedish Krona	3,842	3,842
Swiss Franc	5,439	5,439
Taiwan Dollar	5,330	5,330
Thailand Baht	2,345	2,345
Turkish Lira	396	396
Total Investments Held in Foreign Currency-Ohio State University	210,038	210,038

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Nonmajor Component Units:

Currency	Included in the Balance Reported for Common & Preferred Stock
Australian Dollar	$3,250
Brazilian Real	2,085
British Pound	8,067
Canadian Dollar	4,856
Chinese Yuan	207
Euro	10,067
Hong Kong Dollar	2,422
Indian Rupee	391
Indonesian Rupiah	204
Israeli Shekel	139
Japanese Yen	12,196
Mexican Peso	289
Netherlands Antilles Guilder	613
New Zealand Dollar	49
Norwegian Krone	2,756
Russian Ruble	96
Singapore Dollar	454
South African Rand	3,257
South Korean Won	1,996
Swedish Krona	365
Swiss Franc	862
Taiwan Dollar	100
Thailand Baht	12
Turkish Lira	297
Investments Held in Foreign Currency	55,030
Foreign Investments Held in U.S. Dollars	1,035
Total Nonmajor Component Units	$56,065

D. Securities Lending Transactions

The Treasurer of State and the State Highway Patrol Retirement System (SHPRS) participate in the securities lending programs for securities included in the “Cash Equity with Treasurer” and “Investments” accounts. 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.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State’s lent securities are collateralized at no less than 102 percent fair value. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

The SHPRS also requires custodial agents to ensure that lent securities are collateralized at 102 percent of fair value. SHPRS requires its custodial agents to provide additional collateral when the fair value of the collateral held falls below 102 percent of the fair value of securities lent.

Consequently, as of June 30, 2008, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded that amount borrowers owed to the State.

For loan contracts the Treasurer executes for the State’s cash and investment pool, which is reported in the financial statements as “Cash Equity with Treasurer”, and for the Ohio Lottery Commission Enterprise Fund’s Structured Investment Portfolio, which is reported as “Restricted Investments”, the lending agent may not lend more than 75 percent of the total average portfolio.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 11 days or less while the weighted average maturity of securities loans is 11 days or less.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy.

During fiscal year 2008, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2008, the Treasurer lent U.S. government and agency obligations in exchange for cash collateral while the SHPRS lent equity securities in exchange for cash collateral.

NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

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, 2008, approximately $386.1 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which $363.3 million is reported in the General Fund and $22.8 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income and corporation franchise taxes, totaling approximately $809.2 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which $761.6 million is reported in the General Fund and $47.6 million is reported in the Revenue Distribution Special Revenue Fund on the governmental funds' balance sheet.

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

	Governmental Activities				
	Major Governmental Funds				
	General	Highway Operating	Revenue Distribution	Nonmajor Governmental Activites	Total Primary Government
Current-Due Within One Year:					
Income Taxes	$582,949	$ -	$33,917	$169	$617,035
Sales Taxes	385,961	-	24,200	439	410,600
Motor Vehicle Fuel Taxes	-	66,421	98,111	5,522	170,054
Commercial Activity Taxes	-	-	316,713	-	316,713
Public Utility Taxes	70,947	-	32,128	-	103,075
Severance Taxes	-	-	-	2,713	2,713
	1,039,857	66,421	505,069	8,843	1,620,190
Noncurrent-Due in More Than One Year:					
Income Taxes	72,838	-	4,567	-	77,405
Taxes Receivable, Net	$1,112,695	$66,421	$509,636	$8,843	$1,697,595

NOTE 5 RECEIVABLES (Continued)

B. Intergovernmental Receivable – Primary Government

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2008 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		
	Federal Government	Local Government	Other State Governments	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$502,075	$39,206	$ -	$4,117	$545,398
Job, Family and Other Human Services	289,976	56,006	-	-	345,982
Education	38,496	72,915	-	-	111,411
Highway Operating	100,213	-	-	-	100,213
Nonmajor Governmental Funds	234,029	37,985	-	18,470	290,484
Total Governmental Activities	1,164,789	206,112	-	22,587	1,393,488
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	137	-	137
Nonmajor Proprietary Funds	20	-	-	7,116	7,136
Total Business-Type Activities	20	-	137	7,116	7,273
Intergovernmental Receivable	$1,164,809	$206,112	$137	$29,703	$1,400,761

C. Loans Receivable

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2008, are detailed in the following tables (dollars in thousands):

Primary Government - Loans Receivable

	Governmental Activities				
	Major Governmental Funds				
Loan Program	General	Education	Highway Operating	Nonmajor Governmental Funds	Total Primary Government
Housing Finance	$227,633	$ -	$ -	$ -	$227,633
School District Solvency Assistance	19,097	-	-	-	19,097
Wayne Trace Local School District	3,966	-	-	-	3,966
State Workforce Development	866	-	-	-	866
Office of Minority Financial Incentives	850	-	-	-	850
Professional Development	1,043	-	-	-	1,043
Columbiana County Economic Stabilization	177	-	-	-	177
Small Government Fire Departments	822	-	-	-	822
Nurses Education Assistance	-	250	-	-	250
Highway, Transit, & Aviation Infrastructure Bank	-	-	102,895	-	102,895
Economic Development Office of Financial Incentives	-	-	-	340,768	340,768
Rail Development	-	-	-	3,980	3,980
Brownfield Revolving Loan	-	-	-	3,070	3,070
Local Infrastructure Improvements	-	-	-	339,041	339,041
Natural Resources	-	-	-	2	2
Loans Receivable, Gross	254,454	250	102,895	686,861	1,044,460
Estimated Uncollectible	(137)	-	-	-	(137)
Loans Receivable, Net	$254,317	$250	$102,895	$686,861	$1,044,323
Current-Due Within One Year	$50,396	$125	$14,497	$78,355	$143,373
Noncurrent-Due in More Than One Year	203,921	125	88,398	608,506	900,950
Loans Receivable, Net	$254,317	$250	$102,895	$686,861	$1,044,323

NOTE 5 RECEIVABLES (Continued)

Major Component Units - Loans Receivable

Loan Program	Ohio Water Development Authority (12/31/07)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion)	$3,929,033	$ -	$ -
Student	-	88,866	41,445
Other	-	-	748
Loans Receivable, Gross	3,929,033	88,866	42,193
Estimated Uncollectible	-	(16,700)	(5,645)
Loans Receivable, Net	$3,929,033	$72,166	$36,548
Current-Due Within One Year	$1,885	$11,350	$3,266
Noncurrent-Due in More Than One Year	3,927,148	60,816	33,282
Loans Receivable, Net	$3,929,033	$72,166	$36,548

D. Other Receivables

The other receivables balances reported for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2008, consist of the following (dollars in thousands).

Primary Government - Other Receivables

	Governmental Activities						
	Major Governmental Funds						
Types of Receivables	General	Job, Family & Other Human Services	Education	Highway Operating	Buckeye Tobacco Settlement Financing Authority	Nonmajor Govern-mental Funds	Total
Manufacturers' Rebates	$58,521	$90,730	$ -	$ -	$ -	$12,054	$161,305
Tobacco Settlement	-	-	-	-	205,469	76,465	281,934
Health Facility Bed Assessments	-	58,915	-	-	-	-	58,915
Interest	37,720	-	-	3,233	268	900	42,121
Accounts	56,847	33,358	159	1,722	-	5,241	97,327
Environmental Legal Settlements	-	-	-	-	-	7,540	7,540
Miscellaneous	13,547	3,779	61	430	-	1,111	18,928
Other Receivables, Net-	$166,635	$186,782	$220	$5,385	$205,737	$103,311	$668,070
Current-Due Within One Year	$166,635	$186,782	$220	$5,385	$268	$26,846	$386,136
Noncurrent-Due in More Than One Year	-	-	-	-	205,469	76,465	281,934
Other Receivables, Net	$166,635	$186,782	$220	$5,385	$205,737	$103,311	$668,070

	Business-Type Activities				
	Major Proprietary Funds				
Type of Receivable	Workers' Compen-sation	Lottery Commission	Unemploy-ment Compen-sation	Nonmajor Proprietary Funds	Total
Accounts	$1,067,313	$ -	$80,260	$946	$1,148,519
Interest and Dividends (including restricted portion)	200,414	4,300	-	7,129	211,843
Lottery Sales Agents	-	44,745	-	-	44,745
Miscellaneous	-	-	-	49	49
Other Receivables, Gross	1,267,727	49,045	80,260	8,124	1,405,156
Estimated Uncollectible	(882,730)	(314)	(68,491)	-	(951,535)
Other Receivables, Net-Due Within One Year	$384,997	$48,731	$11,769	$8,124	$453,621
Total Primary Government					$1,121,691

NOTE 5 RECEIVABLES (Continued)

Major Component Units - Other Receivables

Types of Receivables	Ohio State University	University of Cincinnati
Accounts	$970,231	$25,869
Interest	18,896	491
Investment Trade Receivable (Stock Proceeds)	-	7
Dividends Receivable	-	7,290
Pledges	42,076	72,992
Unbilled Charges	-	40,044
Other Receivables, Gross	1,031,203	146,693
Estimated Uncollectible	(563,434)	(8,471)
Other Receivables, Net	$467,769	$138,222
Current-Due Within One Year	$458,385	$82,335
Noncurrent-Due Within More Than One Year	9,384	55,887
Other Receivables, Net	$467,769	$138,222

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2008, is comprised of interest due of approximately $3.3 million, investment trade receivable of $13.9 million, and miscellaneous receivables of $2.5 million.

NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2008, follow (dollars in thousands).

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accured Interest	Other	Total Accrued Liabilities
Governmental Activities:				
Major Governmental Funds:				
General	$167,716	$ -	$ -	$167,716
Job, Family and Other Human Services	22,277	-	-	22,277
Education	2,319	-	-	2,319
Highway Operating	28,842	-	-	28,842
Nonmajor Governmental Funds	60,115	-	26	60,141
	281,269	-	26	281,295
Reconcilliation of balance in fund financial statements to government-wide financial statements due to basis differences	-	147,441	-	147,441
Total Governmental Activities	281,269	147,441	26	428,736
Business-Type Activities:				
Nonmajor Proprietary Funds	5,862	-	-	5,862
Total Primary Government	$287,131	$147,441	$26	$434,598

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Expenses
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2007)	$1,241	$218	$ -	$1,459
Variable College Savings Plan Private-Purpose Trust	-	-	6,091	6,091
Total Fiduciary Activities	$1,241	$218	$6,091	$7,550

NOTE 6 PAYABLES (Continued)

Major Component Units - Accrued Liabilities

	Wages and Employee Benefits	Self-Insurance	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University	$171,998	$139,094	$4,057	$32,253	$347,402
University of Cincinnati	28,586	-	4,918	37,824	71,328

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government, as of June 30, 2008, are comprised of the following (dollars in thousands).

Primary Government - Intergovernmental Payable

	Local Government				
	Shared Revenue and Local Permissive Taxed	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General	$287,968	$157,202	$21,980	$ -	$467,150
Job, Family and Other Human Services	-	178,802	-	-	178,802
Education	-	54,554	3	-	54,557
Highway Operating	-	1,584	-	-	1,584
Revenue Distribution	822,581	-	-	2,308	824,889
Nonmajor Governmental Funds	-	178,161	-	-	178,161
Total Governmental Activities	1,110,549	570,303	21,983	2,308	1,705,143
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	153	356	-	509
Nonmajor Proprietary Funds	415	-	-	-	415
Total Business-Type Activities	415	153	356	-	924
Total Primary Government	$1,110,964	$570,456	$22,339	$2,308	$1,706,067
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ -	$2,789	$3,715	$ 6,504
Payroll Withholding and Fringe Benefits Agency Fund	-	315	-	-	315
Other Agency Fund	135,638	2,685	-	-	138,323
Total Fiduciary Activities	$135,638	$3,000	$2,789	$3,715	$145,142

As of June 30, 2008, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately $1.72 billion for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Assets, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities."

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.

C. Refund and Other Liabilities

Refund and other liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2008, consist of the balances reported on the tables presented on the following page (dollars in thousands).

NOTE 6 PAYABLES (Continued)

Primary Government - Refund and Other Liabilties

	Estimated Tax Refund Claims					
	Personal Income Tax	Corporation Franchise Tax	Total Tax Refund Liabilities	Interest on Lawyers' Trust Accounts	Other	Total
Governmental Activities:						
Major Governmental Funds:						
General	$629,042	$132,517	$761,559	$ -	$1,587	$763,146
Job, Family and Other Human Services	-	-	-	2,072	3,275	5,347
Revenue Distribution	39,295	8,308	47,603	-	-	47,603
Nonmajor Governmental Funds	-	-	-	-	1,916	1,916
	668,337	140,825	809,162	2,072	6,778	818,012
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-financial statements	-	-	-	-	(1,339)	(1,339)
Total Governmental Activities	$668,337	$140,825	$809,162	$2,072	$5,439	$816,673

	Reserve for Compensa-tion Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$1,834,993	$88,918	$22,802	$ -	$93,825	$2,040,538
Lottery Commission	-	39,857	3,038	-	2,132	45,027
Unemployment Compensation	-	9,708	-	-	-	9,708
Nonmajor Proprietary Funds	-	2,615	9,869	12	1,456	13,952
	1,834,993	141,098	35,709	12	97,413	2,109,225
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-financial statements	(1,834,993)	(88,918)	(35,537)	(12)	(56,661)	(2,016,121)
Total Business-Type Activities	$ -	$52,180	$172	$ -	$40,752	$93,104
				Total Primary Government		$909,777

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2007)	$ -	$ -	$ -	$ -	$709	$709
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	13,299	13,299
STAR Ohio Investment Trust	-	-	-	-	1,564	1,564
Agency Funds:						
Holding and Distribution	-	18,451	-	-	-	18,451
Centralized Child Support Collections	77,514	-	-	-	-	77,514
Retirement Systems	-	-	-	179,623,891	-	179,623,891
Payroll Withholding and Fringe Benefits	-	-	168,376	-	-	168,376
Other	-	411,838	-	46,757	157,905	616,500
Total Fiduciary Activities	$77,514	$430,289	$168,376	$179,670,648	$173,477	$180,520,304

NOTE 6 PAYABLES (Continued)

Major Component Units - Refund and Other Liabilities

	Refund and Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
Ohio State University	$47,532	$97,039	$23,010	$48,898	$30,679	$247,158
University of Cincinnati	30,217	62,864	153,725	-	6,011	252,817

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

A. Interfund Balances

Interfund balances, as of June 30, 2008, consist of the following (in thousands):

	Due To							
	Governmental Activities							
Due from	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Major Governmental Funds:								
General	$ -	$ -	$ -	$ -	$116,406	$ -	$3,327	$119,733
Revenue Distribution	-	-	-	712	-	-	394	1,106
Nonmajor Governmental Funds	-	-	-	-	-	915,531	136	915,667
Total Governmental Activities	-	-	-	712	116,406	915,531	3,857	1,036,506
Business-Type Activities:								
Major Proprietary Funds:								
Lottery Commission	3,730	84	65	469	26	-	938	5,312
Nonmajor Proprietary Funds	2,885	-	-	-	-	-	114	2,999
Total Business-Type Activities	6,615	84	65	469	26	-	1,052	8,311
Total Primary Government	$6,615	$84	$65	$1,181	$116,432	$915,531	$4,909	$1,044,817

	Business-Type Activities				
	Major Proprietary Fund			Fiduciary Fund	
Due from	Workers' Compensation	Nonmajor Proprietary Funds	Total	Agency	Total Primary Government
Major Governmental Funds:					
General	$586,003	$9,381	$595,384	$ -	$715,117
Job, Family, Other Human Services	15,144	-	15,144	-	15,144
Education	2,871	-	2,871	-	2,871
Highway Operating	93,615	-	93,615	-	93,615
Revenue Distribution	-	-	-	-	1,106
Nonmajor Governmental Funds	117,912	1	117,913	-	1,033,580
Total Governmental Activities	815,545	9,382	824,927	-	1,861,433
Business-Type Activities:					
Major Proprietary Funds:					
Lottery Commission	2,497	-	2,497	34	7,843
Nonmajor Proprietary Funds	9,318	-	9,318	-	12,317
Total Business-Type Activities	11,815	-	11,815	34	20,160
Total Primary Government	$827,360	$9,382	$836,742	$34	$1,881,593

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

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.

The nonmajor governmental funds include an internal balance for bond proceeds transferred from the Buckeye Tobacco Settlement Financing Authority to fund capital projects at state-supported institutions of higher education. This assistance is included in the nonmajor funds as a due to/from other fund of $915.5 million and is being amortized over the projected payment period of the future tobacco settlement receipts.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized $827.4 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Assets, the State includes the liability totaling $815.5 million in the internal balance reported for governmental activities.

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2008, consist of the following (dollars in thousands):

	Transferred to						
	Governmental Activities						
	Major Governmental Funds						
Transferred from	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Nonmajor Govern-mental Funds	Total
Major Governmental Funds:							
General	$ -	$6,183	$8,492	$ -	$10,307	$1,355,977	$1,380,959
Job, Family and Other Human Services	33	-	1,501	-	-	29	1,563
Education	22,702	-	-	-	-	491	23,193
Highway Operating	400	-	-	-	190,562	26,601	217,563
Revenue Distribution	216,428	-	15,222	481,553	-	260,936	974,139
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	-	-	-	25,073	25,073
Nonmajor Governmental Funds	82,118	-	-	-	-	25,348	107,466
Total Governmental Activities	321,681	6,183	25,215	481,553	200,869	1,694,455	2,729,956
Major Proprietary Funds:							
Workers' Compensation	7,522	-	-	-	-	-	7,522
Lottery Commission	335	-	672,184	-	-	-	672,519
Unemployment Compensation	-	22,808	-	-	-	-	22,808
Nonmajor Proprietary Funds	167,000	-	-	-	-	63,225	230,225
Total Business-Type Activities	174,857	22,808	672,184	-	-	63,225	933,074
Total Primary Government	$496,538	$28,991	$697,399	$481,553	$200,869	$1,757,680	$3,663,030

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

	Business-Type Activities			
	Major Proprietary Fund			
Transferred from	Unemployment Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:				
General	$ -	$43,713	$43,713	1,424,672
Job, Family and Other Human Services	3,519	-	3,519	5,082
Education	-	-	-	23,193
Highway Operating	-	-	-	217,563
Revenue Distribution	-	-	-	974,139
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	-	25,073
Nonmajor Governmental Funds	-	-	-	107,466
Total Governmental Activities	3,519	43,713	47,232	2,777,188
Major Proprietary Funds:				
Workers' Compensation	-	-	-	7,522
Lottery Commission	-	-	-	672,519
Unemployment Compensation	-	-	-	22,808
Nonmajor Proprietary Funds	-	-	-	230,225
Total Business-Type Activities	-	-	-	933,074
Total Primary Government	$3,519	$43,713	$47,232	$3,710,262

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 the 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.

C. Component Units

For fiscal year 2008, the component units reported $2.14 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in “Primary, Secondary, and Other Education” expenses reported for the governmental activities, is the funding that the primary government provided to the School Facilities Commission for capital construction at local school districts and the eTech Ohio 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.

The primary government also transferred bond proceeds to the School Facilities Commission to pay the State’s share of the cost of rebuilding elementary and secondary school facilities across the State. This assistance is included as a receivable of the Buckeye Tobacco Settlement Financing Authority for $4.01 billion and is being amortized over the projected payment period of the future tobacco settlement receipts.

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

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

Primary Government
(dollars in thousands)

	Receivable from the Component Units	Payable to the Component Units	Program Expenses for State Assistance to Component Units: Primary, Secondary, and Other Education Function	Higher Education Support Function	Total State Assistance to the Component Units
Major Governmental Funds:					
General	$ -	$12,815	$120,640	$1,794,238	$1,914,878
Job, Family and Other Human Services	-	1,420	-	-	-
Education	-	1,108	-	-	-
Highway Operating	-	330	-	-	-
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	4,014,630	-	-	-	-
Nonmajor Governmental Funds	-	24,478	-	222,199	222,199
Total Governmental Activities	4,014,630	40,151	120,640	2,016,437	2,137,077
Major Proprietary Funds:					
Lottery Commission	-	215	-	-	-
Total Business-Type Activities	-	215	-	-	-
Total Primary Government	$4,014,630	$40,366	$120,640	$2,016,437	$2,137,077

Component Units
(dollars in thousands)

	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistantce from the Primary Government
Major Component Units:			
School Facilities Commission	$200	$4,014,630	$97,370
Ohio State University	5,972	-	556,384
University of Cincinnati	92	-	239,105
Nonmajor Component Units	34,072	-	1,244,218
	40,336	4,014,630	2,137,077
Variance Due to Year-End Differences (June 30 versus December 31)	30	-	-
Total Component Units	$40,366	$4,014,630	$2,137,077

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2008, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$1,817,502	$71,201	($3,568)	$1,885,135
Buildings	60,060	-	(152)	59,908
Land Improvements	1,202	-	-	1,202
Construction-in-Progress	1,757,523	455,208	(387,040)	1,825,691
Infrastructure:				
Highway Network:				
General Subsystem	8,363,606	38,694	(15,227)	8,387,073
Priority Subsystem	7,320,525	152,933	(4,004)	7,469,454
Bridge Network	2,496,039	56,825	(10,994)	2,541,870
Total Capital Assets Not Being Depreciated	21,816,457	774,861	(420,985)	22,170,333
Other Capital Assets:				
Buildings	3,322,214	257,246	(73,141)	3,506,319
Land Improvements	359,712	40,679	(1,700)	398,691
Machinery and Equipment	612,696	71,906	(41,434)	643,168
Vehicles	266,779	23,125	(19,689)	270,215
Infrastructure:				
Parks, Recreation and Natural Resources Network	49,016	6,497	(1,204)	54,309
Total Other Capital Assets at Historical Cost	4,610,417	399,453	(137,168)	4,872,702
Less Accumulated Depreciation for:				
Buildings	1,457,001	218,125	(44,515)	1,630,611
Land Improvements	165,869	35,960	(1,172)	200,657
Machinery and Equipment	417,725	66,988	(40,946)	443,767
Vehicles	123,078	21,930	(13,688)	131,320
Infrastructure:				
Parks, Recreation and Natural Resources Network	4,922	2,125	(131)	6,916
Total Accumulated Depreciation	2,168,595	345,128	(100,452)	2,413,271
Other Capital Assets, Net	2,441,822	54,325	(36,716)	2,459,431
Governmental Activities- Capital Assets, Net	$24,258,279	$829,186	($457,701)	$24,629,764

For fiscal year 2008, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	*(in 000s)*
Primary, Secondary and Other Education	$1,010
Public Assistance and Medicaid	4,798
Health and Human Services	20,736
Justice and Public Protection	81,466
Environmental Protection and Natural Resources	137,267
Transportation	27,240
General Government	125,311
Community and Economic Development	5,487
Total Depreciation Expense for Govenmental Activities	403,315
Gains (Losses) on Capital Asst Disposals Included in Depreciation	(58,187)
Fiscal Year 2008 Increases to Accumulated Depreciation	$345,128

As of June 30, 2008, the State considered the following governmental capital asset balances as being temporarily or permanently impaired and removed from service.

NOTE 8 CAPITAL ASSETS (Continued)

Governmental Activities:	*(in 000s)*
Temporarily Impaired Assets Removed from Service:	
Buildings	$13,503
Land Improvements	225
Total	$13,728
Permanently Impaired Assets Removed from Service:	
Buildings	$1,426
Land Improvements	10
Total	$1,436

	Primary Government (Continued)			
	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$11,994	$ -	$ -	$11,994
Construction-In Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	11,994	-	-	11,994
Other Capital Assets:				
Buildings	222,974	449	-	223,423
Land Improvements	66	-	-	66
Machinery and Equipment	144,758	12,038	(23,321)	133,475
Vehicles	5,035	907	(1,251)	4,691
Total Other Capital Assets at Historical Cost	372,833	13,394	(24,572)	361,655
Less Accumulated Depreciation for:				
Buildings	122,925	7,383	-	130,308
Land Improvements	52	1	-	53
Machinery and Equipment	128,503	7,276	(22,779)	113,000
Vehicles	2,255	798	(1,008)	2,045
Total Accumulated Depreciation	253,735	15,458	(23,787)	245,406
Other Capital Assets, Net	119,098	(2,064)	(785)	116,249
Busines-Type Activities - Capital Assets, Net	$131,092	($2,064)	($785)	$128,243

For fiscal year 2008, the State charged depreciation expense to the following business-type functions:

Business-Type Activities	*(in 000s)*
Workers' Compensation	$11,798
Lottery Commission	990
Tuition Trust Authority	26
Liquor Control	760
Underground Parking Garage	626
Office of Auditor of State	1,531
Total Depreciation Expense for Business-Type Activities	15,731
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(273)
Fiscal year 2008 Increase to Accumulated Depreciation	$15,458

B. Major Component Units

Capital asset activity, for the year ended June 30, 2008, reported for discretely presented major component unit funds with significant capital asset balance was as follows (dollars in thousands):

NOTE 8 CAPITAL ASSETS (Continued)

	Major Component Units			
	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$52,053	$3,650	($6,826)	$48,877
Construction-in-Progress	281,575	12,054	-	293,629
Total Capital Assets Not Being Depreciated	333,628	15,704	(6,826)	342,506
Other Capital Assets:				
Buildings	3,247,839	204,841	(4,258)	3,448,422
Land Improvements	257,017	18,863	(6,078)	269,802
Machinery, Equipment and Vehicles	820,968	90,933	(66,616)	845,285
Library Books and Publications	163,767	3,666	(2,890)	164,543
Total Other Capital Assets at Historical Cost	4,489,591	318,303	(79,842)	4,728,052
Other Capital Assets:				
Buildings	1,170,291	115,380	(385)	1,285,286
Land Improvements	139,878	10,677	(1,538)	149,017
Machinery, Equipment and Vehicles	542,853	82,346	(59,647)	565,552
Library Books and Publications	144,369	5,191	(2,890)	146,670
Total Accumulated Depreciation	1,997,391	213,594	(64,460)	2,146,525
Other Capital Assets, Net	2,492,200	104,709	(15,382)	2,581,527
Total Capital Assets, Net	$2,825,828	$120,413	($22,208)	$2,924,033
University of Cincinnati:				
Capital Assets Not Being Depreciated:				
Land	$21,923	$ -	$ -	$21,923
Construction-in-Progress	176,665	71,839	(25,250)	223,254
Collections of Works of Art and Historical Treasures	4,364	-	-	4,364
Total Capital Assets Not Being Depreciated	202,952	71,839	(25,250)	249,541
Other Capital Assets:				
Buildings	1,597,898	13,653	-	1,611,551
Land Improvements	81,629	4,773	-	86,402
Machinery, Equipment and Vehicles	205,033	9,761	(11,307)	203,487
Library Books and Publications	140,741	9,155	(549)	149,347
Infrastructure	96,353	3,891	-	100,244
Total Other Capital Assets at Historical Cost	2,121,654	41,233	(11,856)	2,151,031
Less Accumulated Depreciation for:				
Buildings	574,167	57,521	-	631,688
Land Improvements	14,688	4,121	-	18,809
Machinery, Equipment and Vehicles	123,480	15,804	(10,191)	129,093
Library Books and Publications	91,959	6,905	(386)	98,478
Infrastructure	48,349	3,689	-	52,038
Total Accumulated Depreciation	852,643	88,040	(10,577)	930,106
Other Capital Assets, Net	1,269,011	(46,807)	(1,279)	1,220,925
Total Capital Assets, Net	$1,471,963	$25,032	($26,529)	$1,470,466

For fiscal year 2008, Ohio State University and the University of Cincinnati reported approximately $213.6 million and $88 million in depreciation expense, respectively.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including 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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (OPERS)
Pension Benefits
OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

As 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 enrolled in the defined benefit and combined plans.

Most employees who are members of OPERS and who have fewer than five total years of service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers, (who must participate in the defined benefit plan), college and university employees who choose to participate in one of the university's alternative retirement plans (see NOTE 9D), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit and prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Regular employees who participate in the defined benefit plan or the combined plan 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 or 60 contributing months 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 for the defined benefit plan 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 of the original base amount regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan 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 one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, payments for a guaranteed period, or various combinations of these options. Participants direct the investment of their accounts by selecting from six professionally managed investment options.

Retirees covered under any one of the three OPERS plan options may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP is limited to a minimum of six months and maximum of 36 months worth of the original unreduced monthly pension benefit, and is capped at no more than 50 percent of the retirement benefit amount.

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 fiscal year 2008, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2007 through December 31, 2007	9.50%	13.77%
January 1, 2008 through June 30, 2008	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2007 through December 31, 2007	10.10%	17.17%
January 1, 2008 through June 30, 2008	10.10%	17.40%

The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees. The maximum employer contribution rate for regular employees has been reached. The employer rate for law enforcement employees is scheduled to increase to 17.63 percent, beginning January 1, 2009, and incrementally thereafter, until reaching 18.1 percent on January 1, 2011.

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

Employer contributions required and made for the last three years for the defined benefit plan and the defined benefit part of the combined plan were as follows (dollars in thousands):

	2008	2007	2006
Primary Government:			
Regular Employees	$ 217,003	$ 254,977	$253,259
Law Enforcement Employees................	3,718	4,112	3,988
Total	$ 220,721	$ 259,089	$257,247
Major Component Units:			
School Facilities Commission	$268	$317	$297
Ohio Water Development Authority.....	72	89	82
Ohio State University..........	63,104	70,385	62,108
University of Cincinnati.......	11,672	14,162	13,285

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan were as follows (dollars in thousands):

	2008	2007	2006
Primary Government:			
Employer Contributions	$4,407	$3,455	$2,598
Employee Contributions	9,721	7,718	5,828
Major Component Units:			
Ohio State University:			
Employer Contributions ...	1,988	1,618	1,185
Employee Contributions ..	4,425	3,536	2,494
University of Cincinnati:			
Employer Contributions ...	300	292	236
Employee Contributions ..	640	595	460

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) 222-5601 or (800) 222-7377.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other Postemployment Benefits (OPEB)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the defined benefit and combined plans. Members of the defined contribution plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the defined benefit and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The contributions rates for regular and law enforcement employees were as follows:

	Employer Share
July 1, 2007 through December 31, 2007	6.00%
January 1, 2008 through June 30, 2008	7.00%

Active members do not make contributions to the OPEB Plan. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contributions required and made for the last three fiscal years for the defined benefit plan and the defined benefit portion of the combined plan were as follows (dollars in thousands):

	2008	2007	2006
Primary Government:			
Regular Employees	$ 190,963	$ 135,968	$117,294
Law Enforcement Employees..................	2,238	1,589	1,349
Total	$ 193,201	$ 137,557	$118,643
Major Component Units:			
School Facilities Commission	$236	$169	$137
Ohio Water Development Authority.......	64	47	38
Ohio State University............	55,482	37,523	28,752
University of Cincinnati..........	10,262	7,550	6,151

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2008, employers paid 4.5 percent of their share into members' accounts for the period covering July 1, 2007 through June 30, 2008. An employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after ten years of service credit. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer contributions required and made for the last three fiscal years for the defined contribution plan were as follows (dollars in thousands):

	2008	2007	2006
Primary Government............	$2,272	$1,805	$1,423
Major Component Units:			
Ohio State University.........	954	796	629
University of Cincinnati......	144	144	125

The number of active contributing participants for the primary government was 57,809, as of June 30, 2008.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, became effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

Early Retirement Incentives (ERI)

State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. Qualifying employees must have at least one year to decide whether to accept the offer.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when terminating a number of employees that equals or exceeds the lesser of 50 employees or ten percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date, and the amount of service credit offered must be at least two years and not more than five years.

The ERI agreements establish an obligation to pay specific amounts on fixed dates. State agencies that implement an ERI must pay their obligation to OPERS within a maximum of two years after the agreement is finalized, so the State does not discount the amount of the liability incurred under the agreement.

As of June 30, 2008, the State had no significant liability balances relative to existing ERI agreements with State employees covered by OPERS. During fiscal year 2008, the State incurred expenditures/expenses totaling $14.4 million for 339 employees who entered into ERI agreements with the State.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans.

Participants in the defined benefit plan 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" calculation 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 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by .1 percent starting at 2.6 percent for the 32nd year.

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. Benefits are increased annually by three percent of the original base amount.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirees can also choose a "partial lump-sum" option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, and those with less than five years of service credit at that date, may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan.

Participants in the defined contribution plan are eligible to retire at age 50. Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from various professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Employer contributions become vested after one year of service, while employee contributions vest immediately.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60. The annual allowance is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken as a lump sum or as a lifetime monthly annuity at age 50.

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. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

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 ten percent, respectively, and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2008 were 14 percent for employers and ten percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13 percent of the employer rate is used to fund pension obligations. For the defined contribution plan, 10.5 percent of the employer's share is deposited into individual employee accounts, while 3.5 percent is paid to the defined benefit plan.

Employer contributions required and made for the last three fiscal years for the defined benefit and the defined benefit portion of the combined plans were as follows (dollars in thousands):

	2008	2007	2006
Primary Government............	$7,536	$7,477	$7,162
Major Component Units:			
Ohio State University............	36,631	35,523	34,038
University of Cincinnati.........	14,487	14,395	14,188

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2008	2007	2006
Primary Government:			
Employer Contributions	$105	$88	$101
Employee Contributions	170	148	166
Major Component Units:			
Ohio State University:			
Employer Contributions	2,707	2,103	1,438
Employee Contributions ...	3,149	2,475	1,719
University of Cincinnati:			
Employer Contributions	813	769	789
Employee Contributions ...	1,038	973	970

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090 or (888) 227-7877.

Other Postemployment Benefits (OPEB)
The STRS plan provides comprehensive healthcare benefits to retirees and their dependents that are enrolled in the defined benefit and combined plans. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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 one percent of covered payroll are allocated to pay for healthcare benefits. Retirees enrolled in the defined contribution plan receive no post-employment healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2008, net assets available for future healthcare benefits were $3.66 billion. Employer contributions required and made for the last three fiscal years for the defined benefit and the defined benefit portion of the combined plans were as follows (dollars in thousands):

	2008	2007	2006
Primary Government..............	$580	$575	$551
Major Component Units:			
Ohio State University..........	2,818	2,733	2,618
University of Cincinnati.......	1,114	1,107	1,091

The number of eligible benefit recipients for STRS as a whole was 166,273, as of June 30, 2008; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2008, 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 Blvd., Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 431-0781 or (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. In addition to providing pension benefits, SHPRS is authorized by Chapter 5505, Ohio Revised Code, to pay health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Part B basic premiums for those eligible benefit recipients upon proof of coverage.

Chapter 5505, Ohio Revised Code, 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 contribution rate.

SHPRS' 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 measureable.

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."

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 and private equity investments are based on independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.

Employees are eligible for pension and healthcare benefits upon reaching both an age and service requirement. Employees with at least 15 years of service credit, but less than 20 years of service credit, may retire at age 55. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 48 with reduced benefits or age 52 with full benefits. Employees with more than 25 years of service may retire at age 48.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The pension benefit is a percentage of the member's final average salary, which is the average of the member's three highest salary years. For members with at least 15 years of service credit, but less than 20 years of service credit, the percentage is determined by multiplying 1.5 percent times the number of years of service credit. For members with 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

Pension Benefits

The employer and employee contribution rates, as of December 31, 2007, were 25.5 percent and ten percent, respectively.

During calendar year 2007, all of the employees' contributions funded pension benefits while 22 percent of the employer's contributions funded pension benefits from January 1, 2007 through June 30, 2007 and 21 percent from July 1, 2007 through December 31, 2007. 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.

The employer contributions for calendar year 2007 were approximately $19.9 million. The employer's annual required contribution (ARC) for the last three calendar years were as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
2007	$21,666	92.1%
2006	19,567	98.5%
2005	18,468	100.0%

For years ending 2007 and 2006 contributions made by employers did not meet the ARC, but they did meet the statutory requirements.

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2007. 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 four percent attributable to inflation and additional projected salary increases ranging from 0.3 percent to ten percent attributable to seniority and merit; price inflation was assumed to be at least four percent a year; and postretirement increases each year equal to three percent after the retiree reaches age 53. Maximum contribution rates were not considered in the projection of actuarially accrued liabilities for pension benefits.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 27 years.

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

SHPRS Schedule of Funding Progress Last Three Calendar Years-Pension

(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)
2007	$866,255	$700,861	$165,394	80.9%	$93,753	176.4%
2006	807,761	653,493	154,268	80.9%	85,878	179.6%
2005 (a)	773,856	591,922	181,934	76.5%	83,408	218.1%
2005	766,741	591,922	174,819	77.2%	83,408	209.6%

(a) Assumption or method charge

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other Post Employment Benefits (OPEB)

During calendar year 2007, 3.5 percent of the employer's contributions funded healthcare benefits from January 1, 2007 through June 30, 2007 and 4.5 percent from July 1, 2007 through December 31, 2007. Active members do not make contributions to the OPEB plan.

The employer contributions for calendar year 2007 were approximately $4.6 million. The employer's annual required contribution (ARC) for the last two calendar years were as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's ARC Contributed
2007	$18,303	25.0%
2006	15,962	21.2%

Data for 2005 is not available, so only two years is shown.

For years ending 2007 and 2006 contributions made by employers did not meet the ARC, but they did meet the statutory requirements.

The cost of retiree healthcare benefits is recognized as claims incurred and premiums paid. The calendar year 2007 expense was $11.3 million. The number of active contributing plan participants, as of December 31, 2007, was 1,597.

Healthcare benefits are advance funded by the employer using the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2007, for OPEB. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a 6.5 percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from 0.3 percent to 10 percent a year attributable to seniority and merit; and price inflation was assumed to be at least four percent a year. Maximum contribution rates were not considered in the projection of actuarially accrued liabilities for OPEB benefits.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 30 years.

Premiums are assumed to increase annually by four percent, plus an additional percentage ranging from 0.5 percent to five percent through 2018. Net assets available for benefits allocated to healthcare costs at December 31, 2007 were $111.2 million, and included investments carried at fair value, as previously described.

As of December 31, 2007, the unfunded 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 $224.1 million, the actuarial accrued liability for healthcare benefits at that date was $335.2 million.

The Schedule of Funding Progress for OPEB for the last three years is presented below.

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB

(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)
2007	$335,232	$111,180	$224,052	33.2%	$93,753	239.0%
2006	294,079	104,857	189,222	35.7%	85,878	220.3%
2005	281,094	95,889	185,205	34.1%	83,408	222.0%

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

higher education, who otherwise would be covered by OPERS or STRS. Classified civil service employees hired on or after August 1, 2005 are also 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 OPERS or STRS would be transferred to the ARP. The Ohio Department of Insurance has designated the companies that are 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. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2008, employers were required to contribute 0.54 percent for the period August 1, 2007 through December 31, 2007 and 0.77 percent for the period January 1, 2008 through June 30, 2008 of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 3.5 percent of a participating employee's gross salary, for the year ended June 30, 2008, to STRS in cases when the employee would have otherwise been enrolled in STRS.

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 OPERS and STRS. 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 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.

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2008, for the ARP follow (dollars in thousands):

	OPERS	STRS
Major Component Units:		
Ohio State University:		
Employer Contributions	$19,980	$14,850
Employee Contributions ...	14,738	14,143
University of Cincinnati:		
Employer Contributions	7,588	6,142
Employee Contributions ...	5,420	4,387

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 18 constitutional amendments (the last adopted November 2005 for local government infrastructure improvements, high-tech business research and development support, and business site development enhancements), 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, natural resources, research and development support for high-tech business, and business site development. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2008, the General Assembly had authorized the issuance of $3.35 billion in Common Schools Capital Facilities Bonds, of which $3.29 billion has been issued. As of June 30, 2008, the General Assembly has also authorized the issuance of $2.61 billion in Higher Education Capital Facilities Bonds, of which $2 billion has been issued.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to $220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than $1.2 billion outstanding at any time. As of June 30, 2008, the General Assembly has authorized the issuance of approximately $2.42 billion in Highway Capital Improvements Bonds, of which $1.95 billion has been issued.

Constitutional amendments in 1995 and 2005 allowed for the issuance of $3.75 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Issuances are limited to $120 million in any fiscal year through fiscal year 2013, with an increase in the annual issuance amount to $150 million for fiscal years 2014 through 2018. As of June 30, 2008, the General Assembly had authorized $2.88 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $2.40 billion had been issued (net of $214 million in unaccreted discounts at issuance).

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, 2008, the General Assembly had authorized the issuance of $231 million in Coal Research and Development Bonds, of which $158 million had been issued.

Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $350 million, as of June 30, 2008, of which $295 million had been issued.

A 2000 constitutional amendment allowed for outstanding Conservation Projects Bonds up to $200 million. No more than $50 million may be issued during a fiscal year. As of June 30, 2008, the General Assembly had authorized the issuance of approximately $240 million in Conservation Projects Bonds of which $200 million had been issued.

Through approval of the November 2005 amendment, voters authorized the issuance of $500 million of Third Frontier Research and Development Bonds. Not more than $100 million may be issued in each of the first three years and not more than $50 million may be issued in any of the subsequent fiscal years. As of June 30, 2008, the General Assembly had authorized the issuance of $350 million in Third Frontier Research and Development Bonds, of which $80.7 million had been issued as of June 30, 2008.

The issuance of $150 million of Site Development Bonds was also authorized through the approval of the November 2005 amendment. Not more than $30 million may be issued in each of the first three years and not more than $15 million may be issued in any of the subsequent fiscal years. The General Assembly had authorized the issuance of $120 million in Site Development Bonds as of June 30, 2008, of which $30 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2008, are presented in the table below. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2008. As rates vary, variable-rate bond interest payments and net swap payments vary.

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2008
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2000-07	2.5%-5.5%	2027	$2,863,173	$55,000
Higher Education Capital Facilities	2000-07	2.5%-5.4%	2027	1,652,103	613,000
Highway Capital Improvements	1999-08	2.4%-5.6%	2018	867,149	475,000
Infrastructure Improvements	1990-08	2.6%-7.6%	2028	1,476,061	480,014
Coal Research and Development	2000-08	2.0%-5.0%	2016	32,616	73,000
Natural Resources Capital Facilities	1999-07	3.0%-5.0%	2020	160,501	55,000
Conservation Projects	2002-07	2.3%-5.3%	2023	171,381	40,000
Third Frontier Research and Development	2007	4.0%-5.5%	2017	62,755	269,280
Site Development	2007	3.4%-5.3%	2016	24,637	90,000
Total General Obligation Bonds				$7,310,376	$2,150,294

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2009	$531,820	$295,274	($104)	$826,990
2010	524,910	272,279	(53)	797,136
2011	501,830	249,174	-	751,004
2012	499,835	227,530	-	727,365
2013	497,440	206,076	-	703,516
2014-2018	1,891,875	723,917	-	2,615,792
2019-2023	1,524,530	312,254	-	1,836,784
2024-2028	456,645	38,632	-	495,277
Total Current Interest and Capital Appreciation Bonds	$6,428,885	$2,325,136	($157)	$8,753,864

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2009	$17,235	$10,981	$9,638	$37,854
2010	19,345	10,694	8,665	38,704
2011	21,125	10,393	6,230	37,748
2012	19,230	10,086	6,117	35,433
2013	18,125	9,788	5,996	33,909
2014-2018	284,400	38,865	26,206	349,471
2019-2023	249,965	17,542	13,298	280,805
2024-2028	78,995	2,050	1,297	82,342
Total Variable-Rate Bonds	$708,420	$110,399	$77,447	$896,266

Total General Obligation Bonds	7,137,305
Unamortized Premium/(Discount), Net	217,687
Deferred Refunding Loss	(44,616)
Total Carrying Amount	$7,310,376

For the year ended June 30, 2008, NOTE 15 summarizes changes in general obligation bonds.

Interest Rate Swaps

As of June 30, 2008, approximately $718.9 million of issued Infrastructure Improvement Bonds and Common Schools Bonds include associated interest-rate swaps. Terms of the swap agreements are provided in the tables on pages 112 and114. Fair value has been determined using the zero-coupon method.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State would be liable to the counterparty for a payment at the swap's fair value. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No such credit events have occurred.

Interest rate risk, rollover risk, basis risk, and credit risk vary for each interest rate swap. Discussion of these risks has also been included by swap, when applicable.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government-Governmental Activities
Interest Rate Swaps—Infrastructure Improvements
As of June 30, 2008
(dollars in thousands)

Issue	Type of Swap	Original Notational Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2008	State's Swap Rate at 06/30/2008	Effective Date	Termination (Maturity) Date	Fair Value
Infrastructure Improvements, Series 2001B	Floating to Fixed knock-out	$63,900	SIFMA Index	1.55%	4.63%	11/29/2001	8/1/2021	($2,913)
Credit Quality Ratings of Counterparty: 50% Aaa/AAA Bear Stearns Financial Products; 50% A1/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Refunding Series 2003B	Floating to Fixed	$104,315	Actual Bond Rate	1.55%	2.96%	2/26/2003	8/1/2008	($119)
Credit Quality Ratings of Counterparty: A1/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Refunding Series 2003D	Floating to Fixed	$58,085	Actual Bond Rate	1.55%	3.04%	3/20/2003	2/1/2010	($547)
Credit Quality Ratings of Counterparty: A1/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Series 2003F	Fixed to Floating	$30,115	SIFMA Index	2.54%	1.55%	12/4/2003	2/1/2010	$27
Credit Quality Ratings of Counterparty: Aaa/AA JP Morgan Chase								
Infrastructure Improvements, Refunding Series 2004A	Floating to Fixed Enhanced LIBOR	$58,725	LIBOR (See terms below)	1.80%	3.51%	3/3/2004	2/1/2023	($1,762)
Credit Quality Ratings of Counterparty: A1/A+ Morgan Stanley Capital Services								
Terms: 68% of LIBOR (1-month LIBOR > 5.0%) or 63% of LIBOR + 25 basis points (1-month LIBOR < 5.0%)								

Infrastructure Improvements-Series 2001B
The State entered into an interest rate swap to convert the Series 2001B variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

In addition, the swap has a knock-out option. In the event the 180-day average of the SIFMA index rate exceeds seven percent, the counterparty can knock-out (cancel) the swap. If the counterparty exercises its option to cancel, the State would be exposed to higher floating rates.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively raise the fixed rate that the State pays on the swap. The SIFMA municipal swap index has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Infrastructure Improvements-Refunding Series 2003B
The State entered into an interest rate swap to convert the Series 2003B variable-rate refunding bonds into a synthetic fixed rate through the escrow period of the refunded bonds. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings from the refunding.

The swap matures on August 1, 2008, and the Series 2003B variable-rate bonds mature on August 1, 2017. This mismatch in terms allows the State to increase its variable rate exposure after August 1, 2008, which is consistent with its long-term asset/liability management policy objective.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

Infrastructure Improvements-Refunding Series 2003D
The State entered into an interest rate swap to convert the Series 2003D variable-rate refunding bonds into a synthetic fixed rate through the escrow period of the refunded bonds. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings from the refunding.

The swap matures on February 1, 2010, and the Series 2003D variable-rate bonds mature on February 1, 2019. This mismatch in terms allows the State to increase its variable rate exposure after February 1, 2010, which is consistent with its long-term asset/liability management policy objective.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

Infrastructure Improvements-Series 2003F
The State entered into an interest rate swap to convert a portion of the Series 2003F fixed-rate bonds into a synthetic variable rate. The combination of fixed-rate bonds and a fixed-to-floating swap creates synthetic variable-rate debt that is exposed to changing interest rates. The borrowing cost is less than the traditional variable borrowing cost.

The State has credit risk exposure of $27 thousand at June 30, 2008.

Infrastructure Improvements-Refunding Series 2004A
The State entered into an interest rate swap to convert the Series 2004A variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government-Governmental Activities
Interest Rate Swaps—Common Schools
As of June 30, 2008
(dollars in thousands)

Issue	Type of Swap	Original Notational Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2008	State's Swap Rate at 06/30/2008	Effective Date	Termination (Maturity) Date	Fair Value
Common Schools, Series 2003D	Floating to Fixed LIBOR	$67,000	LIBOR (see terms below)	1.85%	3.41%	9/14/2007	3/15/2024	($502)
Credit Quality Ratings of Counterparty: 50% Aaa/AA JP Morgan Chase; 50% A1/A+ Morgan Stanley Capital Services								
Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, Series 2005A	Floating to Fixed LIBOR	$100,000	LIBOR (see terms below)	2.38%	3.75%	1/15/2008	3/15/2010	($5,550)
Credit Quality Ratings of Counterparty: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aaa/AA JP Morgan Chase								
Terms: 67% of 1-month LIBOR+72.6 basis points								
Common Schools, Series 2005B	Floating to Fixed LIBOR	$100,000	LIBOR (see terms below)	2.38%	3.75%	1/15/2008	3/15/2010	($5,550)
Credit Quality Ratings of Counterparty: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aaa/AA JP Morgan Chase								
Terms: 67% of 1-month LIBOR +72.6 basis points								
Common Schools, Series 2006B	Floating to Fixed LIBOR	$100,000	LIBOR (see terms below)	1.85%	3.20%	6/15/2006	6/15/2026	$475
Credit Quality Ratings of Counterparty: 50% Aa2/AA- UBS AG; 50% Aaa/AA- Royal Bank of Canada								
Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, Series 2006C	Floating to Fixed LIBOR	$100,000	LIBOR (see terms below)	1.85%	3.20%	6/15/2006	6/15/2026	$475
Credit Quality Ratings of Counterparty: 50% Aa2/AA- UBS AG; 50% Aaa/AA- Royal Bank of Canada								
Terms: 65% of 1-month LIBOR + 25 basis points								

Common Schools-Series 2003D
The State entered into a floating to fixed interest rate swap to convert its Common Schools, Series 2003D variable-rate bonds into a synthetic fixed rate through March 15, 2024. The swap allows the State to achieve variable rate exposure synthetically at a rate equal to the LIBOR index plus 25 basis points. The synthetic variable rate created under this swap exposes the State to the risk of rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The floating-to-fixed swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Common Schools-Series 2005A

The State entered into an interest rate swap to convert its Common Schools, Series 2005A variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a long-dated taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities and the risk of the LIBOR yield curve being flat or inverted for extended periods of time. Any changes in federal tax rates would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index. A flat or inverted LIBOR yield curve would likely result in a shortfall between the variable-rate swap receipt and the payments on the associated variable-rate bonds.

Common Schools-Series 2005B

The State entered into an interest rate swap to convert its Common Schools, Series 2005B variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2008. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a long-dated taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities and the risk of the LIBOR yield curve being flat or inverted for extended periods of time. Any changes in federal tax rates would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index. A flat or inverted LIBOR yield curve would likely result in a shortfall between the variable-rate swap receipt and the payments on the associated variable-rate bonds.

Common Schools-Series 2006B

The State entered into an interest rate swap to convert its Common Schools, Series 2006B variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure of $475 thousand at June 30, 2008.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

Common Schools-Series 2006C

The State entered into an interest rate swap to convert its Common Schools, Series 2006C variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.

The State has credit risk exposure of $475 thousand at June 30, 2008.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Advance Refundings
Proceeds of the refunding (new) bonds are placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) bonds. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

The State has defeased general obligation bonds in prior years and placed the proceeds in irrevocable trusts. As of June 30, 2008, the balances in these trusts for bonds defeased in prior years were $262.8 million for Infrastructure Improvement Bonds, $32.6 million for Natural Resources Bonds, $156.3 million for Common Schools Bonds, and $106 million for Higher Education Bonds.

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 Treasurer of State for the Ohio Department of Development, including its Office of Financial Incentives, and the Ohio Department of Transportation; the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation; and the Buckeye Tobacco Settlement Financing Authority (BTSFA). Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, and the University of Cincinnati.

A. Primary Government
Economic Development bonds, issued by the Treasurer of State for the Office of Financial Incentive'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, payable through 2026, 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.

Revitalization Project revenue bonds provide financing to enable the remediation or clean up of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. The Revitalization Project bonds, payable through 2023, are also backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control.

Pledged net liquor revenues through the maturity of the Economic Development and Revitalization Project revenue bonds total approximately $641.6 million. During fiscal year 2008, pledged net revenues were $204.2 million. Principal and interest requirements for fiscal year 2008 totaled $39.6 million.

Since fiscal year 1998, the Treasurer of State has issued a total of $933 million in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds. Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2022 are estimated at approximately $598.1 million. For fiscal year 2008, principal and interest payments on the revenue bonds were $128.1 million and pledged receipts were $119.1 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principle amount of which shall not exceed $6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts for the next 45 years through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of $5.53 billion. The future tobacco settlement receipts, including related investment earnings and net of specified operating and enforcement expenses, have been pledged to repay the bonds, which are payable through 2052. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts. As of June 30, 2008, the total principal and interest payments remaining to be paid on the bonds were $19.21 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2008 were $200.5 million and $345.5 million, respectively. For fiscal year 2008, net tobacco settlement receipts exceeded principal and interest because only one semi-annual interest payment was required to be made on the bonds prior to year-end. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become payable to the State. The bonds include fixed rate serial bonds, fixed rate current interest turbo term bonds, and capital appreciation turbo term bonds which will convert to fixed rate current interest turbo term bonds. They were issued to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. Additional information on these bonds can be found in BTSFA's stand-alone financial report.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Revenue bonds accounted for in business-type activities finance the construction costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus. The debt issuance for the William Green Building has been used for acquisition and construction of capital assets. The bonds are collateralized by lease rental payments pledged by BWC to OBA. The lease rental payments are based on the estimated debt service of the bonds, but are limited to an amount appropriated by the Ohio General Assembly in the biennial budget. Total pledged payments through the maturity of the bonds in 2014 are estimated at approximately $111 million. For fiscal year 2008, both the total lease rental payments and the principal and interest payments on the revenue bonds were $20.4 million.

The principal and interest requirements on the OBA revenue bonds that matured during fiscal year 2008 were paid from rentals received under long-term lease agreements. The last debt service payments on the OBA bonds were made during fiscal year 2008.

Revenue bonds outstanding for the primary government, as of June 30, 2008, are presented below.

For the year ended June 30, 2008, NOTE 15 summarizes changes in revenue bonds.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2008, are presented below.

Primary Government
Revenue Bonds
As of June 30, 2008
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	1997-06	4.7%-7.7%	2026	$298,804
Revitalization Project	2003-08	2.5%-5.0%	2023	136,622
State Infrastructure Bank	2002-08	3.0%-6.0%	2022	519,358
Buckeye Tobacco Settlement Financing Authority	2008	4.0%-7.5%	2052	5,458,398
Total Governmental Activities				6,413,182
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	97,286
Total Business-Type Activities				97,286
Total Revenue Bonds				$6,510,468

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Primary Government
Future Funding Requirements for Revenue Bonds
As of June 30, 2008
(dollars in thousands)

	Governmental Activities			Business-Type Activities			Total		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	$135,995	$329,220	$465,215	$16,005	$4,606	$20,611	$152,000	$333,826	$485,826
2010	149,635	323,078	472,713	15,930	3,867	19,797	165,565	326,945	492,510
2011	139,655	315,708	455,363	15,865	3,109	18,974	155,520	318,817	474,337
2012	133,630	309,046	442,676	15,890	2,326	18,216	149,520	311,372	460,892
2013	117,300	302,533	419,833	15,915	1,543	17,458	133,215	304,076	437,291
2014-2018	649,685	1,416,919	2,066,604	15,200	751	15,951	664,885	1,417,670	2,082,555
2019-2023	754,540	1,238,568	1,993,108	-	-	-	754,540	1,238,568	1,993,108
2024-2028	624,220	1,043,461	1,667,681	-	-	-	624,220	1,043,461	1,667,681
2029-2033	608,330	871,589	1,479,919	-	-	-	608,330	871,589	1,479,919
2034-2038	599,610	824,059	1,423,669	-	-	-	599,610	824,059	1,423,669
2039-2043	1,050,840	553,092	1,603,932	-	-	-	1,050,840	553,092	1,603,932
2044-2048	1,355,567	3,188,594	4,544,161	-	-	-	1,355,567	3,188,594	4,544,161
2049-2052	133,856	3,283,444	3,417,300	-	-	-	133,856	3,283,444	3,417,300
	6,452,863	13,999,311	20,452,174	94,805	16,202	111,007	6,547,668	14,015,513	20,563,181
Net Unamortized Premium/(Discount)	(32,001)	-	(32,001)	3,788	-	3,788	(28,213)	-	(28,213)
Deferred Refunding Loss	(7,680)	-	(7,680)	(1,307)	-	(1,307)	(8,987)	-	(8,987)
Total	$6,413,182	$13,999,311	$20,412,493	$97,286	$16,202	$113,488	$6,510,468	$14,015,513	$20,525,981

B. Component Units

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs and 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, 2007, approximately $1.42 billion in bonds were outstanding for this program.

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 2007, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2008	$70,285	$67,155	$137,440
2009	80,420	63,927	144,347
2010	86,190	59,916	146,106
2011	89,895	55,640	145,535
2012	71,390	51,405	122,795
2013-2017	366,060	202,621	568,681
2018-2022	423,635	101,332	524,967
2023-2027	180,860	14,274	195,134
	1,368,735	616,270	1,985,005
Net Unamortized Premium/(Discount)	83,852	-	83,852
Deferred Refunding Loss	(31,056)	-	(31,056)
Total	$1,421,531	$616,270	$2,037,801

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately $99.6 million in bonds have adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31,

NOTE 11 REVENUE BONDS AND NOTES (Continued)

2007 the rate for variable-rate bonds was approximately 3.5 percent.

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 educational and student resident 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 major component units, as of June 30, 2008, are shown below.

Major Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2008
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/2007)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	$202,295	$113,704	$315,999	$509,067	$31,847	$540,914	$55,760	$49,039	$104,799
2009	164,965	103,145	268,110	33,602	25,134	58,736	32,520	46,890	79,410
2010	140,100	95,389	235,489	44,296	23,722	68,018	34,955	45,353	80,308
2011	144,660	88,688	233,348	36,320	22,129	58,449	37,985	43,648	81,633
2012	149,215	81,934	231,149	45,788	19,123	64,911	39,455	41,680	81,135
2013-2017	705,075	319,021	1,024,096	127,355	75,980	203,335	227,505	174,518	402,023
2018-2022	623,315	162,063	785,378	122,953	46,087	169,040	236,905	108,881	345,786
2023-2027	281,205	34,365	315,570	70,211	21,352	91,563	173,060	52,313	225,373
2028-2032	34,605	5,639	40,244	47,640	6,358	53,998	82,480	10,780	93,260
2033-2037	4,845	274	5,119	10,781	140	10,921	3,055	153	3,208
	$2,450,280	$1,004,222	$3,454,502	$1,048,013	$271,872	$1,319,885	$923,680	$573,255	$1,496,935
Net Unamortized Premium/(Discount)	89,599	-	89,599	-	-	-	8,547	-	8,547
Deferred Refunding Loss	(54,182)	-	(54,182)	-	-	-	-	-	-
Total	$2,485,697	$1,004,222	$3,489,919	$1,048,013	$271,872	$1,319,885	$932,227	$573,255	$1,505,482

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. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

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, parks and recreation, and cultural and sports facilities. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

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. During fiscal year 2008, all debt service payments for Elementary and Secondary Education Bonds were made and no amounts remained outstanding at the end of the fiscal year.

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

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

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, 2008, are presented in the following table.

Primary Government-Governmental Activities
Special Obligation Bonds
As of June 30, 2008 *(dollars in thousands)*

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Ohio Building Authority	1993-08	2.0%-6.0%	2025	$1,634,373	$228,600
Treasurer of State Chapter 154 Bonds	1997-08	3.1%-5.5%	2020	950,946	383,225
				$2,585,319	$611,825

Future special obligation debt service requirements, as of June 30, 2008, were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2009	$351,585	$118,425	$470,010
2010	341,775	100,947	442,722
2011	313,600	84,466	398,066
2012	286,270	69,896	356,166
2013	238,000	57,093	295,093
2014-2018	708,205	161,321	869,526
2019-2023	264,585	40,576	305,161
2024-2028	33,760	2,273	36,033
	2,537,780	634,997	3,172,777
Net Unamortized Premium/(Discount)	97,616	-	97,616
Deferred Refunding Loss	(50,077)	-	(50,077)
Total	$2,585,319	$634,997	$3,220,316

For the year ended June 30, 2008, NOTE 15 summarizes changes in special obligation bonds.

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, 2008, $360.5 million and $122.8 million of OBA and Chapter 154 special obligations bonds, respectively, are considered defeased and no longer outstanding.

NOTE 13 CERTIFICATES OF PARTICIPATION

A. Primary Government

As of June 30, 2008, approximately $187.3 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. Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of $146.1 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

In fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of $40.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue Systems (STARS).

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund, the OAKS Certificates of Participation Debt Service Fund, the STARS 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.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2008, are presented in the following table.

Primary Government — Governmental Activities
Certificate of Participation Obligations
As of June 30, 2008
(dollars in thousands)

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project	1992	6.50%	2012	$3,210
Department of Administrative Services:				
Ohio Administrative Knowledge System (OAKS)	2005-2008	3.1%-5.25%	2019	143,275
State Taxation Accounting and Revenue System (STARS).....	2008	3.0%-5.0%	2019	40,851
Total Certificates of Participation				$187,336

As of June 30, 2008, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending	Principal	Interest	Total
2009............	$9,810	$7,489	$17,299
2010............	14,725	7,536	22,261
2011............	15,405	6,868	22,273
2012............	18,230	6,123	24,353
2013............	17,565	5,259	22,824
2014-2018 ...	91,625	13,088	104,713
2019-2023....	13,200	290	13,490
	180,560	46,653	227,213
Net Unamortized Premium........	6,776	-	6,776
Total	$187,336	$46,653	$233,989

For the year ended June 30, 2008, NOTE 15 summarizes changes in COP obligations.

B. Component Units
For the State's component units, approximately $5.1 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at The Ohio State University.

During fiscal year 2008 debt service payments for the outstanding obligations at the University of Cincinnati and University of Akron were made. No outstanding amounts remain for obligations at these universities as of June 30, 2008.

As of June 30, 2008, future commitments under the COP financing arrangements for the State's component units are detailed in the table below.

Component Units
Future Funding Requirements for Certificate of Participation Obligations
As of June 30, 2008

	Ohio State University		
Year Ending June	Principal	Interest	Total
2009..................	$405	$242	$647
2010..................	425	222	647
2011..................	445	202	647
2012..................	465	180	645
2013..................	490	156	646
2014-2018	2,845	311	3,156
Total......................	$5,075	$1,313	$6,388

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2008, in addition to bonds and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

Non-Current Liabilities	
Governmental Activities:	
Compensated Absences	$398,846
Capital Leases Payable	9,804
Litigation Liabilities	4,698
Estimated Claims Payable	9,857
Liability for Escheat Property	258,017
Total Governmental Activities	$681,222
Business-Type Activities:	
Compensated Absences	35,537
Capital Leases Payable	12
Workers' Compensation:	
Benefits Payable	17,600,345
Other	1,980,572
Deferred Prize Awards Payable	740,188
Tuition Benefits Payable	799,800
Total Business-Type Activities	21,156,454
Total Primary Government	$21,837,676

For the year ended June 30, 2008, 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, 2008, was $434.3 million, of which $398.8 million is allocable to governmental activities and $35.5 million is allocable to business-type activities.

As of June 30, 2008, discretely presented major component units reported a total of $160.8 million in compensated absences liabilities, as detailed by major component unit in NOTE 15.

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. Capital leases are used for the acquisition of capital assets.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewable 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 2008 were approximately $87.5 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2008, were as follows (dollars in thousands):

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Primary Government

Year Ending June 30,	Operating Leases
2009	$4,233
2010	163
2011	60
2012	14
2013	5
Total minimum lease payments	$4,475

Year Ending June 30,	Capital Leases Governmental Activities	Business-Type Activities	Total
2009	$2,293	$9	$2,302
2010	1,877	3	1,880
2011	1,740	-	1,740
2012	1,656	-	1,656
2013	1,478	-	1,478
2014-2018	2,339	-	2,339
Total Lease Payments	11,383	12	11,395
Amount for Interest	(1,579)	-	(1,579)
Present Value of Net Minimum Lease Payments	$9,804	$12	$9,816

As of June 30, 2008, the primary government had the following capital assets under capital leases (dollars in thousands):

Primary Government

	Governmental Activities	Business-Type Activities	Total
Equipment	$21,763	$19	$21,782
Vehicles	481	-	481
Total	$22,244	$19	$22,263

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 and component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the discretely presented major component unit funds, as of June 30, 2008, are presented in the table on the following page.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Major Component Units

Capital Leases		
Year Ending June 30,	Ohio State University	University of Cincinnati
2009	$8,179	$15,285
2010	6,389	15,159
2011	4,165	14,140
2012	2,956	13,711
2013	2,351	12,590
2014-2018	736	61,261
2019-2023	-	55,347
2024-2028	-	37,690
2029-2033	-	17,398
Total Minimum Lease Payments	24,776	242,581
Amount for interest	(1,767)	(88,856)
Present Value of Net Minimum Lease Payments	$23,009	$153,725
Equipment & Vehicles	$53,042	$ -
Buildings	-	182,966
Total	$53,042	$182,966

C. Litigation Liabilities
In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2008, $4.7 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. Estimated Claims Payable
For governmental activities, the State recognized $6.6 million in estimated claims liabilities, as of June 30, 2008, for damaged state vehicles covered under the State's self-insured program, which was established in the General Fund for this purpose at the Department of Administrative Services.

Additionally, the State reported $3.3 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Department of Development, as of June 30, 2008. The program is included in governmental activities and is accounted for in the Community and Economic Development Special Revenue Fund.

E. Liability for Escheat Property
The State records 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, 2008, the liability totaled approximately $258 million.

F. Worker's Compensation
Benefits Payable
As discussed in NOTE 20, the Worker's 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, 2008, in the amount of approximately $17.60 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.

G. Deferred Prize Awards Payable
Future installment payments for the deferred prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from 3.8 to 7.8 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. As of June 30, 2008, this payable totals $740.2 million.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Future payments of prize awards, stated at present value, as of June 30, 2008, follow (dollars in thousands)

Year Ending June 30,	
2009	$95,026
2010	77,736
2011	75,016
2012	74,939
2013	74,786
2014-2018	350,127
2019-2023	195,163
2024-2028	74,346
2029-2033	47,799
2034-2038	1,087
	1,066,025
Unamortized Discount	(325,837)
Net Prize Liability	$740,188

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

H. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $799.8 million, as of June 30, 2008. 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 in state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: 6.5 percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of six percent for 2009 and 2010, and nine percent thereafter, as well as a 2.5 percent Consumer Price Index inflation rate. The effect of changes due to experience and actuarial assumption changes follow (dollars in millions):

Actuarial Reserve, as of June 30, 2007	$28.5
Adjustment to Beginning of Year's Assets	(1.9)
Interest on the Deficit at 7 Percent	1.9
Investment Loss	(87.7)
Lower-Than-Assumed Tuition Increase	6.1
Change in Assumption for Future Tuition Growth	31.4
Interest Gain on Late Tuition Payouts	0.7
Change in the investment return assumption	(23.3)
Other	4.1
Actuarial Deficit, as of June 30, 2008	($40.2)

As of June 30, 2008, the market value of actuarial net assets available for the payment of the tuition benefits payable was $759.6 million.

I. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $1.98 billion in other noncurrent liabilities, as of June 30, 2008, of which 1.) $1.83 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 20, 2.) $88.9 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) $56.7 million consists of other miscellaneous liabilities.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2008, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

Governmental Activities:	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$7,583,266	$296,836	$569,726	$7,310,376	$550,170
Revenue Bonds (NOTE 11)	811,910	5,829,750	228,478	6,413,182	137,045
Special Obligation Bonds (NOTE 12)	2,966,105	96,671	477,457	2,585,319	356,475
Total Bonds and Notes Payable	11,361,281	6,223,257	1,275,661	16,308,877	1,043,690
Certificates of Participation (NOTE 13)	122,182	75,973	10,819	187,336	9,863
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	450,288	334,970	386,412	398,846	54,974
Capital Leases Payable	18,737	1,533	10,466	9,804	1,857
Litigation Liabilities	4,698	-	-	4,698	-
Estimated Claims Payable	8,776	4,046	2,965	9,857	2,313
Liability for Escheat Property	307,245	-	49,228	258,017	81,873
Total Other Noncurrent Liabilities	789,744	340,549	449,071	681,222	141,017
Total Noncurrent Liabilities	$12,273,207	$6,639,779	$1,735,551	$17,177,435	$1,194,570
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	$115,740	$577	$19,031	$97,286	$16,005
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	40,439	24,665	29,567	35,537	3,610
Capital Leases Payable	22	-	10	12	9
Workers' Compensation:					
Benefits Payable	17,412,665	2,958,088	2,770,408	17,600,345	1,892,226
Other:					
Adjustment Expenses Liability	1,858,529	-	23,536	1,834,993	481,030
Premium Payment Security Deposits	87,808	4,007	2,897	88,918	-
Miscellaneous	22,187	97,904	63,430	56,661	56,661
Deferred Prize Awards Payable	680,984	162,893	103,689	740,188	54,873
Tuition Benefits Payable	871,000	-	71,200	799,800	74,400
Workers' Compensation Claims-Auditor of State's Office	120	-	120	-	-
Total Other Noncurrent Liabilities	20,973,754	3,247,557	3,064,857	21,156,454	2,562,809
Total Noncurrent Liabilities	$21,089,494	$3,248,134	$3,083,888	$21,253,740	$2,578,814

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 and the major special revenue funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2008, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and

NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt.

	(in 000s)
Governmental Activities:	
Primary, Secondary and Other Education	$404,019
Higher Education Support	142,075
Health and Human Services..............................	529
Environmental Protection	
and Natural Resources	1,033
Community and Economic Development...........	104,837
Total Interest Expense.................................	
Charged to Governmental Functions	$652,493

B. Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2008 (December 31, 2007 for the Ohio Water Development Authority), are presented in the following table for the State's discretely presented major component units.

Major Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amount Due Within One Year
School Facilities Commission:					
Intergovernmental Payable	$2,110,319	$517,343	$933,366	$1,694,296	$1,051,809
Compensated Absences*	739	537	571	705	105
Total	$2,111,058	$517,880	$933,937	$1,695,001	$1,051,914
Ohio Water Development Authority:					
Revenue Bonds & Notes Payable (NOTE 11)	$2,566,950	$49,550	$130,803	$2,485,697	$201,875
Compensated Absences*	161	22	3	180	-
Total	$2,567,111	$49,572	$130,806	$2,485,877	$201,875
Ohio State University:					
Compensated Absences*	$91,478	$12,483	$6,923	$97,038	$6,921
Capital Leases Payable*	24,144	5,098	6,233	23,009	7,497
Other Liabilities*	106,857	12,873	9,065	110,665	4,011
Revenue Bonds & Notes Payable (NOTE 11)	1,088,482	10,426	50,895	1,048,013	509,068
Certificates of Participation (NOTE 13)	5,465	-	390	5,075	405
Total	$1,316,426	$40,880	$73,506	$1,283,800	$527,902
University of Cincinnati:					
Compensated Absences*	$64,408	$1,427	$2,971	$62,864	$33,528
Capital Leases Payable*	159,515	-	5,790	153,725	7,505
Other Liabilities*	46,198	66,929	76,899	36,228	1,790
Revenue Bonds & Notes Payable (NOTE 11)	908,289	275,289	251,351	932,227	56,608
Certificates of Participation (NOTE 13)	90	-	90	-	-
Total	$1,178,500	$343,645	$337,101	$1,185,044	$99,431

*Liability is reported under the "Refund and Other Liabilities" account.

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 a limited obligation 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, 2008 (December 31, 2007 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Ohio Department of Development:	
Ohio Enterprise Bond Program	$164,820
Hospital Facilities Bonds	7,320
Ohio Department of Transportation:	
Akron-Canton Airport Project Bonds	6,320
Total Primary Government	$178,460
Component Units (12/31/07):	
Ohio Water Development Authority	$2,284,405
Ohio Air Quality Development Authority	1,600,000
Total Component Units	$3,884,405

NOTE 17 FUND DEFICITS, "OTHER" RESERVES AND DESGINATIONS

A. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2008 (dollars in thousands):

Primary Government:	
Major Government Funds:	
Revenue Distribution	($45,350)
Nonmajor Governmental Funds:	
Higher Education Improvements Special Revenue Fund	(166,714)
Nonmajor Proprietary Funds:	
Tuition Trust Authority	(31,207)
Total Governmental Funds:	($243,271)
Component Units:	
Major Component Units:	
School Facilities Commission Fund	($2,107,570)
Nonmajor Component Units:	
Ohio Capital Fund	(14,117)
Total Component Units:	($2,121,687)

B. "Other" Fund Balance Reserves and Designations

Details on the "Reserved for Other" account reported in the governmental funds, as of June 30, 2008, are presented in the table on the following page.

The unreserved fund balance for the General Fund, as of June 30, 2008, has been designated for budget stabilization in the amount of $1.01 billion.

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

Primary Government
Governmental Funds — Reserved for Other
As of June 30, 2008
(dollars in thousands)

	General Fund	Job, Family, and Other Human Services	Education	Highway Operating	Nonmajor Governmental Funds	Total Governmental Funds
Compensated Absences	$25,544	$3,270	$342	$4,508	$8,933	$42,597
Prepaids (included in "Other Assets")	17,603	2,156	203	3,279	6,271	29,512
Advances to Local Governments	38,539	23,675	-	-	-	62,214
Ohio Enterprise Bond Program	-	-	-	-	10,000	10,000
Loan Guarantee Programs	1	-	-	-	19,372	19,373
Assets in Excess of Debt Service Requirements	-	-	-	-	3	3
Environmental Protection and Natural Resources	-	-	-	-	1,783	1,783
Community and Economic Development	-	-	-	-	35,609	35,609
Total Reserved for Other	$81,687	$29,101	$545	$7,787	$81,971	$201,091

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 Water 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 they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's 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 applies its distribution (approximately $640 thousand) to the operations of its own projections 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, 2007 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	$25,000	$25,000	30.9%
Indiana*	16,000	-	-
Illinois	15,000	15,000	18.4%
Ohio	14,000	14,000	17.3%
New York	12,000	12,000	14.8%
Wisconsin	12,000	12,000	14.8%
Minnesota	1,500	1,500	1.9%
Pennsylvania	1,500	1,500	1.9%
Total	$97,000	$81,000	100.00%

*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, 2007, was as follows (dollars in thousands):

Cash and Investments	$139,010
Other Assets	373
Total Assets	$139,383
Total Liabilities	$4,095
Total Net Assets	135,288
Total Liabilities and Net Assets	$139,383
Total Revenues and Other Additions	$10,881
Total Expenditures	(7,796)
Net Increase in Net Assets	$3,085

In the event of the Fund's dissolution, the State of Ohio would receive a residual 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 or 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 financial 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 Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, 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 2008 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 on the following page (dollars in thousands).

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga	$61,253	$5,939	$67,192
Jefferson	4,516	-	4,516
Lakeland	18,162	2,211	20,373
Lorain County	26,571	7,021	33,592
Rio Grande	5,488	-	5,488
Sinclair	50,076	1,931	52,007
Total Local Community Colleges	166,066	17,102	183,168
Technical Colleges:			
Belmont	5,770	92	5,862
Central Ohio	8,675	796	9,471
Hocking	16,966	1,914	18,880
James A. Rhodes	8,779	1,847	10,626
Marion	5,491	-	5,491
Zane	5,099	834	5,933
North Central	8,077	831	8,908
Stark	18,563	3,012	21,575
Total Technical Colleges	77,420	9,326	86,746
Total	$243,486	$26,428	$269,914

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 Housing Finance Agency, Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, 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 2008, the State had the following related-party transactions with its related organizations:

- The General Fund reports $228 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- The Ohio Department of Taxation paid the Ohio Turnpike Commission $2.3 million from the Revenue Distribution Fund for the Commission's share of the State's motor vehicle fuel excise tax allocation.
- Separate funds, established for the Ohio Housing Finance Agency, Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately $8 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies

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. Pending litigation affecting the Department of Education and the Bureau of Workers' Compensation is discussed below.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Department of Education (ODE)

Litigation pending in the Hamilton County Court of Appeals contests that the Ohio Department of Education improperly and retroactively recalculated the number of district residents attending community schools during fiscal year 2005. Plaintiff Cincinnati City School District Board of Education claims this resulted in significant reductions in state funding in fiscal years 2006 and 2007. Those claims are based on statutory theories. The trial court entered summary judgment in favor of Plaintiff on November 22, 2006, and a final judgment on January 5, 2007, in an amount of $4.7 million. A liability for $4.7 million has been included as "Other Noncurrent Liabilities-Due in More Than One Year" account for governmental activities in the government-wide Statement of Net Assets. A liability of $1.6 million has been included as "Refund and Other Liabilities" account for the General Fund in the governmental funds Balance Sheet.

Bureau of Workers' Compensation (BWC)

Litigation is currently pending before the Ohio Supreme Court relating to premium dividend credits that were denied to previously active participants in the Bureau of Workers' Compensation/Industrial Commission's (BWC/IC) retrospective rating plan (RRP) and then changed to other plans. This action was filed on behalf of all employers that paid premiums under a RRP during any year from 1995 through 2002, and any subsequent year in which premium dividend credits were granted. After three of the plaintiffs became self-insured, they continued to pay dollar-for-dollar claims costs under their continuing RRP obligations, but did not pay premiums. The premium credit was also denied to a fourth plaintiff that left the RRP and went to a group-rated state plan. This plaintiff received credits for paid premiums during the years it was group-rated, but did not receive credit for paid claims costs. The trial court denied class certification in this case. In February 2007, the 10th District Court of Appeals affirmed the trial court's ruling for BWC. The plaintiffs have filed an appeal.

A class action case has been filed alleging that BWC/IC identifies permanent total disability (PTD) recipients not represented by counsel and encourages them to settle their PTD claims for substantially less than their actuarial present value. The plaintiffs contend that BWC refused to conduct good-faith settlement negotiations with PTD recipients represented by counsel. The trial court denied BWC's motion to dismiss and/or change of venue, and granted class certification. The 8th District Court of Appeals has issued a ruling affirming the trial court's rulings. BWC has appealed to the Ohio Supreme Court. In May 2008, the Ohio Supreme Court reversed the Court of Appeals' decision and held that, because this matter is a claim against the State for money due under a contract, and not a claim of equitable restitution, it must be brought before the Ohio Court of Claims. To date, plaintiffs have not filed action in the Court of Claims.

BWC/IC is involved in litigation challenging policies related to lump sum advancements made to PTD recipients. This action alleges that BWC/IC has improperly recouped monies from PTD recipients by continuing to deduct monies from the plaintiff's benefits in an amount greater than the advance plus interest.

The ultimate outcome of the litigation related to BWC discussed to this point cannot be presently determined. Accordingly, no provision for any liability has been reported in the financial statements. Management is vigorously defending the cases outlined above.

BWC/IC was also involved in litigation in which the plaintiff argued that BWC/IC can only change reimbursement rates by promulgating a rule under ORC Chapter 119. The trial court issued a declaration that BWC/IC improperly reduced reimbursement fees to the hospitals. BWC appealed to the 10th District Court of Appeals. A decision was issued in March 2007 affirming the decision of the trial court. BWC/IC did not appeal the decision to the Ohio Supreme Court. BWC/IC has offered to settle with hospitals that may be impacted by this case. In February 2008, BWC/IC sent settlement release agreements to 274 affected hospitals. An estimated liability of $73.7 million was accrued with payments of $33.1 million made during fiscal year 2008.

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. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending 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 2007 State of Ohio Single Audit (issued in April 2008), $7.4 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for the questioned costs in the state's financial statements, for the fiscal year ended June 30, 2008.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

C. Loan Commitments
As of June 30, 2008, commitments to finance program loans from the primary government's budgeted nonmajor special revenue funds are detailed below (dollars in thousands):

Community and Economic Development	
Ohio Department of Development:	
Low- & Moderate-Income	
Housing Loans................................	$6,719
Brownfield Revolving Loans	881
	7,600
Local Infrastructure and Transportation Improvements	
Ohio Public Works Commission:	
State Capital Improvements Loans	49,229
Revolving Loans	47,873
	97,102
Total Nonmajor Governmental Funds	$104,702

As of December 31, 2007, loan commitments for the Ohio Water Development Authority, a discretely presented major component unit, were as follows (dollars in thousands):

Water Pollution Control Loan	$460,459
Fresh Water	99,107
Drinking Water Assistance	76,268
Community Assistance	14,202
Rural Utility Services	6,871
Other Projects	6,759
Total	$663,666

D. Construction Commitments
As of June 30, 2008, the Ohio Department of Transportation had total contractual commitments of approximately $1.99 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 $941.4 million, $403.5 million, $575.6 million and $66.6 million, respectively.

As of June 30, 2008, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

Primary Government	
Mental Health/Mental Retardation	
Facilities Improvements	$32,778
Parks and Recreation Improvements	7,674
Administrative Services	
Building Improvements	21,913
Youth Services Building Improvements	9,838
Adult Correctional Building Improvements	27,856
Highway Safety Building Improvements	25
Ohio Parks and Natural Resources	7,563
Total	$107,647

Major Component Units	
Ohio State University	$247,003
University of Cincinnati	255,472

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

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.

As of October 23, 2007, the State of Ohio transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority (BTSFA).

While BTSFA's share of the total base payments to the states through 2025 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex. Under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments received.

In addition to the base payments, BTSFA 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.

During fiscal year 2008, Ohio received $333.1 million, which is approximately $32.2 million or 8.8 percent less than the pre-adjusted base payment for the year.

As of June 30, 2008, the estimated tobacco settlement receivable in the amount of $281.9 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $29.1 million for payments withheld from BTSFA beginning with fiscal year 2008 and $76.5 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

The tobacco settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTSFA may not have adequate financial resources to make payment on the BTSFA revenue bonds, as discussed in NOTE 11.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

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
2009..............	$347,164	$22,871	$370,035
2010..............	351,203	23,137	374,340
2011..............	355,467	23,418	378,885
2012..............	359,652	23,694	383,346
2013..............	363,783	23,966	387,749
2014-2018....	1,928,044	98,603	2,026,647
2019-2023....	2,233,412	-	2,233,412
2024-2028....	2,376,766	-	2,376,766
2029-2033....	2,539,413	-	2,539,413
2034-2038....	2,708,501	-	2,708,501
2039-2043....	2,884,757	-	2,884,757
2044-2048....	3,068,685	-	3,068,685
2049-2053....	2,599,051	-	2,599,051
Total	$22,115,898	$215,689	$22,331,587

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 injury, disease, or death.

The "Benefits Payable" account balance reported in the Workers' Compensation Enterprise Fund, as of June 30, 2008, in the amount of approximately $17.60 billion includes reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately $1.83 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, nonincremental adjustment expense, and the reserve for compensation.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, 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 quarterly and updated based on 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 five percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled $36.40 billion, as of June 30, 2008, and $37 billion, as of June 30, 2007. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2008.

NOTE 20 RISK FINANCING (Continued)

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

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

	Fiscal Year 2008	Fiscal Year 2007
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$19,271	$18,927
Incurred Compensation and Compensation Adjustment Benefits	2,587	2,667
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(2,423)	(2,323)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$19,435	$19,271

B. State Employee Healthcare Plans
Employees of the primary government have the option of participating in the Ohio Med Health Plan, the United Healthcare Plan, or the Aetna Plan, which are fully self-insured health benefit plans.

Ohio Med, a preferred provider organization, was established July 1, 1989. Medical Mutual of Ohio administers the Ohio Med plan under a claims administration contract with the primary government.

The United Healthcare and the Aetna plans, originally health maintenance organizations, became self-insured healthcare plans of the State on July 1, 2002 and July 1, 2005, respectively.

All plans have contracts with the primary government to serve as claims administrator. Benefits offered while under the State's administration are essentially the same as the benefits offered before the two plans became self-insured arrangements.

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 plans' actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio, United Healthcare, or Aetna for claims settlement.

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

As of June 30, 2008, approximately $100.6 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims for the Ohio Med Health Plan. Changes in the balance of claims liabilities for the plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med Health Plan

	Fiscal Year 2008	Fiscal Year 2007
Claims Liabilities, as of July 1	$33,165	$35,662
Incurred Claims	217,475	205,041
Claims Payments	(216,805)	(207,538)
Claims Liabilities, as of June 30	$33,835	$33,165

NOTE 20 RISK FINANCING (Continued)

As of June 30, 2008, the resources on deposit in the Agency Fund for the Ohio Med Health Plan exceeded the estimated claims liability by approximately $66.8 million, thereby resulting in a funding surplus. Eighty-five percent or $56.8 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2008, no assets were available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims incurred by June 30 for the United Healthcare Plan, thereby resulting in a funding deficit. Changes in the balance of claims liabilities for the plan during the past fiscal year were as follows (dollars in thousands):

United Healthcare Plan

	Fiscal Year 2008	Fiscal Year 2007
Claims Liabilities, as of July 1	$9,010	$7,685
Incurred Claims	70,374	69,556
Claims Payments	(68,262)	(68,231)
Claims Liabilities, as of June 30 ..	$11,122	$9,010

As of June 30, 2008, the estimated claims liability exceeded resources on deposit in the Agency Fund for the United Healthcare Plan by approximately $43.6 million, thereby resulting in a funding deficit. Eighty-five percent or $37.1 million of the deficit, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting increase to expenditures/expenses.

As of June 30, 2008, approximately $25.8 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims incurred by June 30 for the Aetna Plan, thereby resulting in a funding surplus. Changes in the balance of claims liabilities for the plan during the past fiscal year were as follows (dollars in thousands):

Aetna Plan

	Fiscal Year 2008	Fiscal Year 2007
Claims Liabilities, as of July 1	$9,570	$8,194
Incurred Claims	69,713	66,294
Claims Payments	(70,175)	(64,918)
Claims Liabilities, as of June 30 ..	$9,108	$9,570

As of June 30, 2008, the resources on deposit in the Agency Fund for the Aetna Plan exceeded the estimated claims liability by approximately $16.7 million, thereby resulting in a funding surplus. Eighty-five percent or $14.2 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

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

Subsequent to June 30, 2008 (December 31, 2007, for the Ohio Water Development Authority), the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2008
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission-General Obligation Bonds:			
Infrastructure Improvements, Series 2008A	10/08/08	5.23%	$240,000
Third Frontier Research and Development, Series 2008A	08/06/08	5.25%	39,980
Common Schools Capital Facilities - Refunding Series 2009A	01/13/09	2.57%	91,170
Higher Education Capital Facilities, Refunding Series 2009A	01/13/09	2.65%	86,905
Infrastructure Improvements, Refunding Series 2009A	01/13/09	1.91%	49,995
Third Frontier Research and Development, Series 2009A	02/24/09	2.80%	60,000
Common Schools Capital Facilities - Refunding Series 2009B	05/18/09	2.82%	102,970
Higher Education Capital Facilities, Refunding Series 2009B	05/18/09	2.91%	48,745
Infrastructure Improvements, Refunding Series 2009B	05/18/09	2.91%	81,990
Coal Development, Series J	08/25/09	3.03%	10,000
Coal Development, Series K	08/25/09	2.21%	30,000
Total General Obligation Bonds			841,755
Treasurer of State-Revenue Bonds:			
State Infrastructure Project, Series 2008-1	10/21/08	4.99%	375,000
Total Revenue Bonds			375,000
Treasurer of State-Special Obligation Bonds:			
Mental Health Capital Facilities, Series II-2008A	07/29/08	3.78%	30,000
Cultural and Sports Capital Facilities, Refunding Series 2008A	07/29/08	2.88%	6,880
Cultural and Sports Capital Facilities, Series 2008B	11/19/08	3.73%	30,000
Parks and Recreation Facilities, 2009A	03/03/09	3.88%	35,000
Development Assistance Tax Exempt, Series 2009A	06/10/09	3.56%	26,290
Development Assistance Taxable, Series 2009B	06/10/09	4.28%	23,710
Ohio Building Authority-Special Obligation Bonds			
State Facilities (Administrative Building), Series 2009A	01/13/09	4.12%	60,000
State Facilities (Adult Correctional Facility), Series 2009A	01/13/09	4.13%	40,000
Highway Safety, Series 2009A	01/13/09	1.93%	1,685
Juvenile Correctional Facility, Refunding Series 2009A	01/13/09	2.06%	37,825
State Facilities (Administrative Building), Refunding Series 2009B	09/02/09	3.44%	86,590
State Facilities (Adult Correctional Facility), Refunding Series 2009B	09/02/09	3.48%	75,790
Juvenile Correctional Facility, Refunding Series 2009B	09/02/09	3.53%	16,820
Total Special Obligation Bonds			470,590
Ohio Department of Administrative Services Certificates of Participation:			
Ohio Administrative Knowledge System, Series 2009A	01/22/09	3.28%	39,105
Total Certificates of Participation			39,105
Total Primary Government			$1,726,450

NOTE 21 SUBSEQUENT EVENTS (Continued)

Debt Issuances
Subsequent to June 30, 2008
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Major Component Units:			
Ohio Water Development Authority Debt:			
Bond Anticipation Notes (BANs):			
2008A Community Assistance Refunding BANs	03/19/08	2.00%	$24,550
2008B Community Assistance BANs	11/05/08	4.00%	24,550
2008 State Match WPCLF Revenue BANs	12/04/08	3.00%	40,000
Total Bond Anticipation Notes			89,100
Commercial Paper:			
2008 Fresh Water Commercial Paper, Series A (Maturity Date: 3/12/08)	01/09/08	2.70%	12,500
2008 Fresh Water Commercial Paper, Series B (Maturity Date: 3/12/08)	01/10/08	2.70%	12,500
2008 Fresh Water Commercial Paper, Series C (Maturity Date: 7/1/08)	03/12/08	1.85%	25,000
2008 Fresh Water Commercial Paper, Series D (Maturity Date: 12/04/08)	07/01/08	1.80%	65,000
2008 Fresh Water Commercial Paper, Series E (Maturity Date: 2/11/09)	10/16/08	2.75%	40,000
2008 Fresh Water Commercial Paper, Series F (Maturity Date: $32,500 on 4/03/09 and $32,500 on 4/08/09)	12/04/08	0.85%	65,000
2008 Fresh Water Commercial Paper, Series G (Maturity Date: 4/03/09)	02/11/09	0.70%	40,000
Total Commercial Paper			260,000
Revenue Bonds:			
2008 Drinking Water Assistance Refunding Revenue Bonds	05/29/08	3.25% - 5.00%	71,915
2009A Fresh Water Revenue Bonds	04/02/09	2.00% - 5.00%	122,205
2009 WPCLF Refunding Revenue Bonds-Water Quality Series 2009	09/24/09	2.00% - 5.00%	229,120
2009 Community Assistance Refunding Revenue Bonds	09/30/09	2.00% - 5.00%	25,185
Total Revenue Bonds			448,425
Total Ohio Water Development Authority			$797,525
Ohio State University Debt:			
General Receipts Bonds, Series 2008B	09/30/08	Variable	$127,770
General Receipts Bonds, Series 2008A	01/16/09	2.00% - 5.00%	217,595
Total Ohio State University			345,365
University of Cincinnati Debt:			
Bond Anticipation Notes (BANs):			
Bond Anticipation Notes, Series 2008E	07/22/08	2.75%	$36,055
Bond Anticipation Notes, Series 2008H	12/18/08	2.00%	17,000
Bond Anticipation Notes, Series 2009A	05/12/09	1.50%	23,900
Bond Anticipation Notes, Series 2009B	07/21/09	2.00%	31,350
Total Bond Anticipation Notes			108,305
General Receipts Bonds:			
General Receipts Bonds, Series 2008F	11/21/08	Variable	99,860
General Receipts Bonds, Series 2008G	12/18/08	4.00% - 5.50%	19,210
* General Receipts Bonds, Series 2009C	10/01/09	1.26% - 5.00%	49,890
Total General Receipts Bonds			168,960
Equipment Lease - CCM Steinway Pianos	06/17/09	4.02%	4,071
Total University of Cincinnati			$281,336

* *Subject to change*

NOTE 21 SUBSEQUENT EVENTS (Continued)

B. Litigation
The following cases have an effect on the State's financial operations subsequent to June 30, 2008.

A class action case was filed against the Bureau of Workers' Compensation (BWC) alleging that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violates various provisions of the Ohio Constitution. Plaintiffs have asked the court to declare the group rating plan unconstitutional and require BWC to repay to the class members all excessive premiums collected by BWC, with interest and attorney fees. In April 2008, plaintiffs filed a motion for a preliminary injunction enjoining BWC from enforcing the group rating statutes during pendency of the action (beginning July 1, 2008). A hearing was held on the injunction request in August 2008. Parties are awaiting the Court's decision on the motion for injunction. The ultimate outcome of the litigation cannot presently be determined. Management is vigorously defending this case.

During fiscal year 2009, the Department of Education settled a case with Dayton City School District for $1.7 million. The Dayton City School District originally intended to join the suit with the Cincinnati City School District, discussed in NOTE 19.

In the Sogg v. Department of Commerce case, the plaintiff claims a provision in Section 169.08(D) of Ohio Revised Code creates an unconstitutional taking of property in violation of takings clause of the United States and Ohio Constitutions. In April 2009, the Supreme Court of Ohio declared Section 169.08(D) unconstitutional. The Court held that the State may not retain the interest earned on unclaimed funds and that claimants are entitled to interest on the funds for the four years prior to the filing of the claim. The case was remanded to the trial court to determine the method for determining the amount of interest owed to each claimant in the class. On August 18, 2009, the trial court issued an opinion in which it found that the eligible class members should be awarded interest on their accounts at the rate of six percent per annum. However, this interest rate is among several issues that are not yet resolved and will be used in the calculations of the State's liability.

The S. H. v. Strickrath (S. D. Ohio, 2008) case, involving the Department of Youth Services (DYS), was settled in April 2008. As a result of the settlement, DYS will implement remedial measures for mental health care, education, and other programs. The settlement also requires structural changes to DYS facilities to address the other issues raised by the litigation. In order to implement these remedial measures, it is projected that DYS will be required to expend an amount between $20 million and $30 million, along with additional attorneys' fees and costs, beginning July 2008.

Also during fiscal year 2009, the Department of Natural Resources was found liable for a maximum of $3.3 million, resulting from an eminent domain case. The Department of Transportation also was found liable in two eminent domain cases for a total of $9.1 million, of which $4.6 million has been on deposit with the Court for the duration of the litigation.