Ohio Office of Budget and Management

State of Ohio

Ted Strickland

Governor

OHIO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2009

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2009
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 5,815,272	$ 109,029	$ 5,924,301	$ 1,205,322
Cash and Cash Equivalents	122,257	522,474	644,731	1,403,559
Investments	1,087,926	16,647,053	17,734,979	5,413,031
Collateral on Lent Securities	2,764,289	40,792	2,805,081	1,418,710
Deposit with Federal Government	—	87,656	87,656	—
Taxes Receivable	1,355,191	—	1,355,191	—
Intergovernmental Receivable	1,740,297	9,963	1,750,260	61,509
Premiums and				
Assessments Receivable	—	3,722,487	3,722,487	—
Investment Trade Receivable	—	346,239	346,239	—
Loans Receivable, Net	1,106,243	—	1,106,243	297,019
Receivable from Primary Government	—	—	—	40,703
Receivable from Component Units	3,948,282	—	3,948,282	—
Other Receivables	552,444	446,505	998,949	1,090,908
Inventories	96,075	39,871	135,946	58,993
Other Assets	112,626	22,677	135,303	574,819
Restricted Assets:				
Cash Equity with Treasurer	—	70	70	1,396,733
Cash and Cash Equivalents	138,791	978	139,769	613,681
Investments	389,357	1,288,227	1,677,584	1,104,907
Collateral on Lent Securities	—	256,550	256,550	—
Intergovernmental Receivable	—	—	—	281
Loans Receivable, Net	—	—	—	4,059,997
Other Receivables	206,823	3,702	210,525	—
Capital Assets Being Depreciated, Net	2,409,448	104,748	2,514,196	8,273,811
Capital Assets Not Being Depreciated	22,470,088	11,994	22,482,082	1,251,050
TOTAL ASSETS	**44,315,409**	**23,661,015**	**67,976,424**	**28,265,033**
LIABILITIES:				
Accounts Payable	627,565	35,851	663,416	473,997
Accrued Liabilities	434,942	6,371	441,313	657,028
Medicaid Claims Payable	1,145,877	—	1,145,877	—
Obligations Under Securities Lending	2,764,289	297,342	3,061,631	1,418,710
Investment Trade Payable	—	401,074	401,074	—
Intergovernmental Payable	1,900,085	951	1,901,036	23,449
Internal Balances	776,459	(776,459)	—	—
Payable to Primary Government	—	—	—	3,948,282
Payable to Component Units	40,703	—	40,703	—
Unearned Revenue	279,903	165	280,068	431,890
Benefits Payable	—	14,167	14,167	—
Refund and Other Liabilities	738,039	88,130	826,169	82,622
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	857,523	15,930	873,453	1,139,808
Due in More Than One Year	15,354,677	64,727	15,419,404	5,610,174
Certificates of Participation:				
Due in One Year	14,785	—	14,785	425
Due in More Than One Year	201,752	—	201,752	4,245
Other Noncurrent Liabilities:				
Due in One Year	142,038	2,450,331	2,592,369	1,111,737
Due in More Than One Year	478,635	19,155,456	19,634,091	1,493,753
TOTAL LIABILITIES	**25,757,272**	**21,754,036**	**47,511,308**	**16,396,120**

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS (DEFICITS):				
Invested in Capital Assets,				
Net of Related Debt....................................	22,325,346	37,059	22,362,405	5,450,662
Restricted for:				
Primary, Secondary and Other Education...	37,174	—	37,174	1,379,978
Transportation and Highway Safety...........	1,031,932	—	1,031,932	—
State and Local				
Highway Construction.............................	113,009	—	113,009	—
Federal Programs......................................	61,929	—	61,929	29
Coal Research				
and Development Program.....................	—	—	—	2,389
Clean Ohio Program..................................	44,060	—	44,060	—
Community and Economic Development				
and Capital Purposes.............................	1,045,542	—	1,045,542	16,755
Debt Service...	—	—	—	2,782,157
Enterprise Bond Program...........................	10,000	—	10,000	—
Deferred Lottery Prizes..............................	—	57,059	57,059	—
Ohio Building Authority..............................	—	23,072	23,072	—
Nonexpendable for				
Colleges and Universities.......................	—	—	—	2,667,119
Expendable for				
Colleges and Universities.......................	—	—	—	1,702,744
Unrestricted..	(6,110,855)	1,789,789	(4,321,066)	(2,132,920)
TOTAL NET ASSETS................................	**$ 18,558,137**	**$ 1,906,979**	**$ 20,465,116**	**$ 11,868,913**

STATE OF OHIO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	PROGRAM REVENUES: OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	PROGRAM REVENUES: CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education	$ 11,888,145	$ 40,526	$ 1,750,879	$ —	$ (10,096,740)
Higher Education Support	2,967,485	3,854	39,747	—	(2,923,884)
Public Assistance and Medicaid	17,903,102	966,010	12,985,969	—	(3,951,123)
Health and Human Services	4,061,765	406,139	2,418,763	2,672	(1,234,191)
Justice and Public Protection	3,251,316	938,297	258,584	2,114	(2,052,321)
Environmental Protection and Natural Resources	413,398	212,403	74,017	15,493	(111,485)
Transportation	2,171,475	100,698	68,367	1,154,100	(848,310)
General Government	642,467	591,405	221,664	14,986	185,588
Community and Economic Development	4,265,827	388,895	407,842	8,835	(3,460,255)
Interest on Long-Term Debt (excludes interest charged as program expense)	165,908	—	—	—	(165,908)
TOTAL GOVERNMENTAL ACTIVITIES	**47,730,888**	**3,648,227**	**18,225,832**	**1,198,200**	**(24,658,629)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,158,753	2,378,127	(194,735)	—	24,639
Lottery Commission	1,774,308	2,425,832	55,842	—	707,366
Unemployment Compensation	3,485,942	1,172,554	1,103,591	—	(1,209,797)
Ohio Building Authority	26,837	24,304	105	—	(2,428)
Tuition Trust Authority	94,888	9,317	63,931	—	(21,640)
Liquor Control	479,919	689,283	—	—	209,364
Underground Parking Garage	2,804	3,127	6	—	329
Office of Auditor of State	85,575	47,670	16	—	(37,889)
TOTAL BUSINESS-TYPE ACTIVITIES	**8,109,026**	**6,750,214**	**1,028,756**	**—**	**(330,056)**
TOTAL PRIMARY GOVERNMENT	**$ 55,839,914**	**$ 10,398,441**	**$ 19,254,588**	**$ 1,198,200**	**$ (24,988,685)**
COMPONENT UNITS:					
School Facilities Commission	$ 1,240,843	$ 12,835	$ 12,712	$ —	$ (1,215,296)
Ohio Water Development Authority	124,024	146,863	127,865	—	150,704
Ohio State University	4,086,558	2,920,569	647,561	18,960	(499,468)
University of Cincinnati	1,004,925	464,999	(16,948)	6,347	(550,527)
Other Component Units	4,896,603	2,858,525	283,047	47,001	(1,708,030)
TOTAL COMPONENT UNITS	**$ 11,352,953**	**$ 6,403,791**	**$ 1,054,237**	**$ 72,308**	**$ (3,822,617)**

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..................................	$ (24,658,629)	$ (330,056)	$ (24,988,685)	$ (3,822,617)
General Revenues:				
Taxes:				
Income...	8,228,349	—	8,228,349	—
Sales...	7,276,288	—	7,276,288	—
Corporate and Public Utility	2,443,059	—	2,443,059	—
Cigarette..	924,764	—	924,764	—
Other..	648,284	—	648,284	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes...........................	1,743,151	—	1,743,151	—
Total Taxes..	21,263,895	—	21,263,895	—
Tobacco Settlement..	366,197	—	366,197	—
Escheat Property..	117,172	—	117,172	—
Unrestricted Investment Income.....................	(8,765)	—	(8,765)	(794,792)
State Assistance	—	—	—	2,362,795
Other..	134	321	455	275,441
Additions to Endowments and Permanent Fund Principal...................	—	—	—	68,186
Transfers-Internal Activities............................	899,385	(899,385)	—	—
TOTAL GENERAL REVENUES, CONTRIBUTIONS AND TRANSFERS..........	**22,638,018**	**(899,064)**	**21,738,954**	**1,911,630**
CHANGE IN NET ASSETS.......................	**(2,020,611)**	**(1,229,120)**	**(3,249,731)**	**(1,910,987)**
NET ASSETS, JULY 1 (as restated)........	20,578,748	3,136,099	23,714,847	13,779,900
NET ASSETS, JUNE 30............................	**$ 18,558,137**	**$ 1,906,979**	**$ 20,465,116**	**$ 11,868,913**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
ASSETS:			
Cash Equity with Treasurer	$ 1,472,414	$ 305,553	$ 102,708
Cash and Cash Equivalents	9,415	3,136	56
Investments	675,210	7,153	2,151
Collateral on Lent Securities	610,626	131,569	44,195
Taxes Receivable	819,146	—	—
Intergovernmental Receivable	701,305	429,360	107,666
Loans Receivable, Net	232,443	—	58
Interfund Receivable	2,994	2	—
Receivable from Component Units	—	—	—
Other Receivables	165,012	268,573	718
Inventories	26,145	—	—
Other Assets	16,403	2,027	8,423
TOTAL ASSETS	**$ 4,731,113**	**$ 1,147,373**	**$ 265,975**
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	$ 156,111	$ 89,552	$ 15,005
Accrued Liabilities	169,135	23,974	2,543
Medicaid Claims Payable	897,066	4,031	—
Obligations Under Securities Lending	610,626	131,569	44,195
Intergovernmental Payable	465,221	228,381	54,440
Interfund Payable	647,418	15,355	2,711
Payable to Component Units	10,489	1,220	998
Deferred Revenue	304,500	163,438	8,766
Unearned Revenue	—	201,028	45,344
Refund and Other Liabilities	687,921	4,995	—
Liability for Escheat Property	8,810	—	—
TOTAL LIABILITIES	3,957,297	863,543	174,002
FUND BALANCES (DEFICITS):			
Reserved for:			
Debt Service	—	—	—
Encumbrances	238,400	1,332,974	31,723
Noncurrent Portion of Loans Receivable	228,321	—	46
Loan Commitments	—	—	—
Inventories	26,145	—	—
State and Local Highway Construction	—	—	—
Federal Programs	—	4,014	7,018
Other	67,896	22,251	469
Unreserved/Undesignated:			
General Fund	213,054	—	—
Special Revenue Funds	—	(1,075,409)	52,717
Capital Projects Funds	—	—	—
TOTAL FUND BALANCES (DEFICITS)	773,816	283,830	91,973
TOTAL LIABILITIES AND FUND BALANCES	**$ 4,731,113**	**$ 1,147,373**	**$ 265,975**

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
	$ 984,583	$ 207,187	$ —	$ 2,742,827	$ 5,815,272
	683	10,731	138,791	98,236	261,048
	—	—	389,357	403,412	1,477,283
	421,356	89,212	—	1,467,331	2,764,289
	66,976	463,829	—	5,240	1,355,191
	98,652	—	—	403,314	1,740,297
	116,848	—	—	756,894	1,106,243
	422	89,831	900,400	3,581	997,230
	—	—	3,948,282	—	3,948,282
	6,566	—	206,823	111,298	758,990
	46,564	—	—	23,366	96,075
	3,187	—	—	6,436	36,476
	$ 1,745,837	**$ 860,790**	**$ 5,583,653**	**$ 6,021,935**	**$ 20,356,676**
	$ 151,309	$ —	$ —	$ 215,588	$ 627,565
	29,433	—	—	65,714	290,799
	—	—	—	244,780	1,145,877
	421,356	89,212	—	1,467,331	2,764,289
	168	943,419	—	208,456	1,900,085
	90,650	828	—	1,016,727	1,773,689
	552	—	—	27,444	40,703
	7,432	12,682	206,787	198,673	902,278
	—	6,776	—	26,755	279,903
	—	42,043	—	1,764	736,723
	—	—	—	—	8,810
	700,900	1,094,960	206,787	3,473,232	10,470,721
	—	—	5,376,866	35,060	5,411,926
	1,342,691	746	—	2,046,308	4,992,842
	115,289	—	—	744,138	1,087,794
	—	—	—	197,689	197,689
	46,564	—	—	23,367	96,076
	—	113,009	—	—	113,009
	15,486	—	—	20,516	47,034
	6,470	—	—	66,988	164,074
	—	—	—	—	213,054
	(481,563)	(347,925)	—	(437,208)	(2,289,388)
	—	—	—	(148,155)	(148,155)
	1,044,937	(234,170)	5,376,866	2,548,703	9,885,955
	$ 1,745,837	**$ 860,790**	**$ 5,583,653**	**$ 6,021,935**	**$ 20,356,676**

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
(dollars in thousands)

Total Fund Balances for Governmental Funds	***$***	***9,885,955***
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		*1,927,909*
Buildings and Improvements, net of $1,728,621 accumulated depreciation		*1,898,089*
Land Improvements, net of $212,870 accumulated depreciation		*210,117*
Machinery and Equipment, net of $476,278 accumulated depreciation		*180,448*
Vehicles, net of $147,393 accumulated depreciation		*125,520*
Infrastructure, net of $9,368 accumulated depreciation		*18,604,311*
Construction-in-Progress		*1,933,142*
		24,879,536
Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.		
Taxes Receivable		*214,957*
Intergovernmental Receivable		*360,358*
Other Receivables		*318,748*
Other Assets		*8,489*
		902,552
Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.		*76,150*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Accrued Liabilities:		
Interest Payable		*(144,137)*
Refunds and Other Liabilities		*(1,319)*
Bonds and Notes Payable:		
General Obligation Bonds		*(7,138,051)*
Revenue Bonds		*(6,646,593)*
Special Obligation Bonds		*(2,427,556)*
Certificates of Participation		*(216,537)*
Other Noncurrent Liabilities:		
Compensated Absences		*(341,496)*
Capital Leases Payable		*(9,929)*
Litigation Liabilities		*(8,735)*
Estimated Claims Payable		*(10,352)*
Pollution Remediation		*(5,533)*
Liability for Escheat Property		*(235,818)*
		(17,186,056)
Total Net Assets of Governmental Activities	***$***	***18,558,137***

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, 2009

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
REVENUES:			
Income Taxes	$ 7,705,081	$ —	$ —
Sales Taxes	7,062,149	—	—
Corporate and Public Utility Taxes	814,415	—	—
Motor Vehicle Fuel Taxes	—	—	—
Cigarette Taxes	924,764	—	—
Other Taxes	587,806	2,581	—
Licenses, Permits and Fees	435,849	479,799	702
Sales, Services and Charges	51,653	497	387
Federal Government	6,848,974	6,694,617	1,743,671
Tobacco Settlement	—	—	—
Escheat Property	102,347	—	—
Investment Income	170,371	8,035	2,954
Other	455,254	179,838	23,040
TOTAL REVENUES	**25,158,663**	**7,365,367**	**1,770,754**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	7,951,818	596	2,461,239
Higher Education Support	2,472,425	2,252	39,358
Public Assistance and Medicaid	11,361,489	6,508,355	—
Health and Human Services	1,175,616	649,421	1,648
Justice and Public Protection	2,107,886	51,710	15,939
Environmental Protection and Natural Resources	82,412	—	1
Transportation	21,476	—	—
General Government	373,695	3,232	—
Community and Economic Development	743,422	759	—
CAPITAL OUTLAY	67	1,442	—
DEBT SERVICE	—	—	—
TOTAL EXPENDITURES	**26,290,306**	**7,217,767**	**2,518,185**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(1,131,643)**	**147,600**	**(747,431)**
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	30,000	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Premiums/Discounts	500	—	—
Capital Leases	600	—	—
Transfers-in	446,576	11,053	728,246
Transfers-out	(1,173,439)	(14,867)	(3,941)
TOTAL OTHER FINANCING SOURCES (USES)	**(695,763)**	**(3,814)**	**724,305**
NET CHANGE IN FUND BALANCES	**(1,827,406)**	**143,786**	**(23,126)**
FUND BALANCES (DEFICITS), July 1	2,601,372	140,044	115,099
Increase (Decrease) for Changes in Inventories	(150)	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 773,816**	**$ 283,830**	**$ 91,973**

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
$	—	$	691,464	$	—	$	7,673	$ 8,404,218
	—		180,850		—		22,515	7,265,514
	—		1,633,799		—		846	2,449,060
	617,952		1,086,336		—		38,863	1,743,151
	—		—		—		—	924,764
	—		14,840		—		43,057	648,284
	69,629		342,954		—		1,090,526	2,419,459
	1,263		5,120		—		29,169	88,089
	1,200,458		—		—		2,418,060	18,905,780
	—		—		362,379		4,516	366,895
	—		—		—		—	102,347
	17,515		1,228		12,295		72,002	284,400
	83,709		2		—		390,722	1,132,565
	1,990,526		**3,956,593**		**374,674**		**4,117,949**	**44,734,526**
	—		993,904		66,348		369	11,474,274
	—		—		—		301,589	2,815,624
	—		—		—		12,350	17,882,194
	—		1,872		—		2,146,397	3,974,954
	—		308,316		—		693,694	3,177,545
	—		—		—		314,399	396,812
	2,054,517		—		—		1,604	2,077,597
	—		—		—		202,530	579,457
	—		2,170,366		—		1,225,357	4,139,904
	—		—		—		564,290	565,799
	—		—		380,597		1,522,555	1,903,152
	2,054,517		**3,474,458**		**446,945**		**6,985,134**	**48,987,312**
	(63,991)		**482,135**		**(72,271)**		**(2,867,185)**	**(4,252,786)**
	—		—		—		970,770	1,000,770
	—		—		—		506,480	506,480
	—		—		—		(555,025)	(555,025)
	—		—		—		71,113	71,613
	—		—		—		—	600
	457,034		204,094		—		1,623,848	3,470,851
	(368,616)		(875,049)		(15,270)		(120,284)	(2,571,466)
	88,418		**(670,955)**		**(15,270)**		**2,496,902**	**1,923,823**
	24,427		**(188,820)**		**(87,541)**		**(370,283)**	**(2,328,963)**
	1,003,610		(45,350)		5,464,407		2,915,903	12,195,085
	16,900		—		—		3,083	19,833
$	**1,044,937**	**$**	**(234,170)**	**$**	**5,376,866**	**$**	**2,548,703**	**$ 9,885,955**

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, 2009
(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		**$ (2,328,963)**
Change in Inventories		*19,833*
		(2,309,130)
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	*463,999*	
Depreciation Expense	*(214,227)*	
Excess of Capital Outlay Over Depreciation Expense		*249,772*
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	*(339,980)*	
Revenue Bonds	*(425,000)*	
Special Obligation Bonds	*(196,685)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(558,176)*	
Certificates of Participation	*(39,105)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(4,329)*	
Revenue Bonds	*(9,067)*	
Special Obligation Bonds	*(7,599)*	
Certificates of Participation	*(1,162)*	
Deferred Refunding Loss	*25,975*	
Capital Leases	*(600)*	
Total Debt Proceeds		*(1,555,728)*
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	*983,364*	
Revenue Bonds	*243,295*	
Special Obligation Bonds	*399,621*	
Certificates of Participation	*9,810*	
Capital Lease Payments	*475*	
Total Long-Term Debt Repayment		*1,636,565*
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		*(98,782)*

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...................................	*46*	
Decrease in Accrued Interest and Other Accrued Liabilities.............................	*612*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net....................	*7,572*	
Amortization of Deferred Refunding Loss..	*(21,058)*	
Decrease in Compensated Absences..	*56,815*	
Decrease in Litigation Liabilities...	*2,568*	
Increase in Estimated Claims Payable...	*(6,565)*	
Decrease in Pollution Remediation...	*1,878*	
Decrease in Liability for Escheat Property...	*14,824*	
Total additional expenditures...		*56,692*
Change in Net Assets of Governmental Activities...		***$ (2,020,611)***

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, 2009

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes	$ 9,096,147	$ 8,257,610	$ 7,627,989	$ (629,621)
Sales Taxes	7,792,160	7,452,050	7,112,816	(339,234)
Corporate and Public Utility Taxes	766,938	805,122	841,233	36,111
Motor Vehicle Fuel Taxes	—	—	—	—
Cigarette Taxes	941,650	916,961	924,764	7,803
Other Taxes	630,906	615,064	589,124	(25,940)
Licenses, Permits and Fees	444,666	444,666	435,461	(9,205)
Sales, Services and Charges	74,126	74,126	74,594	468
Federal Government	6,698,688	7,073,306	6,916,556	(156,750)
Tobacco Settlement	—	—	2,016	2,016
Investment Income	164,460	164,460	141,233	(23,227)
Other	1,088,937	1,088,937	1,076,784	(12,153)
TOTAL REVENUES	**27,698,678**	**26,892,302**	**25,742,570**	**(1,149,732)**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	8,530,208	8,479,359	8,093,085	386,274
Higher Education Support	2,541,026	2,521,580	2,509,009	12,571
Public Assistance and Medicaid	12,079,665	11,937,558	11,747,567	189,991
Health and Human Services	1,558,884	1,436,631	1,373,756	62,875
Justice and Public Protection	2,320,228	2,318,486	2,264,434	54,052
Environmental Protection and Natural Resources	134,678	122,727	116,955	5,772
Transportation	34,163	31,498	31,340	158
General Government	794,216	815,574	702,246	113,328
Community and Economic Development	871,178	869,073	807,669	61,404
CAPITAL OUTLAY	125	83	82	1
DEBT SERVICE	1,285,733	1,185,396	1,089,090	96,306
TOTAL BUDGETARY EXPENDITURES	**30,150,104**	**29,717,965**	**28,735,233**	**982,732**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(2,451,426)**	**(2,825,663)**	**(2,992,663)**	**(167,000)**
OTHER FINANCING SOURCES (USES):				
Transfers-in	1,710,084	1,750,084	1,702,035	(48,049)
Transfers-out	(2,105,890)	(2,105,890)	(1,148,617)	957,273
TOTAL OTHER FINANCING SOURCES (USES)	**(395,806)**	**(355,806)**	**553,418**	**909,224**
NET CHANGE IN FUND BALANCES	**$ (2,847,232)**	**$ (3,181,469)**	**(2,439,245)**	**$ 742,224**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			2,229,541	
Outstanding Encumbrances at Beginning of Fiscal Year			1,043,289	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 833,585**	

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	BUDGET			VARIANCE WITH FINAL BUDGET
ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
		$ —				$ —	
		—				—	
		—				—	
		—				—	
		—				—	
		2,581				—	
		478,841				702	
		496				386	
		4,496,315				1,754,024	
		—				—	
		8,027				2,861	
		400,548				34,027	
		5,386,808				**1,792,000**	
$ 2,937	$ 2,937	2,534	$ 403	$ 2,386,803	$ 2,697,076	2,502,687	$ 194,389
7,667	7,667	2,970	4,697	30,182	48,729	36,777	11,952
6,377,108	6,765,184	6,200,309	564,875	—	—	—	—
788,626	815,484	671,075	144,409	3,805	4,143	1,704	2,439
95,258	99,542	56,624	42,918	37,519	37,519	26,005	11,514
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3,685	5,252	2,207	3,045	—	—	—	—
15,917	16,417	1,416	15,001	—	—	—	—
41,484	41,484	1,963	39,521	—	—	—	—
—	—	—	—	—	—	—	—
$ 7,332,682	**$ 7,753,967**	**6,939,098**	**$ 814,869**	**$ 2,458,309**	**$ 2,787,467**	**2,567,173**	**$ 220,294**
		(1,552,290)				**(775,173)**	
		4,108				718,946	
		(17,071)				(3,941)	
		(12,963)				**715,005**	
		(1,565,253)				**(60,168)**	
		(913,699)				59,772	
		1,208,182				49,834	
		$ (1,270,770)				**$ 49,438**	

(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, 2009

(dollars in thousands)

(continued)

	HIGHWAY OPERATING			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes			$ —	
Sales Taxes			—	
Corporate and Public Utility Taxes			—	
Motor Vehicle Fuel Taxes			617,397	
Cigarette Taxes			—	
Other Taxes			—	
Licenses, Permits and Fees			70,274	
Sales, Services and Charges			1,263	
Federal Government			1,191,557	
Tobacco Settlement			—	
Investment Income			17,194	
Other			126,884	
TOTAL REVENUES			**2,024,569**	
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	6,855,960	6,855,996	3,606,244	3,249,752
General Government	—	—	—	—
Community and Economic Development	—	—	—	—
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE	173,099	173,063	154,205	18,858
TOTAL BUDGETARY EXPENDITURES	**$ 7,029,059**	**$ 7,029,059**	**3,760,449**	**$ 3,268,610**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES			**(1,735,880)**	
OTHER FINANCING SOURCES (USES):				
Transfers-in			528,581	
Transfers-out			(286,018)	
TOTAL OTHER FINANCING SOURCES (USES)			**242,563**	
NET CHANGE IN FUND BALANCES			**(1,493,317)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			(587,988)	
Outstanding Encumbrances at Beginning of Fiscal Year			1,538,420	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ (542,885)**	

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

REVENUE DISTRIBUTION			
BUDGET			VARIANCE WITH FINAL BUDGET
ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
		$ 686,550	
		207,084	
		1,658,294	
		1,097,625	
		—	
		14,840	
		508,688	
		—	
		—	
		—	
		1,255	
		3	
		4,174,339	
$ 854,440	$ 890,595	881,781	$ 8,814
—	—	—	—
—	—	—	—
1,832	1,922	1,920	2
594,565	594,565	487,857	106,708
—	—	—	—
—	—	—	—
—	—	—	—
2,345,886	2,357,795	2,167,041	190,754
—	—	—	—
—	—	—	—
$ 3,796,723	**$ 3,844,877**	**3,538,599**	**$ 306,278**
		635,740	
		795,174	
		(1,441,525)	
		(646,351)	
		(10,611)	
		208,343	
		—	
		$ 197,732	

STATE OF OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2009
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 14,111	$ 63,581	$ —
Cash and Cash Equivalents	490,202	31,029	—
Collateral on Lent Securities	6,076	27,191	—
Restricted Assets:			
Cash Equity with Treasurer	—	70	—
Investments	—	37,847	—
Collateral on Lent Securities	—	256,550	—
Other Receivables	—	3,702	—
Deposit with Federal Government	—	—	87,656
Intergovernmental Receivable	—	—	465
Premiums and Assessments Receivable	930,334	—	15,270
Investment Trade Receivable	346,239	—	—
Interfund Receivable	69,403	—	—
Other Receivables	397,248	29,694	13,067
Inventories	—	—	—
Other Assets	7,180	7,916	6,498
TOTAL CURRENT ASSETS	**2,260,793**	**457,580**	**122,956**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	978	—	—
Investments	—	715,289	—
Investments	16,566,494	—	—
Premiums and Assessments Receivable	2,776,883	—	—
Interfund Receivable	711,464	—	—
Capital Assets Being Depreciated, Net	91,742	5,640	—
Capital Assets Not Being Depreciated	11,994	—	—
TOTAL NONCURRENT ASSETS	**20,159,555**	**720,929**	**—**
TOTAL ASSETS	**22,420,348**	**1,178,509**	**122,956**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	3,648	6,694	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	6,076	283,741	—
Investment Trade Payable	401,074	—	—
Intergovernmental Payable	—	—	533
Deferred Prize Awards Payable	—	41,620	—
Interfund Payable	—	144	—
Unearned Revenue	—	—	—
Benefits Payable	1,823,493	—	14,167
Refund and Other Liabilities	541,115	45,367	6,930
Bonds and Notes Payable	15,930	—	—
TOTAL CURRENT LIABILITIES	**2,791,336**	**377,566**	**21,630**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	862,538
Deferred Prize Awards Payable	—	658,229	—
Interfund Payable	—	1,813	—
Benefits Payable	15,602,880	—	—
Refund and Other Liabilities	1,446,063	2,232	—
Bonds and Notes Payable	64,727	—	—
TOTAL NONCURRENT LIABILITIES	**17,113,670**	**662,274**	**862,538**
TOTAL LIABILITIES	**19,905,006**	**1,039,840**	**884,168**
NET ASSETS (DEFICITS):			
Invested in Capital Assets, Net of Related Debt	24,057	5,640	—
Restricted for Deferred Lottery Prizes	—	57,059	—
Unrestricted	2,491,285	75,970	(761,212)
TOTAL NET ASSETS (DEFICITS)	**$ 2,515,342**	**$ 138,669**	**$ (761,212)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 31,337	$ 109,029
1,243	522,474
7,525	40,792
—	70
406,091	443,938
—	256,550
—	3,702
—	87,656
9,498	9,963
—	945,604
—	346,239
2,240	71,643
6,496	446,505
39,871	39,871
1,083	22,677
505,384	**3,346,713**
—	978
129,000	844,289
80,559	16,647,053
—	2,776,883
10,244	721,708
7,366	104,748
—	11,994
227,169	**21,107,653**
732,553	**24,454,366**
25,509	35,851
6,371	6,371
7,525	297,342
—	401,074
418	951
—	41,620
3,159	3,303
165	165
74,100	1,911,760
5,836	599,248
—	15,930
123,083	**3,313,615**
—	862,538
—	658,229
11,776	13,589
574,400	16,177,280
9,114	1,457,409
—	64,727
595,290	**19,233,772**
718,373	**22,547,387**
7,362	37,059
—	57,059
6,818	1,812,861
$ 14,180	**$ 1,906,979**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 2,417,679	$ 22,367
Premium and Assessment Income	2,360,930	—	1,092,003
Federal Government	—	—	689,425
Investment Income	—	—	—
Other	17,197	8,153	33,244
TOTAL OPERATING REVENUES	**2,378,127**	**2,425,832**	**1,837,039**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	36,747	122,120	—
Bonuses and Commissions	—	150,061	—
Prizes	—	1,459,048	—
Benefits and Claims	2,073,534	—	3,485,800
Depreciation	12,806	1,802	—
Other	35,666	12	142
TOTAL OPERATING EXPENSES	**2,158,753**	**1,733,043**	**3,485,942**
OPERATING INCOME (LOSS)	**219,374**	**692,789**	**(1,648,903)**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	(194,735)	55,842	9,870
Interest Expense	—	(2,485)	—
Federal Grants	—	—	429,236
Other	—	(38,780)	315
TOTAL NONOPERATING REVENUES (EXPENSES)	**(194,735)**	**14,577**	**439,421**
INCOME (LOSS) BEFORE TRANSFERS	**24,639**	**707,366**	**(1,209,482)**
TRANSFERS:			
Transfers-in	—	—	—
Transfers-out	(12,586)	(702,626)	(3,812)
TOTAL TRANSFERS	**(12,586)**	**(702,626)**	**(3,812)**
NET INCOME (LOSS)	**12,053**	**4,740**	**(1,213,294)**
NET ASSETS, JULY 1	2,503,289	133,929	452,082
NET ASSETS (DEFICITS), JUNE 30	**$ 2,515,342**	**$ 138,669**	**$ (761,212)**

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

	NONMAJOR PROPRIETARY FUNDS	TOTAL
	$ 770,549	$ 3,210,595
	—	3,452,933
	—	689,425
	(87,369)	(87,369)
	154,452	213,046
	837,632	**7,478,630**
	517,207	517,207
	84,471	243,338
	—	150,061
	—	1,459,048
	84,495	5,643,829
	1,905	16,513
	1,695	37,515
	689,773	**8,067,511**
	147,859	**(588,881)**
	111	(128,912)
	—	(2,485)
	16	429,252
	(244)	(38,709)
	(117)	**259,146**
	147,742	**(329,735)**
	43,739	43,739
	(224,100)	(943,124)
	(180,361)	**(899,385)**
	(32,619)	**(1,229,120)**
	46,799	3,136,099
	$ 14,180	**$ 1,906,979**

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 2,430,836	$ —
Cash Received from Premiums and Assessments	2,446,298	—	1,106,680
Cash Received from Multi-State Lottery for Grand Prize Winner	—	179,565	—
Cash Received from Interfund Services Provided	64,094	2,021	—
Other Operating Cash Receipts	35,611	6,133	31,975
Cash Payments to Suppliers for Goods and Services	(57,558)	(95,747)	(139)
Cash Payments to Employees for Services	(246,428)	(25,888)	—
Cash Payments for Benefits and Claims	(2,128,360)	—	(3,143,864)
Cash Payments for Lottery Prizes	—	(1,715,262)	—
Cash Payments for Bonuses and Commissions	—	(150,023)	—
Cash Payments for Premium Reductions and Refunds	(102,196)	—	—
Cash Payments for Interfund Services Used	(12,889)	(4,031)	—
Other Operating Cash Payments	—	(12)	(110,453)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,428)**	**627,592**	**(2,115,801)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(12,586)	(702,626)	(3,812)
Federal Grants	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(12,586)**	**(702,626)**	**(3,812)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(16,005)	—	—
Interest Paid	(4,596)	—	—
Acquisition and Construction of Capital Assets	(2,038)	(3,179)	—
Proceeds from Sales of Capital Assets	25	126	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(22,614)**	**(3,053)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(4,145,874)	(371,802)	(1,090,686)
Proceeds from the Sales and Maturities of Investments	3,561,024	441,637	3,205,408
Investment Income Received	752,293	18,806	274
Borrower Rebates and Agent Fees	(4,818)	(2,662)	—
Due to State	—	(5,563)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**162,625**	**80,416**	**2,114,996**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**125,997**	**2,329**	**(4,617)**
CASH AND CASH EQUIVALENTS, JULY 1	379,294	92,351	4,617
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 505,291**	**$ 94,680**	**$ —**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 749,592	$ 3,180,428
—	3,552,978
—	179,565
12,426	78,541
11,664	85,383
(499,800)	(653,244)
(96,017)	(368,333)
—	(5,272,224)
—	(1,715,262)
—	(150,023)
—	(102,196)
(6,383)	(23,303)
(85,802)	(196,267)
85,680	**(1,403,957)**
40,585	40,585
(224,100)	(943,124)
37	37
(183,478)	**(902,502)**
(9)	(16,014)
—	(4,596)
(177)	(5,394)
31	182
(155)	**(25,822)**
(994,248)	(6,602,610)
1,053,198	8,261,267
26,538	797,911
—	(7,480)
—	(5,563)
85,488	**2,443,525**
(12,465)	**111,244**
45,045	521,307
$ 32,580	**$ 632,551**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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)	$ 219,374	$ 692,789	$ (1,648,903)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	12,806	1,802	—
Provision for Uncollectible Accounts	108,620	—	—
Amortization of Premiums and Discounts	(624)	—	—
Interest on Bonds, Notes and Capital Leases	4,596	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government	—	—	(473,104)
Intergovernmental Receivable	—	—	(328)
Premiums and Assessments Receivable	(21,767)	—	1,916
Interfund Receivable	46,493	—	—
Other Receivables	(135,078)	14,737	(1,298)
Inventories	—	—	—
Other Assets	(4,494)	(728)	(102)
Increase (Decrease) in Liabilities:			
Accounts Payable	(4,039)	(2,655)	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	24
Deferred Prize Awards Payable	—	(78,808)	—
Interfund Payable	—	(538)	—
Unearned Revenue	—	(1,579)	—
Benefits Payable	(173,972)	—	8,772
Refund and Other Liabilities	(53,343)	2,572	(2,778)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,428)**	**$ 627,592**	**$ (2,115,801)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ (928,019)	$ (18,572)	$ —

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 147,859	$ (588,881)
87,369	87,369
1,905	16,513
—	108,620
—	(624)
—	4,596
—	(473,104)
720	392
—	(19,851)
(3,102)	43,391
767	(120,872)
(2,565)	(2,565)
(117)	(5,441)
(941)	(7,635)
779	779
3	27
—	(78,808)
2,616	2,078
72	(1,507)
—	(165,200)
(149,685)	(203,234)
$ 85,680	**$ (1,403,957)**
$ —	$ (946,591)

STATE OF OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/08)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	14,794	40,703	—
Investments (at fair value):			
U.S. Government and Agency Obligations	—	—	4,136,474
Common and Preferred Stock	111,963	—	—
Corporate Bonds and Notes	—	—	—
Foreign Stocks and Bonds	8,601	—	—
Commercial Paper	—	—	213,411
Repurchase Agreements	—	—	10,725
Mutual Funds	375,206	4,294,425	319,823
Real Estate	9,579	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	61,324	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	36,888	—	—
Employer Contributions Receivable	1,678	—	—
Employee Contributions Receivable	1,048	—	—
Other Receivables	865	6,334	806
Other Assets	4	—	—
Capital Assets, Net	6	—	—
TOTAL ASSETS	**621,956**	**4,341,462**	**4,681,239**
LIABILITIES:			
Accounts Payable	996	—	—
Accrued Liabilities	12,625	5,243	—
Obligations Under Securities Lending	36,888	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	31	4,455	3,689
TOTAL LIABILITIES	**50,540**	**9,698**	**3,689**
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits	491,595	—	—
Employees' Postemployment Healthcare Benefits	79,821	—	—
Individuals, Organizations and Other Governments	—	4,331,764	—
Pool Participants	—	—	4,677,550
TOTAL NET ASSETS	**$ 571,416**	**$ 4,331,764**	**$ 4,677,550**

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

AGENCY
$ 254,140
141,832
12,257,951
42,004,135
10,345,689
27,967,226
4,828,231
250,000
6,356,021
12,334,291
6,341,345
8,085,247
9,093
93,377
109,430
—
—
1,122
438,430
—
131,817,560
—
—
109,430
158,795
131,549,335
131,817,560
—
—
—
—
$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/08)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 24,653	$ —	$ —
Employees	8,871	—	—
Plan Participants	—	1,357,087	—
Other	633	—	—
Total Contributions	34,157	1,357,087	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(245,121)	(897,172)	—
Interest, Dividends and Other	13,352	89,640	76,927
Total Investment Income	(231,769)	(807,532)	76,927
Less: Investment Expense	6,624	23,318	4,321
Net Investment Income	(238,393)	(830,850)	72,606
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	18,288,052
Reinvested Distributions	—	—	72,606
Shares Redeemed	—	—	(18,641,156)
Net Capital Share and Individual Account Transactions	—	—	(280,498)
TOTAL ADDITIONS	**(204,236)**	**526,237**	**(207,892)**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	47,939	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	8,547	—	—
Refunds of Employee Contributions	571	—	—
Administrative Expense	712	—	—
Transfers to Other Retirement Systems	283	—	—
Distributions to Shareholders and Plan Participants	—	1,379,315	72,606
TOTAL DEDUCTIONS	**58,052**	**1,379,315**	**72,606**
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits	(227,184)	—	—
Employees' Postemployment Healthcare Benefits	(35,104)	—	—
Individuals, Organizations and Other Governments	—	(853,078)	—
Pool Participants	—	—	(280,498)
TOTAL CHANGE IN NET ASSETS	(262,288)	(853,078)	(280,498)
NET ASSETS, JULY 1	833,704	5,184,842	4,958,048
NET ASSETS, JUNE 30	**$ 571,416**	**$ 4,331,764**	**$ 4,677,550**

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, 2009
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/08)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 1,187,883	$ —	$ —
Cash and Cash Equivalents	—	31,213	712,604
Investments	—	54,895	460,292
Collateral on Lent Securities	1,406,605	—	—
Intergovernmental Receivable	—	478	5,165
Loans Receivable, Net	2,640	2,455	12,816
Receivable from Primary Government	—	—	1,932
Other Receivables	16	7	441,823
Inventories	—	—	28,205
Other Assets	39	—	35,164
TOTAL CURRENT ASSETS	**2,597,183**	**89,048**	**1,698,001**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer	1,379,978	—	—
Cash and Cash Equivalents	—	570,277	—
Investments	—	660,201	—
Intergovernmental Receivable	—	281	—
Loans Receivable, Net	—	4,059,997	—
Investments	—	6,907	1,732,623
Loans Receivable, Net	3,529	42,927	58,761
Other Receivables	—	4,477	11,256
Other Assets	—	51,519	—
Capital Assets Being Depreciated, Net	241	1,171	2,658,176
Capital Assets Not Being Depreciated	2,040	539	432,492
TOTAL NONCURRENT ASSETS	**1,385,788**	**5,398,296**	**4,893,308**
TOTAL ASSETS	**3,982,971**	**5,487,344**	**6,591,309**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	12,018	40,851	175,491
Accrued Liabilities	471	9,433	355,359
Obligations Under Securities Lending	1,406,605	—	—
Intergovernmental Payable	983,192	809	—
Unearned Revenue	—	—	169,158
Refund and Other Liabilities	904	—	34,649
Bonds and Notes Payable	—	337,571	623,636
Certificates of Participation	—	—	425
TOTAL CURRENT LIABILITIES	**2,403,190**	**388,664**	**1,358,718**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	758,303	—	—
Unearned Revenue	—	—	—
Refund and Other Liabilities	1,249	199	234,068
Payable to Primary Government	3,948,282	—	—
Bonds and Notes Payable	—	2,161,244	708,333
Certificates of Participation	—	—	4,245
TOTAL NONCURRENT LIABILITIES	**4,707,834**	**2,161,443**	**946,646**
TOTAL LIABILITIES	**7,111,024**	**2,550,107**	**2,305,364**
NET ASSETS (DEFICITS):			
Invested in Capital Assets, Net of Related Debt	241	1,709	1,730,423
Restricted for:			
Primary, Secondary and Other Education	1,379,978	—	—
Federal Programs	—	—	—
Coal Research and Development Program	—	—	—
Community and Economic Development and Capital Purposes	—	—	—
Debt Service	—	2,782,157	—
Nonexpendable:			
Scholarships and Fellowships	—	—	—
Research	—	—	—
Endowments and Quasi-Endowments	—	—	868,466
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	—	—	1,932
Endowments and Quasi-Endowments	—	—	110,441
Current Operations	—	—	355,749
Loans, Grants and Other College and University Purposes	—	—	—
Unrestricted	(4,508,272)	153,371	1,218,934
TOTAL NET ASSETS (DEFICITS)	**$ (3,128,053)**	**$ 2,937,237**	**$ 4,285,945**

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
$ —	$ 17,439	$ 1,205,322
67,477	592,265	1,403,559
121,638	980,327	1,617,152
—	12,105	1,418,710
—	55,866	61,509
2,938	20,636	41,485
1,182	37,589	40,703
86,120	377,957	905,923
2,040	28,748	58,993
10,188	60,487	105,878
291,583	**2,183,419**	**6,859,234**
—	16,755	1,396,733
—	43,404	613,681
—	444,706	1,104,907
—	—	281
—	—	4,059,997
889,386	1,166,963	3,795,879
34,614	115,703	255,534
49,762	119,490	184,985
359,534	57,888	468,941
1,359,992	4,254,231	8,273,811
65,959	750,020	1,251,050
2,759,247	**6,969,160**	**21,405,799**
3,050,830	**9,152,579**	**28,265,033**
53,806	191,831	473,997
76,789	214,976	657,028
—	12,105	1,418,710
—	4,722	988,723
33,738	252,983	455,879
44,732	124,812	205,097
108,044	70,557	1,139,808
—	—	425
317,109	**871,986**	**5,339,667**
—	8,318	766,621
—	6,152	6,152
203,734	281,729	720,979
—	—	3,948,282
828,530	1,912,067	5,610,174
—	—	4,245
1,032,264	**2,208,266**	**11,056,453**
1,349,373	**3,080,252**	**16,396,120**
388,581	3,329,708	5,450,662
—	—	1,379,978
—	29	29
—	2,389	2,389
—	16,755	16,755
—	—	2,782,157
108,388	135,294	243,682
78,962	7,374	86,336
475,870	554,054	1,898,390
351,632	87,079	438,711
43,205	125,246	168,451
90,570	15,692	106,262
29,526	131,992	161,518
45,305	16,755	62,060
25,841	148,548	174,389
1,668	11,314	12,982
20,296	67,116	89,344
90,981	22,816	224,238
12,240	96,225	464,214
14,176	225,110	239,286
(75,784)	1,078,831	(2,132,920)
$ 1,701,457	**$ 6,072,327**	**$ 11,868,913**

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/08)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education	$ 1,240,831	$ —	$ —
Community and Economic Development	—	—	—
Cost of Services	—	108,498	—
Administration	—	11,534	—
Education and General:			
Instruction and Departmental Research	—	—	840,697
Separately Budgeted Research	—	—	392,033
Public Service	—	—	120,015
Academic Support	—	—	133,655
Student Services	—	—	87,993
Institutional Support	—	—	177,548
Operation and Maintenance of Plant	—	—	112,097
Scholarships and Fellowships	—	—	69,721
Auxiliary Enterprises	—	—	214,807
Hospitals	—	—	1,669,832
Interest on Long-Term Debt	—	852	36,613
Depreciation	12	111	221,894
Other	—	3,029	9,653
TOTAL EXPENSES	**1,240,843**	**124,024**	**4,086,558**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	12,835	146,863	2,920,569
Operating Grants, Contributions and Restricted Investment Income	12,712	127,865	647,561
Capital Grants, Contributions and Restricted Investment Income	—	—	18,960
TOTAL PROGRAM REVENUES	**25,547**	**274,728**	**3,587,090**
NET PROGRAM (EXPENSE) REVENUE	**(1,215,296)**	**150,704**	**(499,468)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	4,737	(435,898)
State Assistance	194,813	—	557,611
Other	—	4	2,183
TOTAL GENERAL REVENUES	**194,813**	**4,741**	**123,896**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**—**	**35,816**
CHANGE IN NET ASSETS	**(1,020,483)**	**155,445**	**(339,756)**
NET ASSETS (DEFICITS), JULY 1 (as restated)	(2,107,570)	2,781,792	4,625,701
NET ASSETS (DEFICITS), JUNE 30	**$ (3,128,053)**	**$ 2,937,237**	**$ 4,285,945**

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
$ —	$ 21,407	$ 1,262,238
—	27,987	27,987
—	—	108,498
—	—	11,534
281,437	1,557,254	2,679,388
161,964	198,136	752,133
56,820	135,384	312,219
67,464	414,881	616,000
39,131	223,326	350,450
78,943	461,436	717,927
60,118	321,072	493,287
25,611	234,446	329,778
85,261	593,608	893,676
—	305,236	1,975,068
44,783	80,884	163,132
93,664	281,531	597,212
9,729	40,015	62,426
1,004,925	**4,896,603**	**11,352,953**
464,999	2,858,525	6,403,791
(16,948)	283,047	1,054,237
6,347	47,001	72,308
454,398	**3,188,573**	**7,530,336**
(550,527)	**(1,708,030)**	**(3,822,617)**
—	(363,631)	(794,792)
220,901	1,389,470	2,362,795
4,923	268,331	275,441
225,824	**1,294,170**	**1,843,444**
20,333	**12,037**	**68,186**
(304,370)	**(401,823)**	**(1,910,987)**
2,005,827	6,474,150	13,779,900
$ 1,701,457	**$ 6,072,327**	**$ 11,868,913**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2009, 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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, 2008

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, 2008. The Ohio State University Fund accounts for the university's operations, including its health system, supercomputer center, agricultural research

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
- Revitalization Project Revenue Bonds
- Buckeye Tobacco Settlement Financing Authority Revenue Bonds

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chapter 154 Special Obligations
Ohio Building Authority Special Obligations
School Building Program 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	7-15 Years
Park and Natural Resources Infrastructure Network........	10-50 Years

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that made the loan to the fund that received the loan.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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, 2008, for the primary government and component units that resulted from implementation of a new standard, changes in accounting principles and other adjustments, are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:

	Governmental Activities	Total Primary Government	Total Component Units
Net Assets, as of June 30, 2008, As Previously Reported	$20,586,159	$23,722,258	$13,791,104
Implementation of New Accounting Standard:			
Refund & Other Liabilities-Due in More Than One Year........................	(7,411)	(7,411)	-
Change in Accounting Principle:			
Accounts Payable and Accrued Liabilities...	-	-	(413)
Other Long-Term Liabilities..	-	-	(2,464)
Capital Assets Not Being Depreciated...	-	-	(8,318)
Other Adjustments that Increased/(Decreased) Net Assets:			
Accounts Receivable Write-Off for Permanently Restricted Pledge.....	-	-	(9)
Total Changes in Net Assets...	(7,411)	(7,411)	(11,204)
Net Assets, July 1, 2008, As Restated	$20,578,748	$23,714,847	$13,779,900

B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2009, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 49**,** *Accounting and Financial Reporting for Pollution Remediation Obligations*.

- Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

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

- Governmental Accounting Standards Board (GASB) Statement No. 57*, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.*

GASB 49 establishes the accounting and financial reporting standard 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.

GASB 52 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.

GASB 57 amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, by establishing standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. (The GASB 57 provisions related to the frequency and timing of measurements are effective at a later date).

C. Recently Issued GASB Pronouncements

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 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.

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* Certain requirements of GASB 57 are effective for financial statements for periods beginning after June 15, 2011. GASB 57 clarifies requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate. (The GASB 57 provisions related to the use and reporting of the alternative measurement method were effective immediately).

In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The requirements of GASB 58 are effective for financial statements for periods beginning after June

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

15, 2009. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan.

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 2009. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

Final Budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2009, whenever signed into law or otherwise legally authorized.

For fiscal year 2009, 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, 2009
(dollars in thousands)

		Major Special Revenue Funds			
	General	Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis	$773,816	$283,830	$91,973	$1,044,937	($234,170)
Less: Reserved Fund Balances	560,762	1,359,239	39,256	1,526,500	113,755
Unreserved/Undesignated Fund Balances — GAAP Basis	213,054	(1,075,409)	52,717	(481,563)	(347,925)
BASIS DIFFERENCES					
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer	(83,355)	(17,159)	(73)	(14,840)	(8,653)
Taxes Receivable	(819,146)	-	-	(66,976)	(463,829)
Intergovernmental Receivable	(701,305)	(429,360)	(107,666)	(98,652)	-
Loans Receivable, Net	(232,443)	-	(58)	(116,848)	-
Interfund Receivable	(2,994)	(2)	-	(422)	(89,831)
Receivables from Component Units	-	-	-	-	-
Other Receivables	(165,012)	(268,573)	(718)	(6,566)	-
Deferred Revenue	304,500	163,438	8,766	7,432	12,682
Unearned Revenue	-	201,028	45,344	-	6,776
Total Revenue Accruals/Adjustments	(1,699,755)	(350,628)	(54,405)	(296,872)	(542,855)
Expenditure Accruals/Adjustments:					
Cash Equity with Treasurer	(46,979)	(6,083)	(596)	(9,528)	-
Inventories	(26,145)	-	-	(46,564)	-
Other Assets	(16,403)	(2,027)	(8,423)	(3,187)	-
Accounts Payable	156,111	89,552	15,004	151,309	-
Accrued Liabilities	169,135	23,974	2,543	29,433	-
Medicaid Claims Payable	897,066	4,031	-	-	-
Intergovernmental Payable	465,221	228,381	54,440	168	943,419
Interfund Payable	647,418	15,355	2,711	90,650	828
Payable to Component Units	10,489	1,220	998	552	-
Refund and Other Liabilities	687,921	4,995	-	-	42,043
Liability for Escheat Property	8,810	-	-	-	-
Total Expenditure Accruals/Adjustments	2,952,644	359,398	66,677	212,833	986,290
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:					
Noncurrent Portion of Loans Receivable	228,321	-	46	115,289	-
Noncurrent Portion of Interfund Receivable	-	-	-	-	-
Inventories	26,145	-	-	46,564	-
State and Local Highway Construction	-	-	-	-	113,009
Federal Programs	-	4,014	7,018	15,486	-
Other	67,896	22,251	469	6,470	-
Cash and Investments Held Outside of State Treasury	(684,625)	(10,289)	(2,207)	(683)	(10,731)
Other	7	(1)	2	1	-
Total Other Adjustments	(362,256)	15,975	5,328	183,127	102,278
Total Basis Differences	890,633	24,745	17,600	99,088	545,713
TIMING DIFFERENCES					
Encumbrances	(270,102)	(220,106)	(20,879)	(160,410)	(56)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$833,585	($1,270,770)	$49,438	($542,885)	$197,732

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 to 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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- 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 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, 2009, 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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, 2009
(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	$1,431,565	$1,483,474	$260	$235,208	$ -
Component Units	1,446,532	1,553,798	42,913	1,249,876	125,416
Total Deposits — Reporting Entity	$2,878,097	$3,037,272	$43,173	$1,485,084	$125,416

The following tables report the fair value, as of June 30, 2009, 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).

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities) and Component Units
Investments—Custodial Credit Risk
As of June 30,2009
(dollar in thousands)

Investments for the Primary Government (including Fiduciary Activities), as of June 30, 2009	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
Investments Subject to Custodial Credit Risk Exposure:		
U.S. Government Obligations	$11,485,163	$197,182
U.S. Government Obligations—Strips	483,551	-
U.S. Agency Obligations	14,293,182	-
U.S. Agency Obligations—Strips	404,254	-
Common and Preferred Stock	45,737,321	264,221
Corporate Bonds and Notes	14,528,144	-
Corporate Bonds and Notes—Strips	221	-
Municipal Obligations	284,183	-
Commercial Paper	4,837,234	-
Repurchase Agreements	269,756	-
Mortgage and Asset-Backed Securities	8,123,597	-
International Investments:		
Foreign Stocks	25,891,157	-
Foreign Bonds	2,813,731	-
High-Yield and Emerging Markets Fixed Income	1,097,661	-
Securities Lending Collateral:		
Commercial Paper	209,990	-
Repurchase Agreements	1,955,000	-
Mortgage and Asset-Backed Securities	971	-
Foreign Bonds	1,999	-
Variable Rate Notes	564,767	-
Master Notes	182,000	-
U.S. Agency Obligations	2,998	-
Corporate Bonds	17,445	-
Equity Mutual Funds	5,517	-
Bond Mutual Funds	1,679,347	-
Negotiable Certificates of Deposit	-	-
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	165,317	-
U.S. Agency Obligations	4,306,423	-
U.S. Agency Obligations—Strips	6,997	-
Common and Preferred Stock	34,830	-
Corporate Bonds and Notes	-	-
International Investments:		
Foreign Stocks	1,136	-
Foreign Bonds	-	-
High-Yield and Emerging Markets Fixed Income	-	-
International Investments-Commingled Equity Funds	1,069,698	-
International Investments-Commingled Bond Funds	40,194	40,194
Equity Mutual Funds	7,319,308	-
Bond Mutual Funds	6,713,728	-
Real Estate	12,295,893	-
Venture Capital	6,341,345	-
Partnerships and Hedge Funds	61,485	-
Investment Contracts	5,947	-
Deposit with Federal Government	87,656	-
Component Units' Equity in State Treasurer's Cash and Investment Pool	(4,020,766)	-
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(546,252)	-
Total Investments — Primary Government	$168,752,128	$501,597

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments for Component Units, as of June 30, 2009	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the Component Unit's Name	Uninsured, Unregistered, and Held by the Counterparty but not in the Component Unit's Name
Investments Subject to Custodial Credit Risk Exposure:			
U.S. Government Obligations	$269,628	$135,186	$58,064
U.S. Government Obligations—Strips	4,856	3,055	-
U.S. Agency Obligations	1,138,484	794,550	160,112
Common and Preferred Stock	837,707	192,960	247,230
Corporate Bonds and Notes	459,682	214,842	184,913
Commercial Paper	14,103	13,893	-
Repurchase Agreements	81,536	913	75,942
Mortgage and Asset-Backed Securities	72,483	283	-
Negotiable Certificates of Deposit	4,812	-	-
Municipal Obligations	12,988	8,664	129
International Investments:			
Foreign Stocks	198,787	721	-
Foreign Bonds	1,175	-	-
Other Investments	25,179	-	-
		$1,365,067	$726,390
Investments Not Subject to Custodial Credit Risk Exposure:			
Equity Mutual Funds	1,153,494		
Bond Mutual Funds	962,425		
Real Estate	60,003		
Life Insurance	17,833		
Investment Contracts	25,885		
Charitable Remainder Trusts	198,173		
Partnerships and Hedge Funds	1,003,155		
Investment in State Treasurer's Cash and Investment Pool	4,020,765		
Investment in the State Treasury Asset Reserve of Ohio (STAR	546,252		
Total Investments — Component Units	$11,109,405		
Total Investments — Reporting Entity	$179,861,533		

Reconciliation of Deposits and Investments Disclosures with Financial Statements
As of June 30, 2009
(dollars in thousands)

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities	Component Units		
Cash Equity with Treasurer	$5,815,272	$109,029	$1,205,322	$254,140	$7,383,763
Cash and Cash Equivalents	122,257	522,474	1,403,559	197,329	2,245,619
Investments	1,087,926	16,647,053	5,413,031	140,414,137	163,562,147
Collateral on Lent Securities	2,764,289	40,792	1,418,710	146,318	4,370,109
Deposit with Federal Government	-	87,656	-	-	87,656
Restricted Assets:					
Cash Equity with Treasurer	-	70	1,396,733	-	1,396,803
Cash and Cash Equivalents	138,791	978	613,681	-	753,450
Investments	389,357	1,288,227	1,104,907	-	2,782,491
Collateral on Lent Securities	-	256,550	-	-	256,550
Total Reporting Entity	$10,317,892	$18,952,829	$12,555,943	$141,011,924	$182,838,588
Total Carrying Amount of Deposits and Investments per Financial Statements					$182,838,588
Outstanding Warrants and Other Reconciling Items					(100,224)
Differences Resulting from Component Units with December 31 Year-Ends					1,266
Total Carrying Amount of Deposits and Investments Disclosed in Note 4					$182,739,630

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2009, reported for the primary government and its component units is (dollars in thousands) $182,838,588. The total of the carrying amounts of both deposits in the amount of $2,878,097 and investments in the amount of $179,861,533 that has been categorized and disclosed in this note is $182,739,630. 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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,

- 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, 2009
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$15,545,782	$2,430	$2,971,280	$ -	$ -	$ -
U.S. Agency Obligations—Strips	411,251	-	-	-	-	-
Corporate Bonds and Notes	2,198,564	1,241,799	5,390,932	4,492,219	528,985	363,655
Corporate Bonds and Notes—Strips	221	-	-	-	-	-
Municipal Bonds	80,094	130,163	64,167	9,759	-	-
Commercial Paper	4,380,353	144,966	261,933	49,982	-	-
Repurchase Agreements	264,571	-	-	-	-	-
Mortgage and Asset-Backed Securities	7,333,255	261,598	116,735	152,484	59,789	111,339
Foreign Bonds	296,751	152,435	536,599	1,163,725	165,719	42,482
High-Yield & Emerging Markets Fixed Income	18,855	2,156	13,232	93,266	296,066	315,119
Bond Mutual Funds	5,790,207	-	29,693	-	6,410	699
Investment Contracts	-	-	-	-	-	-
Securities Lending Collateral:						
Commercial Paper	-	-	209,990	-	-	-
Repurchase Agreements	-	445,000	1,510,000	-	-	-
Mortgage and Asset-Backed Securities	-	-	-	971	-	-
Foreign Bonds	1,999	-	-	-	-	-
Variable Rate Notes	-	105,549	329,938	129,280	-	-
Master Notes	-	-	182,000	-	-	-
Corporate Bonds	-	9,944	7,501	-	-	-
U.S. Government Agency	2,998	-	-	-	-	-
Bond Mutual Funds	1,670,419	-	-	-	-	-
International Investments-Commingled Bond Funds	-	40,194	-	-	-	-
Total Primary Government	$37,995,320	$2,536,234	$11,624,000	$6,091,686	$1,056,969	$833,294

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 80,113	$18,599,605
U.S. Agency Obligations—Strips	-	-	-	-	-	411,251
Corporate Bonds and Notes	175,502	20,697	10,274	11,380	94,137	14,528,144
Corporate Bonds and Notes—Strips	-	-	-	-	-	221
Municipal Bonds	-	-	-	-	-	284,183
Commercial Paper	-	-	-	-	-	4,837,234
Repurchase Agreements	-	-	-	-	5,185	269,756
Mortgage and Asset-Backed Securities	74,333	2,893	8,360	-	2,811	8,123,597
Foreign Bonds	15,856	2,339	1,145	-	436,680	2,813,731
High-Yield & Emerging Markets Fixed Income	146,695	26,283	1,039	13,473	171,477	1,097,661
Bond Mutual Funds	-	-	-	-	886,719	6,713,728
Investment Contracts	-	-	-	-	5,947	5,947
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	209,990
Repurchase Agreements	-	-	-	-	-	1,955,000
Mortgage and Asset-Backed Securities	-	-	-	-	-	971
Foreign Bonds	-	-	-	-	-	1,999
Variable Rate Notes	-	-	-	-	-	564,767
Master Notes	-	-	-	-	-	182,000
Corporate Bonds	-	-	-	-	-	17,445
U.S. Government Agency	-	-	-	-	-	2,998
Bond Mutual Funds	-	-	-	-	8,928	1,679,347
International Investments-Commingled Bond Funds	-	-	-	-	-	40,194
Total Primary Government	$ 412,386	$ 52,212	$ 20,818	$ 24,853	$1,691,997	$62,339,769

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units
Investment Credit Ratings
As of June 30, 2009
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$1,138,484	$ -	$ -	$ -	$ -	$ -
Corporate Bonds and Notes	58,938	97,492	233,113	61,742	4,189	1,008
Commercial Paper	51	6,466	7,560	20	-	-
Repurchase Agreements	81,536	-	-	-	-	-
Mortgage and Asset-Backed Securities	1,867	-	-	-	-	-
Negotiable Certificates of Deposit	500	-	-	-	-	-
Municipal Obligations	6,727	5,920	108	-	-	-
Bond Mutual Funds	493,146	239,384	39,231	45,626	11,344	2,334
Foreign Bonds	-	127	125	792	-	-
Investment Contracts	-	-	-	-	-	-
Total Component Units	$1,781,249	$349,389	$280,137	$108,180	$15,533	$3,342

Investment Type	Credit Rating			
	CCC/Caa	CC/Ca	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$1,138,484
Corporate Bonds and Notes	450	190	2,560	459,682
Commercial Paper	-	-	6	14,103
Repurchase Agreements	-	-	-	81,536
Mortgage and Asset-Backed Securities	-	-	70,616	72,483
Negotiable Certificates of Deposit	-	-	4,312	4,812
Municipal Obligations	-	-	233	12,988
Bond Mutual Funds	2,684	-	128,676	962,425
Foreign Bonds	-	-	131	1,175
Investment Contracts	-	-	25,885	25,885
Total Component Units	$3,134	$190	$232,419	$2,773,573

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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.

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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, 2009, 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):

Issuer	Amount	Percentage of Investment Balance
Governmental and Business-Type Activities:		
Federal National Mortgage Association	$2,696,366	9%
Federal Home Loan Bank	3,046,398	10%
STAR Ohio Investment Trust Fund:		
Federal National Mortgage Association	1,715,002	27%
Federal Home Loan Bank	2,160,798	34%
Federal Home Loan Mortgage Corporation	1,694,148	27%
School Facilities Commission Component Unit Fund:		
Federal National Mortgage Association	131,510	19%
Federal Home Loan Bank	186,051	27%
Federal Home Loan Mortgage Corporation	56,355	8%
Ohio Water Development Authority Component Unit Fund (12/31/08):		
AIGMFC	111,515	15%
FNMA	272,421	7%
FHLB...	146,564	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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2009, 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 $3.66 billion of investments with call dates during fiscal years 2010 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, 2009. Variable rate notes of $50 million have daily reset dates. Mortgage and asset-backed securities of $1 million and variable rate notes of $70 million have monthly reset dates. Variable rate notes of $420 million have quarterly reset dates.

The Lottery Commission Enterprise Fund has collateral on lent securities with reset dates. Variable rate notes with reset dates are reported as collateral on lent securities. Variable rate notes of $25 million have daily reset dates.

Also during fiscal year 2009, 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, 2009, 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, 2009
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$427,846	$2,133,792	$1,471,976	$7,616,866	$11,650,480
U.S. Government Obligations—Strips	10,897	65,911	75,370	331,373	483,551
U.S. Agency Obligations	10,917,759	3,299,950	767,975	3,613,921	18,599,605
U.S. Agency Obligations—Strips	14,837	80,483	140,490	175,441	411,251
Corporate Bonds and Notes	1,602,301	3,235,207	2,621,405	7,069,231	14,528,144
Corporate Bonds and Notes—Strips	-	-	61	160	221
Municipal Bonds	-	-	-	284,183	284,183
Commercial Paper	4,837,234	-	-	-	4,837,234
Repurchase Agreements	269,756	-	-	-	269,756
Mortgage and Asset-Backed Securities	12,330	142,100	434,817	7,534,350	8,123,597
Foreign Bonds	124,916	429,927	486,026	1,772,862	2,813,731
High-Yield & Emerging Markets Fixed Income	147,631	273,882	444,378	231,770	1,097,661
Bond Mutual Funds	3,081,129	1,246,062	1,325,675	1,060,862	6,713,728
Investment Contracts	-	5,947	-	-	5,947
Securities Lending Collateral:					
Commercial Paper	209,990	-	-	-	209,990
Repurchase Agreements	1,955,000	-	-	-	1,955,000
Mortgage and Asset-Backed Securities	971	-	-	-	971
Variable Rate Notes	564,767	-	-	-	564,767
Master Notes	182,000	-	-	-	182,000
Corporate Bonds	17,445	-	-	-	17,445
U.S. Agency Obligations	2,998	-	-	-	2,998
Bond Mutual Funds	1,679,347	-	-	-	1,679,347
Foreign Bonds	1,999	-	-	-	1,999
International Investments-Commingled Bond Funds	-	40,194	-	-	40,194
Total Primary Government	$26,061,153	$10,953,455	$7,768,173	$29,691,019	$74,473,800

Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2009
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$96,782	$143,012	$18,672	$11,162	$269,628
U.S. Government Obligations—Strips	860	3,524	349	123	4,856
U.S. Agency Obligations	648,342	354,552	57,008	78,582	1,138,484
Corporate Bonds and Notes	154,333	193,121	89,653	22,575	459,682
Commercial Paper	12,131	1,972	-	-	14,103
Repurchase Agreements	81,536	-	-	-	81,536
Mortgage and Asset-Backed Securities	3,222	1,962	7,381	59,918	72,483
Negotiable Certificates of Deposit	3,502	1,310	-	-	4,812
Municipal Obligations	5,552	5,555	1,520	361	12,988
Bond Mutual Funds	379,125	299,566	227,155	56,579	962,425
Foreign Bonds	-	361	809	5	1,175
Investment Contracts	-	-	-	25,885	25,885
Other Investments	6,909	1,652	-	-	8,561
Total Component Units	$1,392,294	$1,006,587	$402,547	$255,190	$3,056,618

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2009, investments denominated in the currency of foreign nations, as detailed in the tables appearing on the next three 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, 2009
(dollars in thousands)

	Fiduciary Activities				
Currency	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity and Bonds	Total
Argentinean Peso	$270	$581	$ -	$ -	$851
Australian Dollar	507,260	8,277	-	-	515,537
Brazilian Real	342,068	33,283	8,172	-	383,523
British Pound	1,845,592	105,595	-	-	1,951,187
Bulgarian Lev	503	-	-	-	503
Canadian Dollar	490,343	81,760	-	-	572,103
Chilean Peso	29,171	-	-	-	29,171
Chinese Yuan	-	-	-	-	-
Colombian Peso	3,091	8,030	3,799	-	14,920
Czech Koruna	33,537	563	-	-	34,100
Danish Krone	109,721	-	-	-	109,721
Egyptian Pound	32,096	1,121	75	-	33,292
Euro	2,809,282	216,909	-	-	3,026,191
Hong Kong Dollar	1,065,783	-	-	-	1,065,783
Hungarian Forint	29,232	-	-	-	29,232
Indian Rupee	157,663	-	-	-	157,663
Indonesian Rupiah	58,793	1,912	-	-	60,705
Israeli Shekel	47,275	975	-	-	48,250
Japanese Yen	2,172,405	10,393	106	-	2,182,904
Jordanian Dollar	1	-	-	-	1
Malaysian Ringgit	73,032	1,930	-	-	74,962
Mexican Peso	80,889	10,361	4,326	-	95,576
New Zealand Dollar	81,767	4,471	-	-	86,238
Norwegian Krone	131,390	-	-	-	131,390
Pakistani Rupee	2,367	-	-	-	2,367
Philippines Peso	15,673	-	-	-	15,673
Polish Zloty	49,544	2,033	-	-	51,577
Romanian Leu	7	-	-	-	7
Russian Ruble	11,475	-	-	-	11,475
Singapore Dollar	214,559	-	-	-	214,559
South African Rand	295,483	-	-	-	295,483
South Korean Won	443,872	170	-	-	444,042
Sri Lankan Rupee	5,216	-	-	-	5,216
Swedish Krona	176,933	30,335	-	-	207,268
Swiss Franc	690,151	-	-	-	690,151
Taiwan Dollar	397,050	-	-	-	397,050
Thailand Baht	105,694	-	-	-	105,694
Turkish Lira	130,733	11,943	-	-	142,676
Ukraine Hryvana	420	-	-	-	420
Uruguyuan Peso	-	1,951	-	-	1,951
Zimbabwean Dollar	1,529	-	-	-	1,529
Investments Held in Foreign Currency	$12,641,870	$532,593	$16,478	$ -	$13,190,941
Foreign Investments Held in U.S. Dollars	13,250,423	2,281,138	1,081,183	1,109,892	17,722,636
Total Foreign Investments-Primary Government, including Fiduciary Activities					$30,913,577

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units
International Investments—Foreign Currency Risk
As of June 30, 2009
(dollars in thousands)

The Ohio State University:

Currency	Included in the Balance Reported for Common & Preferred Stock	Included in the Balance Reported for Corporate & International Bonds	Total
Australian Dollar	$2,942	$ -	$2,942
Brazilian Real	2,288	-	2,288
British Pound	22,074	-	22,074
Canadian Dollar	7,528	-	7,528
Danish Krone	773	-	773
Euro	39,674	-	39,674
Hong Kong Dollar	7,360	-	7,360
Hungarian Forint	277	-	277
Indonesian Rupiah	171	-	171
Israeli Shekel	108	-	108
Japanese Yen	26,612	-	26,612
Malaysian Ringgit	334	-	334
Mexican Peso	394	507	901
New Zealand Dollar	455	-	455
Norwegian Krone	2,122	-	2,122
Polish Zloty	181	-	181
Singapore Dollar	1,559	-	1,559
South African Rand	2,520	-	2,520
South Korean Won	6,027	-	6,027
Swedish Krona	2,695	-	2,695
Swiss Franc	4,668	-	4,668
Taiwan Dollar	3,008	-	3,008
Thailand Baht	1,558	-	1,558
Investments Held in Foreign Currency	$135,328	$507	$135,835
Foreign Investments Held in U.S. Dollars	-	7	7
Total Investments Held in Foreign Currency-Ohio State University	$135,328	$514	$135,842

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Nonmajor Component Units:

Currency	Included in the Balance Reported for Common & Preferred Stock	Included in the Balance Reported for Corporate & International Bonds	Total
Australian Dollar	$3,573	$ -	$3,573
Brazilian Real	2,854	-	2,854
British Pound	7,090	-	7,090
Bulgarian Lev	432	-	432
Canadian Dollar	4,865	-	4,865
Caymanian Dollar	17	-	17
Chinese Yuan	918	-	918
Czech Koruna	276	-	276
Euro	19,179	-	19,179
Hong Kong Dollar	1,928	-	1,928
Hungarian Forint	100	-	100
Indian Rupee	1,013	-	1,013
Indonesian Rupiah	706	-	706
Japanese Yen	10,222	-	10,222
Labanese Pound	46	-	46
Mexican Peso	287	-	287
Netherlands Antilles Guilder	1,372	-	1,372
Polish Zloty	144	-	144
Romanian Leu	286	-	286
Russian Ruble	1,133	-	1,133
Serbian Dinar	68	-	68
Singapore Dollar	385	-	385
South African Rand	1,765	-	1,765
South Korean Won	2,019	-	2,019
Taiwan Dollar	763	-	763
Thailand Baht	823	-	823
Turkish Lira	429	-	429
Venezuelan Bolivar	33	-	33
Zimbabwean Dollar	12	-	12
Investments Held in Foreign Currency	$62,738	$0	$62,738
Foreign Investments Held in U.S. Dollars	721	661	1,382
Total Nonmajor Component Units	$63,459	$661	$64,120

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Consequently, as of June 30, 2009, 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.

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 2009, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2009, 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, 2009, approximately $215 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet of which $202.3 million is reported in the General Fund and $12.7 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income and corporation franchise taxes, totaling approximately $712.6 million are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which $670.6 million is reported in the General Fund and $42.0 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	$415,873	$ -	$26,075	$149	$442,097
Sales Taxes	305,475	-	19,153	655	325,283
Motor Vehicle Fuel Taxes	-	66,976	86,823	2,216	156,015
Commercial Activity Taxes	-	-	298,933	-	298,933
Public Utility Taxes	57,007	-	30,287	-	87,294
Severance Taxes	-	-	-	2,220	2,220
	778,355	66,976	461,271	5,240	1,311,842
Noncurrent-Due in More Than One Year:					
Income Taxes	40,791	-	2,558	-	43,349
Taxes Receivable, Net	$819,146	$66,976	$463,829	$5,240	1,355,191

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, 2009 (dollars in thousands):

	Programs		Services		
	Federal Government	Local Government	Other State Governments	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$663,253	$33,416	$ -	$4,636	$701,305
Job, Family and Other Human Services	331,138	98,222	-	-	429,360
Education	36,407	71,259	-	-	107,666
Highw ay Operating	98,652	-	-	-	98,652
Nonmajor Governmental Funds	342,421	12,842	-	48,051	403,314
Total Governmental Activities	$1,471,871	215,739	-	$52,687	$1,740,297
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	465	-	465
Nonmajor Proprietary Funds	-	-	-	9,498	9,498
Total Business-Type Activities	-	-	465	9,498	9,963
Intergovernmental Receivable	$1,471,871	$215,739	465	$62,185	$1,750,260

NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2009, 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	$215,409	$ -	$ -	$ -	$215,409
School District Solvency Assistance	9,938	-	-	-	9,938
Wayne Trace Local School District	3,769	-	-	-	3,769
State Workforce Development	798	-	-	-	798
Office of Minority Financial Incentives	821	-	-	-	821
Professional Development	576	-	-	-	576
Small Government Fire Departments	1,286	-	-	-	1,286
Nurses Education Assistance	-	58	-	-	58
Highway, Transit, & Aviation Infrastructure Bank	-	-	116,848	-	116,848
Economic Development Office of Financial Incentives	-	-	-	389,471	389,471
Rail Development	-	-	-	3,276	3,276
Brownfield Revolving Loan	-	-	-	3,127	3,127
Local Infrastructure Improvements	-	-	-	361,020	361,020
Loans Receivable, Gross	232,597	58	116,848	756,894	1,106,397
Estimated Uncollectible	(154)	-	-	-	(154)
Loans Receivable, Net	$232,443	$58	$116,848	$756,894	$1,106,243
Current-Due Within One Year	$11,447	$29	$1,559	$39,908	$52,943
Noncurrent-Due in More Than One Year	220,996	29	115,289	716,986	1,053,300
Loans Receivable, Net	$232,443	$58	$116,848	$756,894	$1,106,243

Major Component Units - Loans Receivable

Loan Program	Ohio Water Development Authority (12/31/08)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion)	$4,105,379	$ -	$ -
Student	-	89,027	41,033
Other	-	-	2,657
Loans Receivable, Gross	4,105,379	89,027	43,690
Estimated Uncollectible	-	(17,450)	(6,138)
Loans Receivable, Net	$4,105,379	$71,577	$37,552
Current-Due Within One Year	$2,455	$12,816	$2,938
Noncurrent-Due in More Than One Year	$4,102,924	$58,761	$34,614
Loans Receivable, Net	$4,105,379	$71,577	$37,552

NOTE 5 RECEIVABLES (Continued)

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, 2009, 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 Governmental Funds	Total
Manufacturers' Rebates	$61,094	$152,276	$ -	$ -	$ -	$17,302	$230,672
Tobacco Settlement	-	-	-	-	206,787	74,452	281,239
Health Facility Bed Assessments	-	59,602	-	-	-	-	59,602
Interest	25,948	-	-	3,446	36	1,481	30,911
Accounts	72,321	55,307	630	2,524	-	6,778	137,560
Environmental Legal Settlements	-	-	-	-	-	9,759	9,759
Miscellaneous	5,649	1,388	88	596	-	1,526	9,247
	$165,012	$268,573	$718	$6,566	$206,823	$111,298	$758,990
Reconciliation of balances included in "Other Receivables" balance in the government-wide financial statements	$277	-	-	-	-	-	$277
Other Receivables, Net-	$165,289	$268,573	718	6,566	206,823	111,298	$759,267
Current-Due Within One Year	$165,012	$268,573	$718	$6,566	$36	$36,846	$477,751
Noncurrent-Due in More Than One Year	277	-	-	-	206,787	74,452	281,516
Other Receivables, Net	$165,289	$268,573	$718	$6,566	$206,823	$111,298	$759,267

	Business-Type Activities				
	Major Proprietary Funds				
Type of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 1,199,204	$ -	$ 83,170	$ 870	$ 1,283,244
Interest and Dividends (including restricted portion)	186,206	3,702	-	5,528	195,436
Lottery Sales Agents	-	30,050	-	-	30,050
Miscellaneous	-	-	-	98	98
Other Receivables, Gross	1,385,410	33,752	83,170	6,496	1,508,828
Estimated Uncollectible	(988,162)	(356)	(70,103)	-	(1,058,621)
Other Receivables, Net-Due Within One Year	$397,248	$33,396	$13,067	$6,496	$450,207
Total Primary Government					$1,209,474

NOTE 5 RECEIVABLES (Continued)

Major Component Units - Other Receivables

Types of Receivables	Ohio State University	University of Cincinnati
Accounts	$973,931	$25,566
Interest	16,684	8,982
Investment Trade Receivable (Stock Proceeds)	-	4
Dividends Receivable	-	-
Pledges	41,044	69,227
Unbilled Charges	-	41,910
Other Receivables, Gross	1,031,659	145,689
Estimated Uncollectible	(578,580)	(9,807)
Other Receivables, Net	$453,079	$135,882
Current-Due Within One Year	$441,823	$86,120
Noncurrent-Due Within More Than One Year	11,256	49,762
Other Receivables, Net	$453,079	$135,882

The “Other Receivables” balance reported in the fiduciary funds as of June 30, 2009, is comprised of interest due of approximately $3.2 million, investment trade receivable of $3.7 million, and miscellaneous receivables of $2.2 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, 2009, follow (dollars in thousands).

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
Governmental Activities:				
Major Governmental Funds:				
General	$169,135	$ -	$ -	$169,135
Job, Family and Other Human Services	23,974	-	-	23,974
Education	2,543	-	-	2,543
Highway Operating	29,433	-	-	29,433
Nonmajor Governmental Funds	65,694	-	20	65,714
	$290,779	$ -	$20	$290,799
Reconciliation of fund level statements to government-wide statements due to basis differences	-	144,137	6	144,143
Total Governmental Activities	290,779	144,137	26	434,942
Business-Type Activities:				
Nonmajor Proprietary Funds	6,371	-	-	6,371
Total Primary Government	$297,150	$144,137	$26	$441,313

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Expenses
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2008)	$11,781	$844	$ -	12,625
Variable College Savings Plan Private-Purpose Trust	-	-	5,243	5,243
Total Fiduciary Activities	$11,781	$844	$5,243	$17,868

NOTE 6 PAYABLES (Continued)

Major Component Units - Accrued Liabilities

	Wages and Employee Benefits	Self-Insurance	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University................................	$165,718	$148,477	$3	$41,161	$355,359
University of Cincinnati.............................	32,780	-	4,975	39,034	76,789

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government, as of June 30, 2009, are comprised of the following (dollars in thousands).

Primary Government - Intergovernmental Payable

	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General	$286,466	$147,040	$31,715	$0	$465,221
Job, Family and Other Human Services .	-	228,381	-	-	228,381
Education	-	54,440	-	-	54,440
Highw ay Operating	-	168	-	-	168
Revenue Distribution	941,405	-	-	2,014	943,419
Nonmajor Governmental Funds	-	208,456	-	-	208,456
Total Governmental Activities	$1,227,871	$ 638,485	$ 31,715	$ 2,014	$ 1,900,085
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	147	862,924	-	863,071
Nonmajor Proprietary Funds	418	-	-	-	418
	418	147	862,924	-	863,489
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the business-type financial statements..................................	-	-	(862,538)	-	(862,538)
Total Business-Type Activities	$ 418	$ 147	$ 386	$ -	$ 951
			Total Primary Government		$ 1,901,036
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ -	$104	$5,950	$6,054
Payroll Withholding and Fringe Benefits Agency Fund	-	20,226	-	-	20,226
Other Agency Fund	115,227	17,288	-	-	132,515
Total Fiduciary Activities	$ 115,227	$ 37,514	$ 104	$ 5,950	$ 158,795

As of June 30, 2009, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately $1.74 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.”

NOTE 6 PAYABLES (Continued)

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, 2009, consist of the balances, as follows (dollars in thousands):

Primary Government - Refund and Other Liabilities

	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	$581,414	$103,172	$684,586	$ -	$3,335	$687,921
Job, Family and Other Human Services	-	-	-	1,742	3,253	4,995
Revenue Distribution	35,574	6,469	42,043	-	-	42,043
Nonmajor Governmental Funds	-	-	-	-	1,764	1,764
	616,988	109,641	726,629	1,742	8,352	736,723
Reconciliation of balances included in the "Refund and Other Liabilities" and "Other Noncurrent Liabilities" balances in the government-wide financial statements.....	-	-	-	-	1,316	1,316
Total Governmental Activities	$616,988	$109,641	$726,629	$1,742	$9,668	$738,039

	Reserve for Compensa-tion Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$1,819,999	$88,474	$18,203	$ -	$60,502	$1,987,178
Lottery Commission	-	42,833	2,586	-	2,180	47,599
Unemployment Compensation	-	6,930	-	-	-	6,930
Nonmajor Proprietary Funds	-	2,798	11,598	3	551	14,950
	1,819,999	141,035	32,387	3	63,233	2,056,657
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements......	(1,819,999)	(88,474)	(31,920)	(3)	(28,131)	(1,968,527)
Total Business-Type Activities	$ -	$52,561	$467	$ -	$35,102	$88,130
			Total Primary Government			$826,169

NOTE 6 PAYABLES (Continued)

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement						
System Pension Trust (12/31/2008)......	$ -	$ -	$ -	$ -	$31	$ 31
Variable College Savings Plan						
Private-Purpose Trust...........................	-	-	-	-	4,455	4,455
STAR Ohio Investment Trust	-	-	-	-	3,689	3,689
Agency Funds:						
Holding and Distribution	-	19,298	-	-	-	19,298
Centralized Child Support Collections.....	58,565	-	-	-	-	58,565
Retirement Systems	-	-	-	130,760,031	-	130,760,031
Payroll Withholding and						
Fringe Benefits	-	-	99,759	-	-	99,759
Other	-	413,064	-	51,138	147,480	611,682
Total Fiduciary Activities........................	$58,565	$432,362	$99,759	$130,811,169	$155,655	$131,557,510

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.............	$47,185	$103,581	$23,606	$38,844	$55,501	$268,717
University of Cincinnati.........	30,211	63,704	146,220	-	8,331	$248,466

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

A. Interfund Balances

Interfund balances, as of June 30, 2009, consist of the following (in thousands):

	Due To						
	Governmental Activities						
Due from	General	Job, Family and Other Human Services	Highway Operating	Revenue Distribution	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Major Governmental Funds:							
General	$ -	$ 2	$ -	$89,831	$ -	$3,174	$93,007
Revenue Distribution	-	-	422	-	-	406	828
Nonmajor Governmental Funds	-	-	-	-	900,400	1	900,401
Total Governmental Activities ...	-	2	422	89,831	900,400	3,581	994,236
Business-Type Activities:							
Nonmajor Proprietary Funds	2,994	-	-	-	-	-	2,994
Total Business-Type Activities .	2,994	-	-	-	-	-	2,994
Total Primary Government	$2,994	$2	$422	$89,831	$900,400	$3,581	$997,230

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

	Business-Type Activities			
	Major Proprietary Fund			
Due from	Workers' Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:				
General	$541,929	$12,482	$554,411	$647,418
Job, Family, Other Human Services	15,355	-	15,355	15,355
Education	2,711	-	2,711	2,711
Highw ay Operating	90,650	-	90,650	90,650
Revenue Distribution	-	-	-	828
Nonmajor Governmental Funds	116,324	2	116,326	1,016,727
Total Governmental Activities	766,969	12,484	779,453	1,773,689
Business-Type Activities:				
Major Proprietary Funds:				
Lottery Commission	1,957	-	1,957	1,957
Nonmajor Proprietary Funds	11,941	-	11,941	14,935
Total Business-Type Activities	13,898	-	13,898	16,892
Total Primary Government	$780,867	$12,484	$793,351	$1,790,581

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 $900.4 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 $780.9 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 $776.5 million in the internal balance reported for governmental activities.

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2009, consist of the following (dollars in thousands):

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

	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	$ -	$6,883	$8,187	$ -	$13,390	$1,101,240	$1,129,700
Job, Family and Other Human Services	13,367	-	1,500	-	-	-	14,867
Education	3,480	208	-	-	-	253	3,941
Highway Operating	400	-	-	-	190,704	177,512	368,616
Revenue Distribution	141,381	-	16,268	455,534	-	261,866	875,049
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	-	-	-	15,270	15,270
Nonmajor Governmental Funds	116,567	150	-	1,500	-	2,067	120,284
Total Governmental Activities	275,195	7,241	25,955	457,034	204,094	1,558,208	2,527,727
Major Proprietary Funds:							
Workers' Compensation	8,046	-	-	-	-	4,540	12,586
Lottery Commission	335	-	702,291	-	-	-	702,626
Unemployment Compensation	-	3,812	-	-	-	-	3,812
Nonmajor Proprietary Funds	163,000	-	-	-	-	61,100	224,100
Total Business-Type Activities	171,381	3,812	702,291	-	-	65,640	943,124
Total Primary Government	$446,576	$11,053	$728,246	$457,034	$204,094	$1,623,848	$3,470,851

	Business-Type Activities		
Transferred from	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:			
General	$43,739	$ 43,739	1,173,439
Job, Family and Other Human Services	-	-	14,867
Education	-	-	3,941
Highway Operating	-	-	368,616
Revenue Distribution	-	-	875,049
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	15,270
Nonmajor Governmental Funds	-	-	120,284
Total Governmental Activities	43,739	43,739	2,571,466
Major Proprietary Funds:			
Workers' Compensation	-	-	12,586
Lottery Commission	-	-	702,626
Unemployment Compensation	-	-	3,812
Nonmajor Proprietary Funds	-	-	224,100
Total Business-Type Activities	-	-	943,124
Total Primary Government	$43,739	$43,739	$3,514,590

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.

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

C. Component Units

For fiscal year 2009, the component units reported $2.36 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 $3.95 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.

Primary Government
(dollars in thousands)

			Program Expenses for State Assistance to Component Units			
	Receivable from the Component Units	Payable to the Component Units	Primary, Secondary, and Other Education Function	Higher Education Support Function	Community and Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:						
General	$ -	$10,489	$213,859	$1,903,125	$30,500	$2,147,484
Job, Family and Other Human	-	1,220	-	-	-	-
Education	-	998	-	-	-	-
Highway Operating	-	552	-	-	-	-
Buckeye Tobacco Settlement Authority Revenue Bonds...............	3,948,282	-	-	-	-	-
Nonmajor Governmental Funds	-	27,444	-	215,311	-	215,311
Total Governmental Activities............	3,948,282	40,703	213,859	2,118,436	30,500	2,362,795
Total Primary Government	$3,948,282	$40,703	$213,859	$2,118,436	$30,500	$2,362,795

Component Units

	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistantce from the Primary Government
Major Component Units:			
School Facilities Commission	$ -	$3,948,282	$194,813
Ohio State University	1,932	-	557,611
University of Cincinnati	1,182	-	220,901
Nonmajor Component Units	37,589	-	1,389,470
Total Component Units	$40,703	$3,948,282	$2,362,795

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2009, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$1,885,135	$45,195	($2,421)	$1,927,909
Buildings	59,908	-	-	59,908
Land Improvements	1,202	-	-	1,202
Construction-in-Progress	1,825,691	423,030	(315,579)	1,933,142
Infrastructure:				
Highway Network:				
General Subsystem	8,387,073	64,299	(5,677)	8,445,695
Priority Subsystem	7,469,454	73,316	-	7,542,770
Bridge Network	2,541,870	55,129	(37,537)	2,559,462
Total Capital Assets Not Being Depreciated	22,170,333	660,969	(361,214)	22,470,088
Other Capital Assets:				
Buildings	3,506,319	78,871	(18,388)	3,566,802
Land Improvements	398,691	30,753	(7,659)	421,785
Machinery and Equipment	643,168	41,580	(28,022)	656,726
Vehicles	270,215	15,024	(12,326)	272,913
Infrastructure:				
Parks, Recreation and Natural Resources Network	54,309	11,443	-	65,752
Total Other Capital Assets at Historical Cost	4,872,702	177,671	(66,395)	4,983,978
Less Accumulated Depreciation for:				
Buildings	1,630,611	108,398	(10,388)	1,728,621
Land Improvements	200,657	16,397	(4,184)	212,870
Machinery and Equipment	443,767	62,309	(29,798)	476,278
Vehicles	131,320	24,426	(8,353)	147,393
Infrastructure:				
Parks, Recreation and Natural Resources Network	6,916	2,697	(245)	9,368
Total Accumulated Depreciation	2,413,271	214,227	(52,968)	2,574,530
Other Capital Assets, Net	2,459,431	(36,556)	(13,427)	2,409,448
Governmental Activities- Capital Assets, Net	$24,629,764	$624,413	($374,641)	$24,879,536

For fiscal year 2009, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	***(in 000s)***
Primary, Secondary and Other Education	$2,362
Public Assistance and Medicaid	5,509
Health and Human Services	20,330
Justice and Public Protection	97,207
Environmental Protection and Natural Resources	27,252
Transportation	76,299
General Government	65,459
Community and Economic Development	9,493
Total Depreciation Expense for Govenmental Activities	303,911
Gains (Losses) on Capital Asst Disposals Included in Depreciation	(89,684)
Fiscal Year 2009 Increases to Accumulated Depreciation	$214,227

NOTE 8 CAPITAL ASSETS (Continued)

As of June 30, 2009, the State considered the following governmental capital asset balances as being temporarily or permanently impaired and removed from service.

Governmental Activities:	***(in 000s)***
Temporarily Impaired Assets Removed from Service:	
Buildings	$30,623
Land Improvements	225
Construction-In-Progress	2,280
Total	$33,128
Permanently Impaired Assets Removed from Service:	
Buildings	$8,453
Land Improvements	2,342
Total	$10,795

	Primary Government (Continued)			
	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$11,994	$ -	$ -	$11,994
Total Capital Assets Not Being Depreciated	11,994	-	-	11,994
Other Capital Assets:				
Buildings	223,423	211	-	223,634
Land Improvements	66	-	-	66
Machinery and Equipment	133,475	4,566	(18,282)	119,759
Vehicles	4,691	610	(744)	4,557
Total Other Capital Assets at Historical Cost	361,655	5,387	(19,026)	348,016
Less Accumulated Depreciation for:				
Buildings	130,308	7,386	-	137,694
Land Improvements	53	1	-	54
Machinery and Equipment	113,000	8,184	(17,814)	103,370
Vehicles	2,045	644	(539)	2,150
Total Accumulated Depreciation	245,406	16,215	(18,353)	243,268
Other Capital Assets, Net	116,249	(10,828)	(673)	104,748
Busines-Type Activities - Capital Assets, Net	$128,243	($10,828)	($673)	$116,742

For fiscal year 2009, the State charged depreciation expense to the following business-type functions:

Business-Type Activities	***(in 000s)***
Workers' Compensation	$12,806
Lottery Commission	1,802
Tuition Trust Authority	33
Liquor Control	507
Underground Parking Garage	626
Office of Auditor of State	739
Total Depreciation Expense for Business-Type Activities	16,513
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(298)
Fiscal year 2009 Increase to Accumulated Depreciation	$16,215

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Component Units

Capital asset activity, for the year ended June 30, 2009, reported for discretely presented major component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Component Units			
	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$48,877	$26,077	($836)	$74,118
Construction-in-Progress	293,629	64,745	-	358,374
Total Capital Assets Not Being Depreciated	342,506	90,822	(836)	432,492
Other Capital Assets:				
Buildings	3,448,422	178,140	(18,738)	3,607,824
Land Improvements	269,802	9,930	-	279,732
Machinery, Equipment and Vehicles	845,285	116,039	(62,810)	898,514
Library Books and Publications	164,543	3,155	(5,363)	162,335
Total Other Capital Assets at Historical Cost	4,728,052	307,264	(86,911)	4,948,405
Other Capital Assets:				
Buildings	1,285,286	122,270	(15,849)	1,391,707
Land Improvements	149,017	11,921	-	160,938
Machinery, Equipment and Vehicles	565,552	82,987	(56,980)	591,559
Library Books and Publications	146,670	4,716	(5,361)	146,025
Total Accumulated Depreciation	2,146,525	221,894	(78,190)	2,290,229
Other Capital Assets, Net	2,581,527	85,370	(8,721)	2,658,176
Total Capital Assets, Net	$2,924,033	$176,192	($9,557)	$3,090,668
University of Cincinnati:				
Capital Assets Not Being Depreciated:				
Land	$21,923	$ -	$ -	$21,923
Construction-in-Progress	223,254	29,469	(223,269)	29,454
Collections of Works of Art and Historical Treasures	4,364	10,218	-	14,582
Total Capital Assets Not Being Depreciated	249,541	39,687	(223,269)	65,959
Other Capital Assets:				
Buildings	1,611,551	189,363	-	1,800,914
Land Improvements	86,402	7,033	-	93,435
Machinery, Equipment and Vehicles	203,487	14,944	(7,455)	210,976
Library Books and Publications	149,347	8,606	(9,472)	148,481
Infrastructure	100,244	15,472	-	115,716
Total Other Capital Assets at Historical Cost	2,151,031	235,418	(16,927)	2,369,522
Less Accumulated Depreciation for:				
Buildings	631,688	60,859	(5,467)	687,080
Land Improvements	18,809	4,416	-	23,225
Machinery, Equipment and Vehicles	129,093	16,300	(8,444)	136,949
Library Books and Publications	98,478	7,907	(329)	106,056
Infrastructure	52,038	4,182	-	56,220
Total Accumulated Depreciation	930,106	93,664	(14,240)	1,009,530
Other Capital Assets, Net	1,220,925	141,754	(2,687)	1,359,992
Total Capital Assets, Net	$1,470,466	$181,441	($225,956)	$1,425,951

For fiscal year 2009, Ohio State University and the University of Cincinnati reported approximately $221.9 million and $93.7 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 its component units, are eligible to be covered by one of the following retirement plans:

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

A. Ohio Public Employees Retirement System (OPERS)
Pension Benefits
OPERS is a cost-sharing, 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 but 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, payments for a specific monthly amount, or various combinations of these options. Participants direct the investment of their accounts by selecting from sixteen professionally managed OPERS investment options.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2009, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2008 through June 30, 2009	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2008 through December 31, 2008	10.10%	17.40%
January 1, 2009 through June 30, 2009	10.10%	17.63%

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 17.87 percent, beginning January 1, 2010, and 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):

	2009	2008	2007
Primary Government:			
Regular Employees	$216,623	$217,003	$ 254,977
Law Enforcement			
Employees...........................	3,708	3,718	4,112
Total	$220,331	$220,721	$ 259,089
Major Component Units:			
School Facilities			
Commission	$303	$268	$317
Ohio Water			
Development Authority........	80	72	89
Ohio State University..............	67,273	63,104	70,385
University of Cincinnati..........	11,950	11,672	14,162

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):

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	2009	2008	2007
Primary Government:			
Employer Contributions	$4,762	$4,407	$3,455
Employee Contributions	10,672	9,721	7,718
Major Component Units:			
Ohio State University:			
Employer Contributions ..	2,139	1,988	1,618
Employee Contributions .	5,288	4,425	3,536
University of Cincinnati:			
Employer Contributions ..	335	300	292
Employee Contributions .	775	640	595

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.

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 contribution rates for regular and law enforcement employees were as follows:

	Employer Share	
	Defined Benefit and Combined Plans	Defined Contribution Plan
July 1, 2008 through March 31, 2009	7.00%	4.50%
April 1, 2009 through June 30, 2009	5.50%	4.50%

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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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):

	2009	2008	2007
Primary Government:			
Regular Employees	$196,410	$190,963	$135,968
Law Enforcement			
Employees...........................	2,288	2,238	1,589
Total	$198,698	$193,201	$137,557
Major Component Units:			
School Facilities			
Commission	$271	$236	$169
Ohio Water			
Development Authority........	72	64	47
Ohio State University.............	60,263	55,482	37,523
University of Cincinnati...........	10,709	10,262	7,550

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2009, employers paid 4.5 percent of their share into members' accounts for the period covering July 1, 2008 through June 30, 2009. 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, for the period covering July 1, 2008 through December 31, 2008, and with 100 percent vesting attained after five years of credit service for the period covering January 1, 2009 through June 30, 2009. 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.

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

	2009	2008	2007
Primary Government............	$2,454	$2,272	$1,805
Major Component Units:			
Ohio State University..........	1,103	954	796
University of Cincinnati.......	172	144	144

The number of active contributing participants for the primary government was 57,131, as of December 31,2008 (the latest information available).

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 allowed 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 three years and not more than five years.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2009, the state had a $4.6 million liability relative to existing ERI agreements with state employees covered by OPERS. This liability is due for employees that were paid from the General Fund, Community and Economic Development Fund and the Natural Resources Fund. During fiscal year 2009, the State incurred expenditures/expenses totaling $28.9 million for 1,098 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.

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2009 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):

	2009	2008	2007
Primary Government......................	$7,498	$7,536	$7,477
Major Component Units:			
Ohio State University.....................	38,355	36,631	35,523
University of Cincinnati.................	14,609	14,487	14,395

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):

	2009	2008	2007
Primary Government:			
Employer Contributions	$98	$105	$88
Employee Contributions	163	170	148
Major Component Units:			
Ohio State University:			
Employer Contributions	3,155	2,707	2,103
Employee Contributions	3,633	3,149	2,475
University of Cincinnati:			
Employer Contributions	885	813	769
Employee Contributions	1,107	1,038	973

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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2009, net assets available for future healthcare benefits were $2.68 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):

	2009	2008	2007
Primary Government......................	$577	$580	$575
Major Component Units:			
Ohio State University....................	2,950	2,818	2,733
University of Cincinnati................	1,124	1,114	1,107

The number of eligible benefit recipients for STRS as a whole was 169,828, as of June 30, 2009; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2009, 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 52 or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48.

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, 2008, were 25.5 percent and ten percent, respectively. During 2008, the board increased the employer contribution rate to a 26.5 percent effective July 1, 2009.

During calendar year 2008, all of the employees' contributions funded pension benefits while 21 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

The employer contributions for calendar year 2008 were approximately $20.3 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
2008	$21,221	95.7%
2007	21,666	92.1%
2006	19,567	98.5%

The 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, 2008. 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 an open period for an infinite number of years.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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)
2008	$904,522	$603,266	$301,256	66.7%	$94,302	319.5%
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%

Other Post Employment Benefits (OPEB)
During calendar year 2008, 4.5 percent of the employer's contributions funded healthcare benefits. Active members do not make contributions to the OPEB plan. The employer share that funds healthcare benefits will increase to 5.5 percent effective July 1, 2009.

The employer contributions for calendar year 2008 were approximately $4.7 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 ARC Contributed
2008	$19,273	24.2%
2007	18,303	25.0%
2006	15,962	21.2%

The 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 2008 expense was $9.6 million. The number of active contributing plan participants, as of December 31, 2008, was 1,544.

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, 2008, 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 an open 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 2019. Net assets available for benefits allocated to healthcare costs at December 31, 2008 were $95.8 million, and included investments carried at fair value, as previously described.

As of December 31, 2008, 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 $228.4 million, the actuarial accrued liability for healthcare benefits at that date was $324.2 million.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2008	$324,171	$95,785	$228,386	29.5%	$94,302	242.2%
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%

D. Alternative Retirement Plan (ARP)
Pension Benefits
The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified 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. These contribution rates are ten percent for OPERS and STRS.

For the year ended June 30, 2009, employers were required to contribute 0.77 percent 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, 2009, 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2009, for the ARP follow (dollars in thousands):

	OPERS	STRS
Major Component Units:		
Ohio State University:		
Employer Contributions	$21,769	$21,803
Employee Contributions	15,550	15,574
University of Cincinnati:		
Employer Contributions	7,792	6,164
Employee Contributions	5,881	5,880

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 18 constitutional amendments (the last adopted November 2008 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, 2009, 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, 2009, the General Assembly had also authorized the issuance of $2.61 billion in Higher Education Capital Facilities Bonds, of which $2 billion has been issued.

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, 2009, the General Assembly has authorized the issuance of approximately $2.77 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, 2009, 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 $2.64 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, 2009, 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, 2009, of which $295 million had been issued.

A 2008 constitutional amendment allowed for outstanding Conservation Projects Bonds up to $400 million. No more than $50 million may be issued during a fiscal year. As of June 30, 2009, the General Assembly had authorized the issuance of approximately $300 million in Conservation Projects Bonds of which $200 million had been issued. This authorization is in addition to the 2000 constitutional amendment for the same purpose.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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, 2009, the General Assembly had authorized the issuance of $350 million in Third Frontier Research and Development Bonds, of which $181 million had been issued.

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, 2009, of which $30 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2009, 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, 2009. 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, 2009
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2000-09	2.0%-5.5%	2027	$2,771,926	$55,000
Higher Education Capital Facilities	2000-09	2.0%-5.5%	2027	1,563,705	613,000
Highway Capital Improvements	2000-08	2.6%-5.6%	2018	701,177	827,000
Infrastructure Improvements	1990-09	2.0%-7.6%	2029	1,597,357	240,014
Coal Research and Development	2000-08	2.5%-5.0%	2016	25,619	73,000
Natural Resources Capital Facilities	2000-07	3.0%-5.0%	2020	141,652	55,000
Conservation Projects	2002-07	2.3%-5.3%	2023	159,702	100,000
Third Frontier Research and Development	2007-09	2.0%-5.5%	2019	154,995	169,300
Site Development	2007	3.4%-5.3%	2016	21,918	90,000
Total General Obligation Bonds				$7,138,051	$2,222,314

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2010........................	$333,715	$287,447	($116)	$621,046
2011........................	513,065	271,904	-	784,969
2012........................	517,500	250,132	-	767,632
2013........................	534,960	228,240	-	763,200
2014........................	513,375	204,630	-	718,005
2015-2019	1,988,955	708,646	-	2,697,601
2020-2024	1,505,660	271,279	-	1,776,939
2025-2029	357,550	29,820	-	387,370
Total Current Interest and Capital Appreciation Bonds	$6,264,780	$2,252,098	($116)	$8,516,762

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$19,345	$3,651	$17,510	$40,506
2011	21,125	3,552	11,039	35,716
2012	19,230	3,467	10,809	33,506
2013	18,125	3,400	10,563	32,088
2014	36,045	3,267	10,312	49,624
2015-2019	294,690	9,974	43,132	347,796
2020-2024	242,945	3,100	18,947	264,992
2025-2029	39,680	187	1,109	40,976
Total Variable-Rate Bonds	$691,185	$30,598	$123,421	$845,204
Total General Obligation Bonds	6,955,965			
Unamortized Premium/(Discount), Net	244,213			
Deferred Refunding Loss	(62,127)			
Total Carrying Amount	$7,138,051			

For the year ended June 30, 2009, NOTE 15 summarizes changes in general obligation bonds.

Interest Rate Swaps

As of June 30, 2009, approximately $592.2 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 113 and115. 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, 2009
(dollars in thousands)

Issue	Type of Swap	Original Notational Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2009	State's Swap Rate at 06/30/2009	Effective Date	Termination (Maturity) Date	Fair Value
Infrastructure Improvements, Series 2001B	Floating to Fixed knock-out	$63,900	SIFMA Index	0.35%	4.63%	11/29/2001	8/1/2021	($9,874)
Credit Quality Ratings of Counterparty:		50% Aa1/AA- JP Morgan Chase; 50% A2/A Morgan Stanley Capital Services						
Infrastructure Improvements, Refunding Series 2003D	Floating to Fixed	$58,085	Actual Bond Rate	0.35%	3.04%	3/20/2003	2/1/2010	($845)
Credit Quality Ratings of Counterparty:		A2/A Morgan Stanley Capital Services						
Infrastructure Improvements, Series 2003F	Fixed to Floating	$30,115	SIFMA Index	2.54%	0.35%	12/4/2003	2/1/2010	$62
Credit Quality Ratings of Counterparty:		Aa1/AA- JP Morgan Chase						
Infrastructure Improvements, Refunding Series 2004A	Floating to Fixed Enhanced LIBOR	$58,725	LIBOR (See terms below)	0.44%	3.51%	3/3/2004	2/1/2023	($4,488)
Credit Quality Ratings of Counterparty:		A2/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, 2009. 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.

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.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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, 2009. 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 does not expose the State to basis risk (provided "Rate Change Events" do not occur). The State receives the Actual Bond Rate, which exactly offsets the State's payments to bondholders. Rate Change Events include a downgrade of the underlying bonds, a put to the liquidity provider, and extended market disruption. The rate change would be from the Actual Bond Rate to the SIFMA Index which has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

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 $62 thousand at June 30, 2009.

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, 2009. 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, 2009
(dollars in thousands)

Issue	Type of Swap	Original Notational Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2009	State's Swap Rate at 06/30/2009	Effective Date	Termination (Maturity) Date	Fair Value
Common Schools, Series 2003D	Floating to Fixed LIBOR	$67,000	LIBOR (see terms below)	0.45%	3.41%	9/14/2007	3/15/2024	($4,244)
Credit Quality Ratings of Counterparty: 50% Aa1/AA- JP Morgan Chase; 50% A2/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)	0.93%	3.75%	1/15/2008	3/15/2010	($8,805)
Credit Quality Ratings of Counterparty: Aa1/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)	0.93%	3.75%	1/15/2008	3/15/2010	($8,805)
Credit Quality Ratings of Counterparty: Aa1/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)	0.45%	3.20%	6/15/2006	6/15/2026	($3,770)
Credit Quality Ratings of Counterparty: 50% Aa2/A+ 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)	0.45%	3.20%	6/15/2006	6/15/2026	($3,770)
Credit Quality Ratings of Counterparty: 50% Aa2/A+ 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, 2009. 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)

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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 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, 2009. 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 reduction 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, 2009. 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 reduction 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 was not exposed to credit risk because the swap had a negative fair value at June 30, 2009. 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

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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 was not exposed to credit risk because the swap had a negative fair value at June 30, 2009. 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.

Advance Refundings
During fiscal year 2009, there were six advance refundings of general obligations bonds as follows:

The State issued approximately $91.2 million in Common Schools refunding bonds (Series 2009A) with a true interest cost rate of 2.6 percent to defease approximately $89.8 million (in substance). Net refunding bond proceeds of $99.5 million were deposited with escrow agents to provide for all future principal and interest payment on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by $6.3 million over the next 11 years. The net economic gain from the refunding was $5.5 million.

The State issued approximately $103 million in Common Schools refunding bonds (Series 2009B) with a true interest cost rate of 2.8 percent to defease approximately $112 million (in substance). Net refunding bond proceeds of $114.9 million were deposited with escrow agents to provide for all future principal and interest payment on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by $22 million over the next 13 years. The net economic gain from the refunding was $155 thousand.

The State issued approximately $86.9 million in Higher Education refunding bonds (Series 2009A) with a true interest cost rate of 2.6 percent to defease approximately $87.9 million (in substance). Net refunding bond proceeds of $95.5 million were deposited with escrow agents to provide for all future principal and interest payment on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by $7.9 million over the next 12 years. The net economic gain from the refunding was $6.7 million.

The State issued approximately $48.7 million in Higher Education refunding bonds (Series 2009B) with a true interest cost rate of 2.9 percent to defease approximately $53.4 million (in substance). Net refunding bond proceeds of $55.2 million were deposited with escrow agents to provide for all future principal and interest payment on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by $11.5 million over the next 12 years. The net economic gain from the refunding was $608 thousand.

The State issued approximately $50 million in Infrastructure refunding bonds (Series 2009A) with a true interest cost rate of 1.9 percent to defease approximately $50.2 million (in substance). Net refunding bond proceeds of $52 million were deposited with escrow agents to provide for all future principal and interest payment on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by $3.8 million over the next seven years. The net economic gain from the refunding was $3.7 million.

The State issued approximately $82 million in Infrastructure refunding bonds (Series 2009B) with a true interest cost rate of 2.9 percent to defease approximately $88.5 million (in substance). Net refunding bond proceeds of $91 million were deposited with escrow agents to provide for all future principal and interest payment on the old

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

bonds. As a result of the refunding, the State's debt service payments will be reduced by $19.1 million over the next 12 years. The net economic gain from the refunding was $516 thousand.

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 had defeased general obligation bonds from prior years and placed the proceeds in irrevocable trusts. As of June 30, 2009, the balances in these trusts for bonds defeased in prior years were $215.2 million for Infrastructure Improvement Bonds, $20.1 million for Natural Resources Bonds, $248.9 million for Common Schools Bonds, and $247.3 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 2029, 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 $680.4 million. During fiscal year 2009, pledged net revenues were $209.9 million. Principal and interest requirements for fiscal year 2009 totaled $45.3 million.

Since fiscal year 1998, the Treasurer of State has issued a total of $1.31 billion 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 $936.3 million. For fiscal year 2009, principal and interest payments on the revenue bonds were $158 million and pledged receipts were $150.6 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

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2009, the total principal and interest payments remaining to be paid on the bonds were $18.82 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2009 were $380.6 million and $374.6 million, respectively. 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.

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 $90.4 million. For fiscal year 2009, both the total lease rental payments and the principal and interest payments on the revenue bonds were $20.6 million.

Revenue bonds outstanding for the primary government, as of June 30, 2009, are presented below.

For the year ended June 30, 2009, NOTE 15 summarizes changes in revenue bonds.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2009, are presented below.

Primary Government
Revenue Bonds
As of June 30, 2009
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Oustanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	1997-09	3.0%-7.7%	2029	$338,767
Revitalization Project	2003-08	2.5%-5.0%	2023	126,326
State Infrastructure Bank	2002-09	3.0%-6.0%	2022	772,783
Buckeye Tobacco Settlement Financing Authority....	2008	4.1%-7.5%	2052	5,408,717
Total Governmental Activities				6,646,593
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	80,657
Total Business-Type Activities				80,657
Total Revenue Bonds				$6,727,250

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Primary Government
Future Funding Requirements for Revenue Bonds
As of June 30, 2009
(dollars in thousands)

	Governmental Activities			Business-Type Activities		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2010......................	$152,730	$338,946	$491,676	$15,930	$3,867	$19,797
2011......................	140,160	332,093	472,253	15,865	3,109	18,974
2012......................	150,735	325,528	476,263	15,890	2,326	18,216
2013......................	150,435	318,308	468,743	15,915	1,543	17,458
2014......................	160,205	310,608	470,813	15,200	751	15,951
2015-2019............	826,370	1,429,217	2,255,587	-	-	-
2020-2024............	828,545	1,207,994	2,036,539	-	-	-
2025-2029............	596,185	1,011,336	1,607,521	-	-	-
2030-2034............	627,300	836,309	1,463,609	-	-	-
2035-2039............	664,014	787,313	1,451,327	-	-	-
2040-2044............	1,131,275	489,241	1,620,516	-	-	-
2045-2049............	1,105,563	3,103,412	4,208,975	-	-	-
2050-2052............	144,108	3,273,193	3,417,301	-	-	-
	6,677,625	13,763,498	20,441,123	78,800	11,596	90,396
Net Unamortized Premium/(Discount)......	(24,275)	-	(24,275)	2,732	-	2,732
Deferred Refunding Loss	(6,757)	-	(6,757)	(875)	-	(875)
Total	$6,646,593	$13,763,498	$20,410,091	$80,657	$11,596	$92,253

	Total		
Year Ending June 30,	Principal	Interest	Total
2010......................	$168,660	$342,813	$511,473
2011......................	156,025	335,202	491,227
2012......................	166,625	327,854	494,479
2013......................	166,350	319,851	486,201
2014......................	175,405	311,359	486,764
2015-2019............	826,370	1,429,217	2,255,587
2020-2024............	828,545	1,207,994	2,036,539
2025-2029............	596,185	1,011,336	1,607,521
2030-2034............	627,300	836,309	1,463,609
2035-2039............	664,014	787,313	1,451,327
2040-2044............	1,131,275	489,241	1,620,516
2045-2049............	1,105,563	3,103,412	4,208,975
2050-2052............	144,108	3,273,193	3,417,301
	6,756,425	13,775,094	20,531,519
Net Unamortized Premium/(Discount)......	(21,543)	-	(21,543)
Deferred Refunding Loss	(7,632)	-	(7,632)
Total	$6,727,250	$13,775,094	$20,502,344

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.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2008, approximately $1.34 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, 2008, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2009.................................	$80,420	$64,727	$145,147
2010.................................	86,190	59,916	146,106
2011.................................	89,895	55,640	145,535
2012.................................	71,390	51,405	122,795
2013.................................	70,570	47,802	118,372
2014-2018.........................	384,560	183,885	568,445
2019-2023.........................	405,350	80,264	485,614
2024-2028.........................	110,075	6,275	116,350
	1,298,450	549,914	1,848,364
Net Unamortized			
Premium/(Discount).......	73,412	-	73,412
Deferred Refunding Loss..	(28,026)	-	(28,026)
Total	$1,343,836	$549,914	$1,893,750

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately $99.1 million in bonds have adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31, 2008 the rate for variable-rate bonds was approximately 1.05 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.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2009, are shown below.

Major Component Units

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/2008) Principal	Interest	Total	Ohio State University Principal	Interest	Total
2009	$336,525	$107,577	$444,102			
2010	142,055	97,528	239,583	$623,636	$36,045	$659,681
2011	146,640	90,768	237,408	46,165	32,848	79,013
2012	151,235	83,955	235,190	59,331	30,796	90,127
2013	151,505	77,706	229,211	58,576	27,322	85,898
2014	-	-	-	38,829	25,079	63,908
2014-2018	701,675	297,120	998,795	-	-	-
2015-2019	-	-	-	180,641	98,495	279,136
2019-2023	608,900	136,190	745,090	-	-	-
2020-2024	-	-	-	163,395	58,610	222,005
2024-2028	204,060	22,501	226,561	-	-	-
2025-2029	-	-	-	115,230	24,154	139,384
2029-2033	20,750	2,983	23,733	-	-	-
2030-2034	-	-	-	35,585	3,872	39,457
2034-2038	1,640	61	1,701	-	-	-
2035-2039	-	-	-	10,581	175	10,756
	$2,464,985	$916,389	$3,381,374	$1,331,969	$337,396	$1,669,365
Net Unamortized Premium/(Discount)	83,073	-	83,073	-	-	-
Deferred Refunding Loss	(49,243)	-	(49,243)	-	-	-
Total	$2,498,815	$916,389	$3,415,204	$1,331,969	$337,396	$1,669,365

Year Ending December 31 or June 30,	University of Cincinnati Principal	Interest	Total
2009			
2010	$106,985	$39,584	$146,569
2011	31,455	36,585	68,040
2012	33,700	35,248	68,948
2013	37,385	33,806	71,191
2014	38,610	32,149	70,759
2014-2018	-	-	-
2015-2019	223,330	132,696	356,026
2019-2023	-	-	-
2020-2024	226,105	79,177	305,282
2024-2028	-	-	-
2025-2029	159,400	33,430	192,830
2029-2033	-	-	-
2030-2034	71,945	5,536	77,481
2034-2038	-	-	-
2035-2039	-	-	-
	$928,915	$428,211	$1,357,126
Net Unamortized Premium/(Discount)	7,659	-	7,659
Deferred Refunding Loss	-	-	-
Total	$936,574	$428,211	$1,364,785

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.

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

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2009, are presented in the following table.

Primary Government-Governmental Activities
Special Obligation Bonds
As of June 30, 2009 *(dollars in thousands)*

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Ohio Building Authority	1997-09	2.0%-5.8%	2029	$1,564,152	$255,915
Treasurer of State Chapter 154	1997-09	2.9%-5.5%	2021	863,404	288,225
				$2,427,556	$544,140

Future special obligation debt service requirements, as of June 30, 2009, were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$345,365	$110,394	$455,759
2011	325,440	91,935	417,375
2012	299,030	77,082	376,112
2013	251,125	63,942	315,067
2014	188,855	53,537	242,392
2015-2019	684,690	152,226	836,916
2020-2024	238,350	40,470	278,820
2025-2029	46,690	5,039	51,729
	2,379,545	594,625	2,974,170
Net Unamortized Premium/(Discount)	86,345	-	86,345
Deferred Refunding Loss	(38,334)	-	(38,334)
Total	$2,427,556	$594,625	$3,022,181

For the year ended June 30, 2009, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2009, OBA had one current refunding issue. The proceeds of the refunding bonds were used to purchase U.S. Government securities in amounts sufficient, without further investment, to pay, when due, the principle, interest and redemption premium on the bonds being refunded.

The OBA issued approximately $37.8 million in Juvenile Correctional refunding bonds (Series 2009A), with an average interest rate of 2.06 percent to defease approximately $38.6 million of Juvenile Correctional Building Fund Project Bonds (Series 1999B). As a result of the refunding, the State's debt service payments will be

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

reduced by $2.55 million over the life of the bonds. The net economic gain from the refunding was $2.47 million.

The Treasurer of State had one current refunding issue during fiscal year 2009. The net proceeds of the refunding bond, after payment of underwriting fees and bond issue costs, was deposited with a trustee to redeem the refunded bonds. A resulting economic gain/(loss) from a current refunding represents the difference between present values of debt service payments on the old and new debt.

Approximately $6.9 million in Cultural Facilities lease revenue bonds, with an average coupon rate of 2.98 percent, were issued to defease approximately $6.7 million of Sports Facilities Bonds (Series 1997A). The net proceeds of $6.9 million were deposited with a trustee to redeem the refunded bonds. As a result of the refunding, the State's debt service payments will be reduced by $321 thousand over the next four years. The net economic gain from the refunding was $314 thousand.

In prior years, 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, 2009, $257.8 million and $88.2 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, 2009, approximately $216.5 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 $185.2 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.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2009, are presented in the following table.

Primary Government — Governmental Activities
Certificate of Participation Obligations
As of June 30, 2009
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project	1992	6.50%	2012	$2,655
Department of Administrative Services:				
Ohio Administrative Knowledge System (OAKS)	2005-09	2.5%-5.25%	2019	173,112
State Taxation Accounting and Revenue System (STARS)	2008	3.0%-5.0%	2019	40,770
Total Certificates of Participation				$216,537

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

As of June 30, 2009, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending	Principal	Interest	Total
2010................	$14,725	$8,995	$23,720
2011................	19,255	8,164	27,419
2012................	22,180	7,321	29,501
2013................	21,610	6,357	27,967
2014................	22,530	5,430	27,960
2015-2019.....	109,555	11,333	120,888
	209,855	47,600	257,455
Net Unamortized			
Premium........	6,682	-	6,682
Total	$216,537	$47,600	$264,137

For the year ended June 30, 2009, NOTE 15 summarizes changes in COP obligations.

B. Component Units
For the State's component units, approximately $4.7 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at The Ohio State University.

As of June 30, 2009, 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, 2009
(dollars in thousands)

	Ohio State University		
Year Ending	Principal	Interest	Total
2010................	$425	$222	$647
2011................	445	202	647
2012................	465	180	645
2013................	490	156	646
2014................	515	130	645
2015-2019	2,330	242	2,572
2020-2024	-	-	-
Total......................	$4,670	$1,132	$5,802

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2009, 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	$341,496
Capital Leases Payable	9,929
Litigation Liabilities	8,735
Pollution Remediation Liabilities.........	5,533
Estimated Claims Payable	10,352
Liability for Escheat Property	244,628
Total Governmental Activities	620,673
Business-Type Activities:	
Compensated Absences	31,920
Capital Leases Payable	3
Workers' Compensation:	
Benefits Payable	17,426,373
Other	1,936,604
Unemployment Compensation:	
Intergovernmental Payable	862,538
Deferred Prize Awards Payable	699,849
Tuition Benefits Payable	648,500
Total Business-Type Activities	21,605,787
Total Primary Government	$22,226,460

For the year ended June 30, 2009, 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, 2009, was $373.4 million, of which $341.5 million is allocable to governmental activities and $31.9 million is allocable to business-type activities.

As of June 30, 2009, discretely presented major component units reported a total of $168.1 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 computer and office 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.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

The primary government's total operating lease expenditures/expenses for fiscal year 2009 were approximately $76.6 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2009, were as follows (dollars in thousands):

Primary Government	
Year Ending June 30,	Operating Leases
2010	$3,892
2011	358
2012	64
2013	64
2014	0
Total minimum lease payments	$4,378

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2010	$2,434	$3	$2,437
2011	2,753		2,753
2012	2,399	-	2,399
2013	2,198	-	2,198
2014	1,017	-	1,017
2015-2019	335	-	335
Total Lease Payments	11,136	3	11,139
Amount for Interest	(1,207)	-	(1,207)
Present Value of Net Minimum Lease Payments	$9,929	$3	$9,932

As of June 30, 2009, the primary government had the following capital assets under capital leases (dollars in thousands):

Primary Government			
	Governmental Activities	Business-Type Activities	Total
Equipment	$27,435	$12	$27,447
Vehicles	1,059	-	1,059
Total	$28,494	$12	$28,506

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, 2009, 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
2010	$8,410	$15,159
2011	6,018	14,140
2012	4,818	13,711
2013	4,107	12,590
2014	2,001	12,934
2015-2019	422	59,277
2020-2024	-	55,659
2025-2029	-	29,907
2030-2034	-	13,920
Total Minimum Lease Payments	25,776	227,297
Amount for interest	(2,170)	(81,077)
Present Value of Net Minimum Lease Payments	$23,606	$146,220
Equipment & Vehicles	$61,074	$ -
Buildings	-	183,013
Total	$61,074	$183,013

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, 2009, $8.7 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, 2009, 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 $3.8 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Department of Development, as of June 30, 2009. 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, 2009, the liability totaled approximately $244.6 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, 2009, in the amount of approximately $17.43 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

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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, 2009, this payable totals $699.8 million.

Future payments of prize awards, stated at present value, as of June 30, 2009, follow (dollars in thousands)

Year Ending June 30,	
2010	$78,612
2011	75,398
2012	75,321
2013	75,168
2014	75,077
2015-2019	332,328
2020-2024	172,356
2025-2029	69,519
2030-2034	40,693
2035-2039	530
	995,002
Unamortized Discount	(295,153)
Net Prize Liability	$699,849

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

H. Unemployment Compensation

During the year ending June 30, 2009, the State's Unemployment Compensation Fund received $862.5 million for the payment of compensation benefits. The State recognized a liability for the repayable advances to the Federal government.

I. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $648.5 million, as of June 30, 2009. 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 3.5 percent for 2010, and seven 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 Deficit, as of June 30, 2008	($40.2)
Adjustment to Beginning of Year's Assets	0.1
Interest on the Deficit at 7 Percent	(2.6)
Investment Loss	(134.9)
Lower-Than-Assumed Tuition Increase	39.0
Change in Assumption for Future Tuition Growth	73.3
Interest Gain on Late Tuition Payouts	0.9
Change in the investment return assumption	0.0
Other	1.6
Actuarial Deficit, as of June 30, 2009	($62.8)

As of June 30, 2009, the market value of actuarial net assets available for the payment of the tuition benefits payable was $585.7 million.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

J. Other Liabilities

The State recognizes a liability for pollution remediation in the amount $5.5 million, as of June 30, 2009. This represents the cost to the State to the extent that is probable for future clean up and reclamation of polluted sites within the State. See note 19 for further detail.

The Workers' Compensation Enterprise Fund reports approximately $1.94 billion in other noncurrent liabilities, as of June 30, 2009, of which 1.) $1.82 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.) $88.5 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) $28.1 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, 2009, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2009
(dollars in thousands)

Governmental Activities:	Balance June 30, 2008 (restated)	Additions	Reductions	Balance June 30, 2009	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$7,310,376	$871,937	$1,044,262	$7,138,051	$353,751
Revenue Bonds (NOTE 11)	6,413,182	483,895	250,484	6,646,593	151,151
Special Obligation Bonds (NOTE 12)	2,585,319	264,129	421,892	2,427,556	352,621
Total Bonds and Notes Payable	16,308,877	1,619,961	1,716,638	16,212,200	857,523
Certificates of Participation (NOTE 13)	187,336	40,274	11,073	216,537	14,785
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	398,846	333,892	391,242	341,496	56,574
Capital Leases Payable	9,804	600	475	9,929	2,008
Litigation Liabilities	4,698	7,178	3,141	8,735	3,310
Pollution Remediation Liabilities	7,411	1,421	3,299	5,533	-
Estimated Claims Payable	9,857	1,638	1,143	10,352	1,926
Liability for Escheat Property	258,017	39,769	53,158	244,628	78,220
Total Other Noncurrent Liabilities	688,633	384,498	452,458	620,673	142,038
Total Noncurrent Liabilities	$17,184,846	$2,044,733	$2,180,169	$17,049,410	$1,014,346
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	$97,286	$432	$17,061	$80,657	$15,930
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	35,537	26,102	29,719	31,920	3,945
Capital Leases Payable	12	-	9	3	3
Workers' Compensation:					
Benefits Payable	17,600,345	1,963,775	2,137,747	17,426,373	1,823,493
Other:					
Adjustment Expenses Liability	1,834,993	169,261	184,257	1,819,997	479,038
Premium Payment Security Deposits ..	88,918	1,826	2,270	88,474	-
Miscellaneous	56,661	29,010	57,538	28,133	28,132
Unemployment Compensation:					
Intergovernmental Payable	-	862,538	-	862,538	-
Deferred Prize Awards Payable	740,188	242,224	282,563	699,849	41,620
Tuition Benefits Payable	799,800	-	151,300	648,500	74,100
Total Other Noncurrent Liabilities	21,156,454	3,294,736	2,845,403	21,605,787	2,450,331
Total Noncurrent Liabilities	$21,253,740	$3,295,168	$2,862,464	$21,686,444	$2,466,261

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 2009, 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

NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

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 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	$352,322
Higher Education Support	148,687
Environmental Protection and Natural Resources	932
Community and Economic Development...........	97,202
Total Interest Expense.................................. Charged to Governmental Functions	$599,143

B. Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2009 (December 31, 2008 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, 2009
(dollars in thousands)

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amount Due Within One Year
School Facilities Commission:					
Intergovernmental Payable	$1,694,296	$982,132	$952,850	$1,723,578	$965,275
Other Liabilities*..	-	1,000	65	935	203
Compensated Absences*	705	493	587	611	94
Total	$1,695,001	$983,625	$953,502	$1,725,124	$965,572
Ohio Water Development Authority:					
Revenue Bonds & Notes Payable (NOTE 11)	$2,485,697	$385,550	$372,432	$2,498,815	$337,571
Compensated Absences*	180	133	114	199	-
Total	$2,485,877	$385,683	$372,546	$2,499,014	$337,571
Ohio State University:					
Compensated Absences*	$97,038	$13,068	$6,525	$103,581	$6,524
Capital Leases Payable*	23,009	8,033	7,436	23,606	7,543
Other Liabilities*	110,665	24,820	11,233	124,252	3,304
Revenue Bonds & Notes Payable (NOTE 11)	1,048,013	413,501	129,545	1,331,969	623,636
Certificates of Participation (NOTE 13)	5,075	-	405	4,670	425
Total	$1,283,800	$459,422	$155,144	$1,588,078	$641,432
University of Cincinnati:					
Compensated Absences*	$62,864	$4,343	$3,503	$63,704	$34,982
Capital Leases Payable*	153,725	-	7,505	146,220	7,765
Other Liabilities*	36,228	76,981	74,667	38,542	1,985
Revenue Bonds & Notes Payable (NOTE 11)	932,227	198,815	194,468	936,574	108,044
Total	$1,185,044	$280,139	$280,143	$1,185,040	$152,776

*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, 2009 (December 31, 2008 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	$175,230
Hospital Facilities Bonds	7,320
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program	10,710
Total Primary Government	$193,260
Component Units (12/31/08):	
Ohio Water Development Authority	$2,217,205
Ohio Air Quality Development Authority .	2,400,000
Total Component Units	$4,617,205

NOTE 17 FUND DEFICITS AND "OTHER" RESERVES

A. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2009 (dollars in thousands):

Primary Government:	
Major Government Funds:	
Revenue Distribution.............................	($234,170)
Nonmajor Governmental Funds:	
Mental Health and Retardation Special Revenue Fund.......................	(61,850)
Higher Education Improvements Special Revenue Fund.......................	(443,916)
Total Governmental Funds:	($739,936)
Major Proprietary Funds:	
Unemployment Compensation...............	($761,212)
Nonmajor Proprietary Funds:	
Tuition Trust Authority...........................	(52,841)
Total Business-Type Funds:	($814,053)
Component Units:	
Major Component Units:	
School Facilities Commission Fund	($3,128,053)
Nonmajor Component Units:	
Ohio Capital Fund..................................	(30,048)
Total Component Units:	($3,158,101)

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

The Unemployment Fund deficit disclosed above is due to an unusually high level of benefit claims and a reduction in State revenues as a result of the current economic recession. Federal loans have been required to maintain current benefit levels. The State anticipates Federal assistance to continue into future fiscal years.

Deficits for the other funds are due to the timing of revenue recognition and the accrual of expenses not recorded under the cash basis of accounting.

B. "Other" Fund Balance Reserves

Details on the "Reserved for Other" account reported in the governmental funds, as of June 30, 2009, are presented in the following table:

Primary Government
Governmental Funds — Reserved for Other
As of June 30, 2009
(dollars in thousands)

	General Fund	Job, Family, and Other Human Services	Education	Highway Operating	Nonmajor Governmental Funds	Total Governmental Funds
Compensated Absences	$18,361	$2,468	$260	$3,283	$6,752	$31,124
Prepaids (included in "Other Assets") ...	16,382	2,027	209	3,187	6,375	28,180
Advances to Local Governments	33,153	17,756	-	-	-	50,909
Ohio Enterprise Bond Program	-	-	-	-	10,000	10,000
Loan Guarantee Programs	-	-	-	-	22,334	22,334
Assets in Excess of Debt Service Requirements	-	-	-	-	3	3
Environmental Protection and Natural Resources	-	-	-	-	1,683	1,683
Community and Economic Development .	-	-	-	-	19,841	19,841
Total Reserved for Other	$67,896	$22,251	$469	$6,470	$66,988	$164,074

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 Lake's 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 $35 thousand) to the operations of its own projections program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2008 (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.

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2008, was as follows (dollars in thousands):

Cash and Investments	$87,552
Other Assets	244
Total Assets	$87,796
Total Liabilities	$556
Total Net Assets	87,240
Total Liabilities and Net Assets ..	$87,796
Total Net Unrealized Loss on Investments..	($43,878)
Total Expenditures	(4,170)
Net Increase in Net Assets	($48,048)

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.

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Fiscal year 2009 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga	$63,465	$8,676	$72,141
Jefferson	5,705	598	$6,303
Lakeland	20,223	2,425	$22,648
Lorain County	29,910	5,962	$35,872
Rio Grande	5,937	128	$6,065
Sinclair	52,588	3,195	55,783
Total Local Community Colleges	177,828	20,984	198,812
Technical Colleges:			
Belmont	6,109	3	6,112
Central Ohio	9,600	84	9,684
Hocking	17,609	1,261	18,870
James A. Rhodes	10,043	-	10,043
Marion	5,898	121	6,019
Zane	5,767	528	6,295
North Central	8,516	1,562	10,078
Stark	21,354	3,130	24,484
Total Technical Colleges	84,896	6,689	91,585
Total	$262,724	$27,673	$290,397

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 2009, the State had the following related-party transactions with its related organizations:

- The General Fund reports $215 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 $2.1 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 $5.2 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, the Department of Commerce, and the Bureau of Workers' Compensation is discussed below.

Department of Education

In litigation between Plaintiff Cincinnati City School District Board of Education and the Ohio Department of Education, the Plaintiff contested that the Ohio Department of Education improperly and retroactively recalculated the number of district residents attending community schools during fiscal year 2005 and that this resulted in significant reductions in state funding in fiscal years 2006 and 2007. A final judgment was entered on January 5, 2007, in favor of Plaintiff in an amount of $4.7 million.

During fiscal year 2009, the Department of Education settled a related case with Dayton City School District for $7.2 million. The Dayton City School District originally intended to join the suit with the Cincinnati City School District.

At June 30, 2009, $8.7 million remains payable to the two districts as a result of these cases. Liabilities of $5.4 million and $3.3 million, respectively, have been included as "Other Noncurrent Liabilities-Due in More Than One Year" and "Other Noncurrent Liabilities-Due in One Year" for governmental activities in the government-wide Statement of Net Assets. A liability of $3.3 million has been included as "Refund and Other Liabilities" for the General Fund in the governmental funds Balance Sheet.

Department of Commerce

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 ultimate outcome of this litigation cannot be presently determined. Accordingly, no provision for any liability resulting from this case has been reported in the financial statements.

Bureau of Workers' Compensation/Industrial Commission (BWC/IC)

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.

A class action case was filed against 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.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

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 and $30.3 million in fiscal year 2009.

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 2008 State of Ohio Single Audit (issued in October 2009), $3.7 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, 2009.

C. Loan Commitments

As of June 30, 2009, 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	$1,418
Brownfield Revolving Loans	584
	2,002
Local Infrastructure and Transportation	
Ohio Public Works Commission:	
State Capital Improvements Loans	98,863
Revolving Loans	96,824
	195,687
Total Nonmajor Governmental Funds	$197,689

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

As of December 31, 2008, loan commitments for the Ohio Water Development Authority, a discretely presented major component unit, were as follows (dollars in thousands):

Water Pollution Control Loan ...	$369,733
Fresh Water	95,344
Drinking Water Assistance	78,698
Community Assistance	12,369
Rural Utility Services	4,006
Pure Water Refunding	310
Other Projects	6,097
Total	$566,557

The Authority intends to meet these commitments using available funds and grant commitments from the U.S. Environmental Protection Agency.

D. Construction Commitments
As of June 30, 2009, the Ohio Department of Transportation had total contractual commitments of approximately $1.94 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 $959.5 million, $329.1 million, $569.5 million and $78.4 million, respectively.

As of June 30, 2009, 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	$22,076
Parks and Recreation Improvements	1,648
Administrative Services Building Improvements	5,147
Youth Services Building Improvements	1,304
Adult Correctional Building Improvements	11,266
Highway Safety Building Improvements	26
Ohio Parks and Natural Resources	3,851
Total	$45,318
Major Component Units	
Ohio State University	$244,240
University of Cincinnati	250,417

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 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, since under the

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

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.

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 2009, Ohio received $339.7 million, which is approximately $30.4 million or 8.2 percent less than the pre-adjusted base payment for the year.

As of June 30, 2009, the estimated tobacco settlement receivable in the amount of $281.2 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $29.7 million for payments withheld from BTSFA beginning with fiscal year 2009 and $74.5 million for payments withheld from the State for fiscal years 2007 and 2008. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The monies 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 BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other collateral pledged under an indenture between BTSFA and U.S. Bank National Association, as trustee. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

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, BTFSA may not have adequate financial resources to make payment on the bonds.

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
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...............	367,789	24,230	392,019
2015-2019.......	1,996,586	74,373	2,070,959
2020-2024.......	2,260,082	—	2,260,082
2025-2029.......	2,408,257	—	2,408,257
2030-2034.......	2,573,239	—	2,573,239
2035-2039.......	2,742,919	—	2,742,919
2040-2044.......	2,920,625	—	2,920,625
2045-2049.......	3,107,378	—	3,107,378
2050-2052.......	1,961,754	—	1,961,754
Total	$21,768,734	$192,818	$21,961,552

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

F. Pollution Remediation Activities

During fiscal year 2009, the State and its units were involved in remediation activities for pollution at various sites. These activities include site investigation, cleanup, and monitoring. The following describe the sites and the estimated cost of remediation activities:

The Ohio Department of Administrative Services has voluntarily assumed the responsibility for the pollution remediation activities at Water Tower Place in Cleveland, a site previously owned by the Ohio Department of Rehabilitation and Corrections. Project engineers have estimated the cost of system maintenance, testing, and closing of the project to be approximately $150 thousand.

The Ohio Environmental Protection Agency (EPA) is involved in the following pollution remediation activities:

- As a result of the imminent danger to public health, EPA has assumed responsibility for operating and maintaining the collection and treatment system at the Lincoln Fields contaminated water system in Mansfield. The total costs associated with these activities are estimated to be approximately $1.3 million. Cost was estimated by the EPA site coordinator using actual invoices to date.
- As a result of the imminent danger to public health and the laws and regulations concerning Superfund sites, EPA has assumed responsibility for operating and maintaining the collection and treatment system for the contaminated water system at the Copley Square Plaza Superfund site. The remaining costs associated with these remediation activities are estimated to be $102 thousand. Cost was estimated by the EPA site coordinator using actual invoices to date.
- As a result of the imminent danger to public health and the laws of the State regarding scrap tires, EPA continues its progress in the cleanup of scrap tire sites across the State. As of June 30, 2009, the estimated cost of remediation activities currently in progress and any additional activities planned is approximately $370 thousand. These costs were estimated by the EPA site coordinators using inventory counts and current market costs for tire removal and disposal.

In accordance with Resource Conservation Recovery Act (RCRA) regulations, the Ohio Department of Natural Resources (DNR) continues monitoring and maintenance activities of pollution at the closed Cowan Lake S. P. Wood Treatment Plant at an estimated cost of $158 thousand. Cost was estimated by DNR using previous invoices to date and projecting the costs over the remaining 21 year commitment of testing the site for contamination.

DNR has recently commenced remediation activities for pollution created by a carbon rod stockpile near a natural marsh area after being named as a responsible party by EPA based on state laws and regulations. Due to the preliminary nature of the activities, costs are unable to be estimated at present.

The Ohio Department of Youth Services (DYS) been named as a responsible party to remediate pollution resulting from an underground storage tank leak at one of its sites. The current contractor employed to clean the area has estimated future costs to be approximately $308 thousand and DYS expects approximately $275 thousand of that amount to be recovered from the Petroleum Underground Storage Tank Release Compensation Board.

The Ohio Department of Transportation has been named as a responsible party to remediate pollution at five sites owned by the agency. The pollution at four of the sites is the result of underground storage tank leaks. Another site has contaminated soils on the agency-owned property and contaminated groundwater on the surrounding properties. In total, future costs to eliminate the pollution and continue monitoring activities is estimated to be $3.2 million for four of the sites. Cost was estimated by the onsite coordinators using actual invoices to date. No estimate is available for the fifth site (one of the underground storage tank leak sites) due to unknown environmental factors.

The amounts of liabilities described above are included within the “Other Noncurrent Liabilities-Due in More Than One Year” account for governmental activities in the government-wide Statement of Net Assets. The final costs of these activities are estimates and are subject to change over time. Variances in the final costs may result from

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State's capital assets policy. As of June 30, 2009, no capital assets have been created and reported as a result of any pollution remediation process.

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, 2009, in the amount of approximately $17.43 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 $1.82 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 4.5 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 $33.70 billion, as of June 30, 2009, and $36.40 billion, as of June 30, 2008. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2009.

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 on the following page.

NOTE 20 RISK FINANCING (Continued)

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

	Fiscal Year 2009	Fiscal Year 2008
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$19,435	$19,271
Incurred Compensation and Compensation Adjustment Benefits	2,133	2,587
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(2,322)	(2,423)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$19,246	$19,435

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, 2009, approximately $80.4 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 2009	Fiscal Year 2008
Claims Liabilities, as of July 1	$33,835	$33,165
Incurred Claims	226,737	217,475
Claims Payments	(229,358)	(216,805)
Claims Liabilities, as of June 30	$31,214	$33,835

NOTE 20 RISK FINANCING (Continued)

As of June 30, 2009, the resources on deposit in the Agency Fund for the Ohio Med Health Plan exceeded the estimated claims liability by approximately $49.2 million, thereby resulting in a funding surplus. Eighty-five percent or $41.8 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, 2009, 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 2009	Fiscal Year 2008
Claims Liabilities, as of July 1	$11,122	$9,010
Incurred Claims	67,842	70,374
Claims Payments	(71,077)	(68,262)
Claims Liabilities, as of June 30	$7,887	$11,122

As of June 30, 2009, the estimated claims liability exceeded resources on deposit in the Agency Fund for the United Healthcare Plan by approximately $58.1 million, thereby resulting in a funding deficit. Eighty-five percent or $49.4 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, 2009, approximately $26.8 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 2009	Fiscal Year 2008
Claims Liabilities, as of July 1	$9,108	$9,570
Incurred Claims	89,329	69,713
Claims Payments	(85,708)	(70,175)
Claims Liabilities, as of June 30	$12,729	$9,108

As of June 30, 2009, the resources on deposit in the Agency Fund for the Aetna Plan exceeded the estimated claims liability by approximately $14.1 million, thereby resulting in a funding surplus. Eighty-five percent or $12 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, 2009 (December 31, 2008, for the Ohio Water Development Authority), the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2009
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission-General Obligation Bonds:			
Coal Development, Series J	08/25/09	3.03%	$10,000
Coal Development, Series K	08/25/09	2.21%	30,000
Higher Education Capital Facilities, Refunding Series 2009C	09/22/09	2.66%	262,430
Common Schools Capital Facilities, Refunding Series 2009C	09/22/09	2.58%	240,830
Conservation Projects, Refunding Series 2009A	09/22/09	2.45%	34,040
Natural Resources, Refunding Series M	09/22/09	2.12%	5,285
Third Frontier Research and Development-Tax Exempt, Series 2009B	10/20/09	2.90%	75,000
Site Development-Tax Exempt, Series 2009A	11/04/09	2.60%	18,885
Site Development (Build America Bonds), Series 2009B	11/05/09	2.60%	26,115
Conservation Projects-Tax Exempt, Series 2009B	12/02/09	2.93%	16,765
Conservation Projects (Build America Bonds), Series 2009C	12/03/09	2.93%	33,235
Natural Resources-Tax Exempt, Series N	12/02/09	2.95%	9,835
Natural Resources (Build America Bonds), Series O	12/03/09	2.95%	20,165
Higher Education Capital Facilities, Refunding Series 2010A	01/06/10	3.18%	95,240
Common Schools Capital Facilities, Refunding Series 2010A	01/06/10	3.11%	131,170
Infrastructure Improvements, Refunding Series 2010A	01/06/10	3.20%	51,290
Higher Education Capital Facilities, Refunding Series 2010B	01/06/10	2.24%	24,360
Common Schools Capital Facilities, Refunding Series 2010B	01/06/10	2.03%	53,685
Infrastructure Improvement-Tax Exempt, Refunding Series 2010C	02/23/10	2.12%	54,400
Infrastructure Improvement-Taxable (Build America Bonds), Series 2010B	02/24/10	3.45%	120,000
Total General Obligation Bonds			1,312,730
Treasurer of State-General Obligation Bonds:			
Highway Capital Improvement (Build America Bonds), Series M	04/14/10	3.12%	170,000
Total General Obligation Bonds			170,000
Treasurer of State-Revenue Bonds:			
Development Assistance-Taxable, Series 2009C	10/27/09	5.07%	28,000
Development Assistance-Taxable, Series 2010A	02/09/10	5.64%	40,000
Revitalization Project-Tax Exempt, Series 2010A	02/09/10	3.40%	23,375
Revitalization Project-Taxable (Build America Bonds), Series 2010B	02/09/10	3.40%	26,625
Total Revenue Bonds			118,000
Treasurer of State-Special Obligation Bonds:			
Mental Health Capital Facilities, Series II-2009A	12/07/09	2.61%	40,000
Cultural and Sports Capital Facilities, Series 2010A	02/02/10	2.96%	30,000
Total Special Obligation Bonds			70,000
Ohio Building Authority-Special Obligation Bonds			
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
State Facilities (Administrative Building)-Tax Exempt, Series 2010A	03/16/10	3.52%	9,005
State Facilities (Admin Build-Build America Bonds), Series 2010B	03/16/10	3.52%	30,995
Juvenile Correctional Facility-Tax Exempt, Series 2010A	03/16/10	3.06%	5,445
Juvenile Correctional Facility (Build America Bonds), Series 2010C	03/16/10	3.06%	9,555
Juvenile Correctional Facility, Refunding Series 2010B	03/16/10	2.35%	11,450
Highway Safety, Refunding Series 2010B	03/16/10	2.84%	10,860
Total Special Obligation Bonds			256,510
Total Primary Government			$1,927,240

NOTE 21 SUBSEQUENT EVENTS (Continued)

Debt Issuances (Continued)
Subsequent to June 30, 2009
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Major Component Units:			
Ohio Water Development Authority Debt:			
2009A Fresh Water Revenue Bonds	04/02/09	2.00% - 5.00%	$122,205
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
2009B Fresh Water Refunding Revenue Bonds	10/22/09	2.00% - 5.25%	82,910
WPCLF Revenue Bonds-Water Quality Series 2010	01/28/10	1.25% - 5.00%	366,290
Total Ohio Water Development Authority			$825,710
The Ohio State University Debt:			
General Receipts Bonds, Series 2010A	01/13/10	1.50% - 5.00%	$241,170
Commercial Paper-Series J	03/01/10	Market Variable	121,000
Total The Ohio State University			$362,170
University of Cincinnati Debt:			
Bond Anticipation Notes (BANs):			
Bond Anticipation Notes, Series 2009B	07/21/09	2.00%	$31,350
Bond Anticipation Notes, Series 2009D	12/18/09	1.50%	25,000
Total Bond Anticipation Notes			56,350
General Receipts Bonds:			
General Receipts Bonds, Series 2009C	10/01/09	2.00% - 5.00%	105,350
General Receipts Bonds, Series 2009E	12/18/09	2.00% - 4.65%	6,135
Total General Receipts Bonds			111,485
Total University of Cincinnati			$167,835

B. State Issue 1

On November 3, 2009, Ohio voters approved State Issue 1, a constitutional amendment that authorizes the State to issue $200 million of bonds to provide compensation to veterans of the Persian Gulf, Afghanistan, and Iraq conflicts. All obligations must be issued by December 31, 2013.

C. Amended Substitute House Bill 318

In December 2009, the Ohio General Assembly approved, and the Governor signed into law, Amended Substitute House Bill 318. This legislation postpones the final installment of the personal income tax reduction that was scheduled to take effect for tax year 2009 (for returns filed in 2010). As a result, personal income tax rates will remain in effect at 2008 levels through tax year 2010.