

**Ohio Office of Budget
and Management**

State of Ohio
John R. Kasich
Governor



OHIO

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

FOR THE FISCAL YEAR
ENDED JUNE 30, 2010

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2010
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer.....	\$ 5,446,083	\$ 100,858	\$ 5,546,941	\$ 979,187
Cash and Cash Equivalents.....	114,313	578,990	693,303	1,420,971
Investments.....	897,492	18,618,567	19,516,059	6,270,556
Collateral on Lent Securities.....	1,657,827	26,089	1,683,916	776,030
Deposit with Federal Government.....	—	384,416	384,416	—
Taxes Receivable.....	1,306,080	—	1,306,080	—
Intergovernmental Receivable.....	1,996,042	9,705	2,005,747	78,548
Premiums and				
Assessments Receivable.....	—	3,893,950	3,893,950	—
Investment Trade Receivable.....	—	126,696	126,696	—
Loans Receivable, Net.....	1,147,677	—	1,147,677	293,213
Receivable from Primary Government.....	—	—	—	43,292
Receivable from Component Units.....	3,887,358	—	3,887,358	—
Other Receivables.....	534,389	363,509	897,898	1,261,815
Inventories.....	90,731	42,136	132,867	65,755
Other Assets.....	112,686	24,328	137,014	605,366
Restricted Assets:				
Cash Equity with Treasurer.....	—	68	68	482,652
Cash and Cash Equivalents.....	138,098	93	138,191	449,327
Investments.....	389,026	1,278,427	1,667,453	1,239,098
Collateral on Lent Securities.....	—	267,929	267,929	—
Loans Receivable, Net.....	—	—	—	4,146,360
Other Receivables.....	237,511	3,009	240,520	—
Capital Assets Being Depreciated, Net.....	2,377,567	170,452	2,548,019	8,759,269
Capital Assets Not Being Depreciated.....	22,770,487	11,994	22,782,481	1,193,451
TOTAL ASSETS.....	43,103,367	25,901,216	69,004,583	28,064,890
Deferred Outflows of Resources.....	42,770	—	42,770	38,709
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	43,146,137	25,901,216	69,047,353	28,103,599
LIABILITIES:				
Accounts Payable.....	693,313	46,446	739,759	503,941
Accrued Liabilities.....	472,098	6,813	478,911	669,168
Medicaid Claims Payable.....	1,095,425	—	1,095,425	—
Obligations Under Securities Lending.....	1,657,827	294,018	1,951,845	776,030
Investment Trade Payable.....	—	234,479	234,479	—
Intergovernmental Payable.....	2,028,800	209	2,029,009	4,358
Internal Balances.....	701,819	(701,819)	—	—
Payable to Primary Government.....	—	—	—	3,887,358
Payable to Component Units.....	43,292	—	43,292	—
Unearned Revenue.....	243,167	1,132	244,299	445,601
Benefits Payable.....	—	6,964	6,964	—
Refund and Other Liabilities.....	614,716	200,945	815,661	108,847
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	816,634	15,865	832,499	896,699
Due in More Than One Year.....	15,756,080	48,335	15,804,415	6,118,159
Certificates of Participation:				
Due in One Year.....	19,326	—	19,326	445
Due in More Than One Year.....	181,102	—	181,102	3,800
Other Noncurrent Liabilities:				
Due in One Year.....	153,536	2,522,659	2,676,195	1,061,503
Due in More Than One Year.....	572,833	21,120,393	21,693,226	1,190,557
TOTAL LIABILITIES.....	25,049,968	23,796,439	48,846,407	15,666,466

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS (DEFICITS):				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt.....</i>	22,578,727	51,578	22,630,305	5,689,553
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education.....</i>	38,495	—	38,495	467,559
<i>Transportation and Highway Safety.....</i>	1,601,532	—	1,601,532	—
<i>State and Local</i>				
<i>Highway Construction.....</i>	117,769	—	117,769	—
<i>Federal Programs.....</i>	85,232	—	85,232	24
<i>Coal Research</i>				
<i>and Development Program.....</i>	—	—	—	41,445
<i>Clean Ohio Program.....</i>	47,254	—	47,254	—
<i>Community and Economic Development</i>				
<i>and Capital Purposes.....</i>	1,001,840	—	1,001,840	42,831
<i>Debt Service.....</i>	—	—	—	2,936,136
<i>Enterprise Bond Program.....</i>	10,000	—	10,000	—
<i>Deferred Lottery Prizes.....</i>	—	86,616	86,616	—
<i>Nonexpendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	2,957,780
<i>Expendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,830,267
Unrestricted.....	(7,384,680)	1,966,583	(5,418,097)	(1,528,462)
TOTAL NET ASSETS.....	\$ 18,096,169	\$ 2,104,777	\$ 20,200,946	\$ 12,437,133

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)		
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
Primary, Secondary and Other Education.....	\$ 12,259,233	\$ 40,730	\$ 2,574,401	\$ —	\$ (9,644,102)	
Higher Education Support	2,771,611	3,672	323,111	—	(2,444,828)	
Public Assistance and Medicaid	18,828,082	1,302,439	14,280,726	—	(3,244,917)	
Health and Human Services	4,003,033	276,596	2,715,888	—	(1,010,549)	
Justice and Public Protection	3,077,704	996,420	314,096	391	(1,766,797)	
Environmental Protection and Natural Resources.....	416,071	201,812	81,824	388	(132,047)	
Transportation	2,187,406	129,639	40,180	1,228,613	(788,974)	
General Government	620,090	683,603	23,220	521	87,254	
Community and Economic Development.....	4,491,643	479,727	485,804	11,509	(3,514,603)	
Interest on Long-Term Debt (excludes interest charged as program expense).....	133,335	—	—	—	(133,335)	
TOTAL GOVERNMENTAL ACTIVITIES.....	48,788,208	4,114,638	20,839,250	1,241,422	(22,592,898)	
BUSINESS-TYPE ACTIVITIES:						
Workers' Compensation.....	2,861,222	2,133,439	2,049,621	—	1,321,838	
Lottery Commission.....	1,816,213	2,498,785	76,295	—	758,867	
Unemployment Compensation.....	5,605,830	1,304,308	3,200,074	—	(1,101,448)	
Ohio Building Authority.....	22,492	24,109	19	—	1,636	
Tuition Trust Authority.....	81,119	8,738	77,768	—	5,387	
Liquor Control.....	489,087	706,736	—	—	217,649	
Underground Parking Garage.....	3,755	3,222	7	—	(526)	
Office of Auditor of State.....	70,637	43,311	—	—	(27,326)	
TOTAL BUSINESS-TYPE ACTIVITIES.....	10,950,355	6,722,648	5,403,784	—	1,176,077	
TOTAL PRIMARY GOVERNMENT.....	\$ 59,738,563	\$ 10,837,286	\$ 26,243,034	\$ 1,241,422	\$ (21,416,821)	
COMPONENT UNITS:						
School Facilities Commission.....	\$ 862,026	\$ 8,161	\$ 54,278	\$ —	\$ (799,587)	
Ohio Water Development Authority.....	163,291	147,814	164,379	—	148,902	
Ohio State University.....	4,332,402	3,097,234	781,529	15,545	(438,094)	
University of Cincinnati.....	1,269,169	750,430	362,232	11,067	(145,440)	
Other Component Units.....	5,049,010	3,010,868	970,991	69,626	(997,525)	
TOTAL COMPONENT UNITS.....	\$ 11,675,898	\$ 7,014,507	\$ 2,333,409	\$ 96,238	\$ (2,231,744)	

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.....	\$ (22,592,898)	\$ 1,176,077	\$ (21,416,821)	\$ (2,231,744)
General Revenues:				
Taxes:				
Income.....	7,760,084	—	7,760,084	—
Sales.....	7,295,428	—	7,295,428	—
Corporate and Public Utility	2,351,084	—	2,351,084	—
Cigarette.....	886,875	—	886,875	—
Other.....	647,999	—	647,999	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,766,204	—	1,766,204	—
Total Taxes.....	20,707,674	—	20,707,674	—
Tobacco Settlement.....	336,259	—	336,259	—
Escheat Property.....	160,755	—	160,755	—
Unrestricted Investment Income.....	(52,677)	—	(52,677)	556,683
State Assistance	—	—	—	2,003,444
Other.....	592	48	640	78,870
Additions to Endowments and Permanent Fund Principal.....				
	—	—	—	66,108
Transfers-Internal Activities.....	978,327	(978,327)	—	—
TOTAL GENERAL REVENUES, CONTRIBUTIONS AND TRANSFERS.....	22,130,930	(978,279)	21,152,651	2,705,105
CHANGE IN NET ASSETS.....	(461,968)	197,798	(264,170)	473,361
NET ASSETS, JULY 1 (as restated).....	18,558,137	1,906,979	20,465,116	11,963,772
NET ASSETS, JUNE 30.....	\$ 18,096,169	\$ 2,104,777	\$ 20,200,946	\$ 12,437,133

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
ASSETS:			
Cash Equity with Treasurer.....	\$ 1,167,885	\$ 292,099	\$ 96,143
Cash and Cash Equivalents.....	9,735	2,736	7
Investments.....	519,636	5,760	447
Collateral on Lent Securities.....	336,317	83,247	27,400
Taxes Receivable	730,679	—	—
Intergovernmental Receivable.....	830,875	546,189	112,809
Loans Receivable, Net	231,446	—	—
Interfund Receivable	3,082	—	—
Receivable from Component Units.....	—	—	—
Other Receivables	76,062	363,822	788
Inventories	29,069	—	—
Other Assets	14,354	2,446	7,888
TOTAL ASSETS	\$ 3,949,140	\$ 1,296,299	\$ 245,482
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 130,497	\$ 232,192	\$ 13,686
Accrued Liabilities.....	182,382	28,416	2,916
Medicaid Claims Payable.....	932,688	3,643	—
Obligations Under Securities Lending.....	336,317	83,247	27,400
Intergovernmental Payable.....	389,378	389,929	76,149
Interfund Payable.....	593,903	13,848	2,757
Payable to Component Units.....	11,642	1,219	1,837
Deferred Revenue.....	295,105	87,157	8,283
Unearned Revenue.....	—	107,049	31,539
Refund and Other Liabilities.....	577,796	8,716	—
Liability for Escheat Property.....	6,390	—	—
TOTAL LIABILITIES.....	3,456,098	955,416	164,567
FUND BALANCES (DEFICITS):			
Reserved for:			
Debt Service.....	—	—	—
Encumbrances.....	219,934	1,605,754	24,737
Noncurrent Portion of Loans Receivable.....	226,258	—	—
Loan Commitments.....	—	—	—
Inventories.....	29,069	—	—
State and Local Highway Construction.....	—	—	—
Federal Programs.....	—	10,030	11,494
Other.....	158,993	28,708	230
Unreserved/Undesignated:			
General Fund.....	(141,212)	—	—
Special Revenue Funds.....	—	(1,303,609)	44,454
Capital Projects Funds.....	—	—	—
TOTAL FUND BALANCES (DEFICITS)	493,042	340,883	80,915
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 3,949,140	\$ 1,296,299	\$ 245,482

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
\$ 1,089,777	\$ 204,178	\$ —	\$ 2,596,001	\$ 5,446,083
439	5,914	138,098	95,482	252,411
—	—	389,026	371,649	1,286,518
310,473	58,190	—	842,200	1,657,827
69,258	502,113	—	4,030	1,306,080
71,802	—	—	434,367	1,996,042
115,993	—	—	800,238	1,147,677
725	92,035	886,507	3,219	985,568
—	—	3,887,358	—	3,887,358
2,326	—	237,510	91,092	771,600
40,768	—	—	20,894	90,731
4,045	—	—	6,009	34,742
\$ 1,705,606	\$ 862,430	\$ 5,538,499	\$ 5,265,181	\$ 18,862,637
\$ 104,199	\$ —	\$ —	\$ 212,901	\$ 693,475
33,074	—	—	70,871	317,659
—	—	—	159,094	1,095,425
310,473	58,190	—	842,200	1,657,827
644	945,076	—	227,624	2,028,800
78,926	1,142	—	996,811	1,687,387
400	—	—	28,194	43,292
2,924	8,754	237,487	153,250	792,960
—	6,914	—	97,665	243,167
—	34,072	—	760	621,344
—	—	—	—	6,390
530,640	1,054,148	237,487	2,789,370	9,187,726
—	—	5,301,012	41,393	5,342,405
2,072,947	235	—	2,533,462	6,457,069
114,349	—	—	788,613	1,129,220
—	—	—	150,959	150,959
40,768	—	—	20,894	90,731
—	117,769	—	—	117,769
4,891	—	—	29,779	56,194
7,001	—	—	70,452	265,384
—	—	—	—	(141,212)
(1,064,990)	(309,722)	—	(965,642)	(3,599,509)
—	—	—	(194,099)	(194,099)
1,174,966	(191,718)	5,301,012	2,475,811	9,674,911
\$ 1,705,606	\$ 862,430	\$ 5,538,499	\$ 5,265,181	\$ 18,862,637

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010
(dollars in thousands)

Total Fund Balances for Governmental Funds..... **\$ 9,674,911**

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.....	1,972,225
Buildings and Improvements, net of \$1,820,165 accumulated depreciation.....	1,867,937
Land Improvements, net of \$223,297 accumulated depreciation.....	189,624
Machinery and Equipment, net of \$518,231 accumulated depreciation.....	196,188
Vehicles, net of \$163,948 accumulated depreciation.....	118,412
Infrastructure, net of \$12,035 accumulated depreciation.....	19,058,295
Construction-in-Progress.....	1,745,373
	<u>25,148,054</u>

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

Taxes Receivable.....	154,915
Intergovernmental Receivable.....	312,120
Other Receivables.....	318,037
Other Assets.....	7,888
	<u>792,960</u>

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

77,944

Deferred outflows of resources are not financial resources, and therefore, are not reported in the funds.

42,770

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

<i>Accrued Liabilities:</i>	
Interest Payable.....	(154,439)
<i>Bonds and Notes Payable:</i>	
General Obligation Bonds.....	(7,343,289)
Revenue Bonds.....	(6,891,331)
Special Obligation Bonds.....	(2,338,094)
Certificates of Participation.....	(200,428)
<i>Other Noncurrent Liabilities:</i>	
Compensated Absences.....	(444,775)
Capital Leases Payable.....	(8,624)
Derivatives.....	(55,784)
Estimated Claims Payable.....	(10,071)
Pollution Remediation, net of liabilities reported as accounts payable in the funds and recoveries reported above as other receivables.....	(5,440)
Liability for Escheat Property.....	(188,195)
	<u>(17,640,470)</u>

Total Net Assets of Governmental Activities..... **\$ 18,096,169**

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, 2010

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
REVENUES:			
Income Taxes.....	\$ 7,172,356	\$ —	\$ —
Sales Taxes.....	7,108,573	—	—
Corporate and Public Utility Taxes.....	549,596	—	—
Motor Vehicle Fuel Taxes.....	—	—	—
Cigarette Taxes.....	886,875	—	—
Other Taxes.....	589,121	2,270	—
Licenses, Permits and Fees.....	237,690	1,008,517	1,676
Sales, Services and Charges.....	51,811	39	541
Federal Government.....	6,753,767	9,046,746	2,173,006
Tobacco Settlement.....	—	—	—
Escheat Property.....	113,131	—	—
Investment Income.....	(12,331)	5,911	1,409
Other.....	498,261	171,684	23,846
TOTAL REVENUES.....	23,948,850	10,235,167	2,200,478
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	7,759,951	476	2,905,395
Higher Education Support.....	2,278,892	1,458	33,421
Public Assistance and Medicaid.....	9,465,576	9,376,111	—
Health and Human Services.....	984,564	767,903	3,177
Justice and Public Protection.....	2,004,581	63,210	16,621
Environmental Protection and Natural Resources.....	63,740	—	—
Transportation.....	17,045	—	—
General Government.....	350,757	3,923	—
Community and Economic Development.....	794,243	11	—
CAPITAL OUTLAY.....	—	2,690	—
DEBT SERVICE.....	—	—	—
TOTAL EXPENDITURES.....	23,719,349	10,215,782	2,958,614
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	229,501	19,385	(758,136)
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued.....	97,739	—	—
Refunding Bonds Issued.....	—	—	—
Payment to Refunded Bond Escrow Agents.....	—	—	—
Premiums/Discounts.....	3,560	—	—
Capital Leases.....	708	—	—
Transfers-in.....	373,807	53,772	747,510
Transfers-out.....	(990,195)	(16,104)	(432)
TOTAL OTHER FINANCING SOURCES (USES).....	(514,381)	37,668	747,078
NET CHANGE IN FUND BALANCES.....	(284,880)	57,053	(11,058)
FUND BALANCES (DEFICITS), July 1.....	773,816	283,830	91,973
Increase (Decrease) for Changes in Inventories.....	4,106	—	—
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 493,042	\$ 340,883	\$ 80,915

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
\$ —	\$ 635,791	\$ —	\$ 10,258	\$ 7,818,405
—	168,410	—	22,302	7,299,285
—	1,798,326	—	1,026	2,348,948
664,196	1,078,534	—	23,474	1,766,204
—	—	—	—	886,875
—	14,906	—	41,702	647,999
82,421	346,038	—	1,211,218	2,887,560
1,897	—	—	38,312	92,600
1,269,588	—	—	2,726,437	21,969,544
—	—	304,362	1,782	306,144
—	—	—	—	113,131
318	468	734	22,416	18,925
106,136	2	—	345,996	1,145,925
2,124,556	4,042,475	305,096	4,444,923	47,301,545
—	1,121,901	60,924	507	11,849,154
—	—	—	322,212	2,635,983
—	—	—	30,586	18,872,273
—	824	—	2,142,764	3,899,232
—	305,196	—	632,819	3,022,427
—	—	—	305,384	369,124
1,977,242	—	—	993	1,995,280
—	—	—	178,646	533,326
—	2,128,596	—	1,414,216	4,337,066
—	—	—	539,839	542,529
—	—	306,018	1,133,083	1,439,101
1,977,242	3,556,517	366,942	6,701,049	49,495,495
147,314	485,958	(61,846)	(2,256,126)	(2,193,950)
—	—	—	910,290	1,008,029
—	—	—	1,154,210	1,154,210
—	—	—	(1,319,366)	(1,319,366)
—	—	—	159,137	162,697
—	—	—	—	708
517,161	384,686	—	1,420,769	3,497,705
(528,650)	(828,192)	(14,008)	(141,797)	(2,519,378)
(11,489)	(443,506)	(14,008)	2,183,243	1,984,605
135,825	42,452	(75,854)	(72,883)	(209,345)
1,044,937	(234,170)	5,376,866	2,548,703	9,885,955
(5,796)	—	—	(9)	(1,699)
\$ 1,174,966	\$ (191,718)	\$ 5,301,012	\$ 2,475,811	\$ 9,674,911

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, 2010

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds.....	\$ (209,345)
Change in Inventories.....	(1,699)
	<u>(211,044)</u>

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.....	479,612	
Depreciation Expense.....	(211,094)	
	<u>268,518</u>	<u>268,518</u>

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.....	(530,000)	
Revenue Bonds.....	(353,000)	
Special Obligation Bonds.....	(125,000)	
Refunding Bonds, including Bond Premium/Discount, Net.....	(1,293,833)	
Premiums and Discounts, Net:		
General Obligation Bonds.....	(11,225)	
Revenue Bonds.....	(7,282)	
Special Obligation Bonds.....	(4,596)	
Deferred Refunding Loss.....	80,452	
Capital Leases.....	(708)	
	<u>(2,245,192)</u>	<u>(2,245,192)</u>

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

<i>Debt Principal Retirement and Defeasements:</i>		
General Obligation Bonds.....	1,313,222	
Revenue Bonds.....	161,715	
Special Obligation Bonds.....	420,390	
Certificates of Participation.....	14,725	
Capital Lease Payments.....	2,013	
	<u>1,912,065</u>	<u>1,912,065</u>

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.

(109,318)

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

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

<i>Increase in Bond Issue Costs Included in Other Assets.....</i>	1,795	
<i>Increase in Accrued Interest and Other Accrued Liabilities.....</i>	(5,486)	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	15,171	
<i>Amortization of Deferred Refunding Loss.....</i>	(25,144)	
<i>Increase in Compensated Absences.....</i>	(103,279)	
<i>Increase in Derivative Liabilities (Excluding Hedging Derivatives)</i>	(13,014)	
<i>Decrease in Litigation Liabilities.....</i>	5,425	
<i>Decrease in Estimated Claims Payable.....</i>	281	
<i>Increase in Pollution Remediation.....</i>	(369)	
<i>Decrease in Liability for Escheat Property.....</i>	47,623	
	<hr/>	
<i>Total additional expenditures.....</i>		<u>(76,997)</u>
<i>Change in Net Assets of Governmental Activities.....</i>		<u><u>\$ (461,968)</u></u>

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, 2010

(dollars in thousands)

	GENERAL			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
Income Taxes.....	\$ 7,479,299	\$ 7,479,299	\$ 7,247,224	\$ (232,075)
Sales Taxes.....	6,995,153	6,995,153	7,077,372	82,219
Corporate and Public Utility Taxes.....	458,607	458,607	447,182	(11,425)
Motor Vehicle Fuel Taxes.....	—	—	—	—
Cigarette Taxes.....	823,000	823,000	886,875	63,875
Other Taxes.....	613,163	613,163	589,033	(24,130)
Licenses, Permits and Fees.....	313,138	313,138	320,101	6,963
Sales, Services and Charges.....	69,454	69,454	69,928	474
Federal Government.....	7,281,990	7,281,990	6,996,495	(285,495)
Tobacco Settlement.....	—	—	585	585
Investment Income.....	83,417	83,417	31,321	(52,096)
Other.....	1,205,810	1,205,810	1,178,771	(27,039)
TOTAL REVENUES.....	25,323,031	25,323,031	24,844,887	(478,144)
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education.....	8,014,247	8,033,704	7,983,598	50,106
Higher Education Support.....	2,330,569	2,329,876	2,315,108	14,768
Public Assistance and Medicaid.....	10,518,239	10,521,872	10,029,088	492,784
Health and Human Services.....	1,265,128	1,270,143	1,173,373	96,770
Justice and Public Protection.....	2,266,867	2,274,217	2,191,180	83,037
Environmental Protection and Natural Resources.....	107,573	110,310	99,988	10,322
Transportation.....	23,937	23,937	23,751	186
General Government.....	1,012,549	824,192	685,231	138,961
Community and Economic Development.....	796,676	847,466	822,280	25,186
CAPITAL OUTLAY.....	15	15	—	15
DEBT SERVICE.....	925,269	925,269	725,021	200,248
TOTAL BUDGETARY EXPENDITURES.....	27,261,069	27,161,001	26,048,618	1,112,383
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(1,938,038)	(1,837,970)	(1,203,731)	634,239
OTHER FINANCING SOURCES (USES):				
Transfers-in.....	1,621,022	1,621,022	1,475,485	(145,537)
Transfers-out.....	(1,130,893)	(1,130,893)	(1,089,542)	41,351
TOTAL OTHER FINANCING SOURCES (USES).....	490,129	490,129	385,943	(104,186)
NET CHANGE IN FUND BALANCES.....	\$ (1,447,909)	\$ (1,347,841)	(817,788)	\$ 530,053
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			833,585	
Outstanding Encumbrances at Beginning of Fiscal Year.....			508,502	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....			\$ 524,299	

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

<u>JOB, FAMILY AND OTHER HUMAN SERVICES</u>				<u>EDUCATION</u>			
<u>BUDGET</u>			<u>VARIANCE</u>	<u>BUDGET</u>			<u>VARIANCE</u>
<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>WITH</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>WITH</u>
			<u>FINAL</u>				<u>FINAL</u>
			<u>BUDGET</u>				<u>BUDGET</u>
			<u>POSITIVE/</u>				<u>POSITIVE/</u>
			<u>(NEGATIVE)</u>				<u>(NEGATIVE)</u>
		\$ —				\$ —	
		—				—	
		—				—	
		—				—	
		2,270				—	
		959,530				1,676	
		41				538	
		6,034,833				2,176,270	
		—				—	
		5,903				1,407	
		<u>480,033</u>				<u>32,910</u>	
		<u>7,482,610</u>				<u>2,212,801</u>	
\$ 2,859	\$ 2,859	910	\$ 1,949	\$ 3,059,092	\$ 3,174,250	2,946,449	\$ 227,801
3,500	3,500	1,861	1,639	42,043	45,878	37,437	8,441
9,152,451	9,379,628	8,486,787	892,841	—	—	—	—
849,281	900,906	808,099	92,807	4,878	4,945	3,569	1,376
92,987	92,092	59,473	32,619	34,244	35,432	22,244	13,188
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3,505	3,894	2,928	966	—	—	—	—
548	548	548	—	—	—	—	—
1,987	40,927	8,539	32,388	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 10,107,118</u>	<u>\$ 10,424,354</u>	<u>9,369,145</u>	<u>\$ 1,055,209</u>	<u>\$ 3,140,257</u>	<u>\$ 3,260,505</u>	<u>3,009,699</u>	<u>\$ 250,806</u>
		<u>(1,886,535)</u>				<u>(796,898)</u>	
		14,095				786,040	
		<u>(24,416)</u>				<u>(40,431)</u>	
		<u>(10,321)</u>				<u>745,609</u>	
		<u>(1,896,856)</u>				<u>(51,289)</u>	
		(1,270,770)				49,438	
		<u>1,553,080</u>				<u>52,602</u>	
		<u>\$ (1,614,546)</u>				<u>\$ 50,751</u>	

(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, 2010

(dollars in thousands)
(continued)

	HIGHWAY OPERATING			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
Income Taxes.....			\$ —	
Sales Taxes.....			—	
Corporate and Public Utility Taxes.....			—	
Motor Vehicle Fuel Taxes.....			661,748	
Cigarette Taxes.....			—	
Other Taxes.....			—	
Licenses, Permits and Fees.....			81,745	
Sales, Services and Charges.....			1,897	
Federal Government.....			1,294,503	
Tobacco Settlement.....			—	
Investment Income.....			7,283	
Other.....			122,865	
TOTAL REVENUES.....			2,170,041	
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.....	7,147,573	7,148,246	4,231,015	2,917,231
General Government.....	—	—	—	—
Community and Economic Development.....	—	—	—	—
CAPITAL OUTLAY.....	—	—	—	—
DEBT SERVICE.....	177,867	177,867	148,503	29,364
TOTAL BUDGETARY EXPENDITURES.....	\$ 7,325,440	\$ 7,326,113	4,379,518	\$ 2,946,595
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....			(2,209,477)	
OTHER FINANCING SOURCES (USES):				
Transfers-in.....			573,395	
Transfers-out.....			(436,446)	
TOTAL OTHER FINANCING SOURCES (USES).....			136,949	
NET CHANGE IN FUND BALANCES.....			(2,072,528)	
BUDGETARY FUND BALANCES				
(DEFICITS), JULY 1.....			(542,885)	
Outstanding Encumbrances at Beginning of Fiscal Year.....			1,503,101	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....			\$ (1,112,312)	

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

REVENUE DISTRIBUTION

BUDGET		ACTUAL	VARIANCE
ORIGINAL	FINAL		WITH FINAL BUDGET
			POSITIVE/ (NEGATIVE)

\$ 629,171
 170,309
 1,757,687
 1,071,568
 —
 14,906
 490,089
 —
 —
 —
 470
 2
4,134,202

\$ 1,241,331	\$ 1,241,331	1,121,205	\$ 120,126
—	—	—	—
—	—	—	—
2,200	2,200	1,831	369
569,005	569,005	480,187	88,818
—	—	—	—
—	—	—	—
—	—	—	—
2,221,870	2,398,070	2,123,123	274,947
—	—	—	—
—	—	—	—
<u>\$ 4,034,406</u>	<u>\$ 4,210,606</u>	<u>3,726,346</u>	<u>\$ 484,260</u>

407,856

1,231,486
(1,650,863)
(419,377)

(11,521)

197,732
802

\$ 187,013

STATE OF OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2010
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 11,953	\$ 55,025	\$ —
Cash and Cash Equivalents.....	428,970	148,407	—
Collateral on Lent Securities.....	4,615	15,644	—
Restricted Assets:			
Cash Equity with Treasurer.....	—	68	—
Investments.....	—	39,219	—
Collateral on Lent Securities.....	—	267,929	—
Other Receivables.....	—	3,009	—
Deposit with Federal Government.....	—	—	384,416
Intergovernmental Receivable.....	—	—	21
Premiums and Assessments Receivable.....	803,444	—	14,715
Investment Trade Receivable.....	126,696	—	—
Interfund Receivable.....	69,206	—	—
Other Receivables.....	304,923	38,194	16,792
Inventories.....	—	—	—
Other Assets.....	7,554	9,562	6,759
TOTAL CURRENT ASSETS.....	1,757,361	577,057	422,703
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	93	—	—
Investments.....	—	716,935	—
Investments.....	18,530,487	—	—
Premiums and Assessments Receivable.....	3,075,791	—	—
Interfund Receivable.....	637,823	—	—
Capital Assets Being Depreciated, Net.....	87,390	74,633	—
Capital Assets Not Being Depreciated.....	11,994	—	—
TOTAL NONCURRENT ASSETS.....	22,343,578	791,568	—
TOTAL ASSETS.....	24,100,939	1,368,625	422,703
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	5,189	6,210	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	4,615	283,573	—
Investment Trade Payable.....	234,479	—	—
Intergovernmental Payable.....	—	—	209
Deferred Prize Awards Payable.....	—	42,296	—
Interfund Payable.....	—	30	—
Unearned Revenue.....	—	1,132	—
Benefits Payable.....	1,966,452	—	6,964
Refund and Other Liabilities.....	442,531	180,086	6,759
Bonds and Notes Payable.....	15,865	—	—
TOTAL CURRENT LIABILITIES.....	2,669,131	513,327	13,932
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	2,314,187
Deferred Prize Awards Payable.....	—	630,319	—
Interfund Payable.....	—	2,638	—
Benefits Payable.....	15,911,948	—	—
Refund and Other Liabilities.....	1,646,446	53,765	—
Bonds and Notes Payable.....	48,335	—	—
TOTAL NONCURRENT LIABILITIES.....	17,606,729	686,722	2,314,187
TOTAL LIABILITIES.....	20,275,860	1,200,049	2,328,119
NET ASSETS (DEFICITS):			
Invested in Capital Assets, Net of Related Debt.....	35,275	7,874	—
Restricted for Deferred Lottery Prizes.....	—	86,616	—
Unrestricted.....	3,789,804	74,086	(1,905,416)
TOTAL NET ASSETS (DEFICITS).....	\$ 3,825,079	\$ 168,576	\$ (1,905,416)

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

NONMAJOR PROPRIETARY FUNDS		TOTAL	
\$	33,880	\$	100,858
	1,613		578,990
	5,830		26,089
	—		68
	409,270		448,489
	—		267,929
	—		3,009
	—		384,416
	9,684		9,705
	—		818,159
	—		126,696
	2,346		71,552
	3,600		363,509
	42,136		42,136
	453		24,328
	508,812		3,265,933
	—		93
	113,003		829,938
	88,080		18,618,567
	—		3,075,791
	8,550		646,373
	8,429		170,452
	—		11,994
	218,062		23,353,208
	726,874		26,619,141
	35,047		46,446
	6,813		6,813
	5,830		294,018
	—		234,479
	—		209
	—		42,296
	3,220		3,250
	—		1,132
	79,000		2,052,416
	6,480		635,856
	—		15,865
	136,390		3,332,780
	—		2,314,187
	—		630,319
	10,218		12,856
	553,900		16,465,848
	9,828		1,710,039
	—		48,335
	573,946		21,181,584
	710,336		24,514,364
	8,429		51,578
	—		86,616
	8,109		1,966,583
\$	16,538	\$	2,104,777

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ —	\$ 2,490,186	\$ 38,377
Premium and Assessment Income.....	2,118,421	—	1,195,058
Federal Government.....	—	—	3,233,451
Investment Income.....	—	—	—
Other.....	15,018	8,599	36,563
TOTAL OPERATING REVENUES.....	2,133,439	2,498,785	4,503,449
OPERATING EXPENSES:			
Costs of Sales and Services.....	—	—	—
Administration.....	67,990	89,380	—
Bonuses and Commissions.....	—	153,426	—
Prizes.....	—	1,513,724	—
Benefits and Claims.....	2,736,984	—	5,605,679
Depreciation.....	11,561	18,037	—
Other.....	44,687	14	151
TOTAL OPERATING EXPENSES.....	2,861,222	1,774,581	5,605,830
OPERATING INCOME (LOSS).....	(727,783)	724,204	(1,102,381)
NONOPERATING REVENUES (EXPENSES):			
Investment Income.....	2,049,621	67,881	933
Interest Expense.....	—	(4,971)	—
Other.....	—	(28,247)	—
TOTAL NONOPERATING REVENUES (EXPENSES).....	2,049,621	34,663	933
INCOME (LOSS) BEFORE TRANSFERS.....	1,321,838	758,867	(1,101,448)
TRANSFERS:			
Transfers-in.....	—	—	—
Transfers-out.....	(12,101)	(728,960)	(42,756)
TOTAL TRANSFERS.....	(12,101)	(728,960)	(42,756)
NET INCOME (LOSS).....	1,309,737	29,907	(1,144,204)
NET ASSETS (DEFICITS), JULY 1.....	2,515,342	138,669	(761,212)
NET ASSETS (DEFICITS), JUNE 30.....	\$ 3,825,079	\$ 168,576	\$ (1,905,416)

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 783,174	\$ 3,311,737
—	3,313,479
—	3,233,451
62,168	62,168
18,590	78,770
863,932	9,999,605
510,659	510,659
82,779	240,149
—	153,426
—	1,513,724
71,395	8,414,058
1,655	31,253
540	45,392
667,028	10,908,661
196,904	(909,056)
26	2,118,461
—	(4,971)
(62)	(28,309)
(36)	2,085,181
196,868	1,176,125
34,818	34,818
(229,328)	(1,013,145)
(194,510)	(978,327)
2,358	197,798
14,180	1,906,979
\$ 16,538	\$ 2,104,777

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ —	\$ 2,482,818	\$ —
Cash Received from Premiums and Assessments.....	2,139,809	—	1,206,313
Cash Received from Interfund Services Provided.....	58,508	1,613	—
Other Operating Cash Receipts.....	54,107	6,986	32,863
Cash Payments to Suppliers for Goods and Services.....	(39,817)	(62,152)	(152)
Cash Payments to Employees for Services.....	(232,117)	(25,520)	—
Cash Payments for Benefits and Claims.....	(2,057,557)	—	(5,089,160)
Cash Payments for Lottery Prizes.....	—	(1,457,705)	—
Cash Payments for Bonuses and Commissions.....	—	(153,556)	—
Cash Payments for Premium Reductions and Refunds.....	(99,747)	—	—
Cash Payments for Interfund Services Used.....	(13,429)	(3,385)	—
Other Operating Cash Payments.....	—	(14)	(433,466)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(190,243)	789,085	(4,283,602)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(12,101)	(728,960)	(42,756)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	(12,101)	(728,960)	(42,756)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases.....	(15,930)	(14,338)	—
Interest Paid	(3,866)	(4,476)	—
Acquisition and Construction of Capital Assets	(7,257)	798	—
Proceeds from Sales of Capital Assets	50	1,682	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(27,003)	(16,334)	—
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(49,530,877)	(48,346)	(1,195,400)
Proceeds from the Sales and Maturities of Investments	48,954,066	99,315	5,521,758
Investment Income Received	747,565	14,586	—
Borrower Rebates and Agent Fees.....	(5,682)	(526)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	165,072	65,029	4,326,358
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS.....	(64,275)	108,820	—
CASH AND CASH EQUIVALENTS, JULY 1	505,291	94,680	—
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 441,016	\$ 203,500	\$ —

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 766,129	\$ 3,248,947
—	3,346,122
9,036	69,157
11,276	105,232
(490,871)	(592,992)
(89,195)	(346,832)
—	(7,146,717)
—	(1,457,705)
—	(153,556)
—	(99,747)
(5,933)	(22,747)
(71,391)	(504,871)
129,051	(3,555,709)
36,349	36,349
(229,328)	(1,013,145)
(192,979)	(976,796)
(3)	(30,271)
—	(8,342)
(2,729)	(9,188)
2	1,734
(2,730)	(46,067)
(665,829)	(51,440,452)
714,161	55,289,300
21,239	783,390
—	(6,208)
69,571	4,626,030
2,913	47,458
32,580	632,551
\$ 35,493	\$ 680,009

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(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).....	\$ (727,783)	\$ 724,204	\$ (1,102,381)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	—
Depreciation	11,561	18,037	—
Provision for Uncollectible Accounts.....	29,859	—	—
Amortization of Premiums and Discounts.....	(527)	—	—
Interest on Bonds, Notes and Capital Leases.....	3,866	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government.....	—	—	(3,170,536)
Intergovernmental Receivable.....	—	—	443
Premiums and Assessments Receivable.....	(172,018)	—	555
Interfund Receivable.....	73,838	—	—
Other Receivables	37,431	(8,499)	(3,725)
Inventories	—	—	—
Other Assets	(375)	(1,649)	(261)
Increase (Decrease) in Liabilities:			
Accounts Payable	1,540	(484)	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	(324)
Deferred Prize Awards Payable.....	—	(63,862)	—
Interfund Payable.....	—	711	—
Unearned Revenue	—	1,132	—
Benefits Payable.....	452,027	—	(7,203)
Refund and Other Liabilities.....	100,338	119,495	(170)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (190,243)	\$ 789,085	\$ (4,283,602)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments.....	\$ 1,344,234	\$ 27,675	\$ —

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 196,904	\$ (909,056)
(62,168)	(62,168)
1,655	31,253
—	29,859
—	(527)
—	3,866
—	(3,170,536)
(1,774)	(1,331)
—	(171,463)
1,589	75,427
1,351	26,558
(2,265)	(2,265)
604	(1,681)
9,476	10,532
456	456
(418)	(742)
—	(63,862)
(1,497)	(786)
(164)	968
—	444,824
(14,698)	204,965
\$ 129,051	\$ (3,555,709)

\$ — \$ 1,371,909

STATE OF OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010
(dollars in thousands)

	<u>PENSION TRUST</u>	<u>PRIVATE- PURPOSE TRUST</u>	<u>INVESTMENT TRUST</u>
	<u>STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/09)</u>	<u>VARIABLE COLLEGE SAVINGS PLAN</u>	<u>STAR OHIO</u>
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	26,688	62,037	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	—	—	2,414,071
Common and Preferred Stock.....	270,467	—	—
Corporate Bonds and Notes.....	—	—	—
Foreign Stocks and Bonds.....	20,602	—	—
Commercial Paper.....	—	—	214,984
Mutual Funds.....	305,455	5,014,991	389,933
Real Estate.....	8,893	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	—	—	—
Partnership and Hedge Funds.....	62,000	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	15,190	—	—
Employer Contributions Receivable.....	1,687	—	—
Employee Contributions Receivable.....	1,068	—	—
Other Receivables.....	1,614	9,717	263
Other Assets.....	5	—	—
Capital Assets, Net.....	9	—	—
TOTAL ASSETS.....	713,678	5,086,745	3,019,251
LIABILITIES:			
Accounts Payable.....	1,175	—	—
Accrued Liabilities.....	17,649	3,884	—
Obligations Under Securities Lending.....	19,116	—	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	65	9,176	2,909
TOTAL LIABILITIES.....	38,005	13,060	2,909
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits.....	579,050	—	—
Employees' Postemployment Healthcare Benefits.....	96,623	—	—
Individuals, Organizations and Other Governments.....	—	5,073,685	—
Pool Participants.....	—	—	3,016,342
TOTAL NET ASSETS.....	\$ 675,673	\$ 5,073,685	\$ 3,016,342

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

AGENCY

\$ 239,745
135,677

15,086,054
51,064,574
11,049,450
33,637,382
4,038,128
6,283,467
11,091,410
7,656,127
5,958,992
931,013
65,333
67,089
—
—
1,343
428,812
—

147,734,596

—
—
67,089
163,131

147,504,376

147,734,596

—
—
—
—

\$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(dollars in thousands)

	<u>PENSION TRUST</u>	<u>PRIVATE- PURPOSE TRUST</u>	<u>INVESTMENT TRUST</u>
	<u>STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/09)</u>	<u>VARIABLE COLLEGE SAVINGS PLAN</u>	<u>STAR OHIO</u>
ADDITIONS:			
Contributions from:			
Employer.....	\$ 24,735	\$ —	\$ —
Employees.....	8,624	—	—
Plan Participants.....	—	1,265,735	—
Other.....	1,009	—	—
Total Contributions.....	<u>34,368</u>	<u>1,265,735</u>	<u>—</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	125,533	317,342	—
Interest, Dividends and Other.....	9,649	238,635	8,278
Total Investment Income.....	<u>135,182</u>	<u>555,977</u>	<u>8,278</u>
Less: Investment Expense.....	4,658	21,070	3,478
Net Investment Income.....	<u>130,524</u>	<u>534,907</u>	<u>4,800</u>
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	12,957,951
Reinvested Distributions.....	—	—	4,800
Shares Redeemed.....	—	—	(14,623,959)
Net Capital Share and Individual Account Transactions.....	<u>—</u>	<u>—</u>	<u>(1,661,208)</u>
TOTAL ADDITIONS.....	<u>164,892</u>	<u>1,800,642</u>	<u>(1,656,408)</u>
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries.....	49,884	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	8,386	—	—
Refunds of Employee Contributions.....	1,077	—	—
Administrative Expense.....	882	—	—
Transfers to Other Retirement Systems.....	406	—	—
Distributions to Shareholders and Plan Participants.....	—	1,058,721	4,800
TOTAL DEDUCTIONS.....	<u>60,635</u>	<u>1,058,721</u>	<u>4,800</u>
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits.....	87,455	—	—
Employees' Postemployment Healthcare Benefits.....	16,802	—	—
Individuals, Organizations and Other Governments.....	—	741,921	—
Pool Participants.....	—	—	(1,661,208)
TOTAL CHANGE IN NET ASSETS.....	<u>104,257</u>	<u>741,921</u>	<u>(1,661,208)</u>
NET ASSETS, JULY 1.....	<u>571,416</u>	<u>4,331,764</u>	<u>4,677,550</u>
NET ASSETS, JUNE 30.....	<u>\$ 675,673</u>	<u>\$ 5,073,685</u>	<u>\$ 3,016,342</u>

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, 2010
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/09)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 896,524	\$ 117	\$ —
Cash and Cash Equivalents.....	—	38,619	656,415
Investments.....	—	48,065	587,528
Collateral on Lent Securities.....	768,990	—	—
Intergovernmental Receivable.....	—	525	18,773
Loans Receivable, Net.....	941	—	13,533
Receivable from Primary Government.....	—	—	9,185
Other Receivables.....	16	4	455,278
Inventories.....	—	—	35,522
Other Assets.....	—	—	40,145
TOTAL CURRENT ASSETS.....	1,666,471	87,330	1,816,379
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	467,559	—	—
Cash and Cash Equivalents.....	—	414,590	—
Investments.....	—	643,711	—
Loans Receivable, Net.....	—	4,146,360	—
Investments.....	—	4,294	1,951,800
Loans Receivable, Net.....	4,053	44,729	57,984
Other Receivables.....	—	47,794	23,440
Other Assets.....	—	56,555	—
Capital Assets Being Depreciated, Net.....	159	1,128	2,883,982
Capital Assets Not Being Depreciated.....	4,826	539	347,152
TOTAL NONCURRENT ASSETS.....	476,597	5,359,700	5,264,358
TOTAL ASSETS.....	2,143,068	5,447,030	7,080,737
Deferred Outflows of Resources.....	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	2,143,068	5,447,030	7,080,737
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	11,407	53,412	194,017
Accrued Liabilities.....	505	10,414	345,543
Obligations Under Securities Lending.....	768,990	—	—
Intergovernmental Payable.....	883,899	294	—
Unearned Revenue.....	—	—	185,831
Refund and Other Liabilities.....	1,711	13	40,355
Bonds and Notes Payable.....	—	170,530	499,365
Certificates of Participation.....	—	—	445
TOTAL CURRENT LIABILITIES.....	1,666,512	234,663	1,265,556
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	455,221	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	693	189	207,696
Payable to Primary Government.....	3,887,358	—	—
Bonds and Notes Payable.....	—	2,124,281	883,056
Certificates of Participation.....	—	—	3,800
TOTAL NONCURRENT LIABILITIES.....	4,343,272	2,124,470	1,094,552
TOTAL LIABILITIES.....	6,009,784	2,359,133	2,360,108
NET ASSETS (DEFICITS):			
Invested in Capital Assets, Net of Related Debt.....	4,968	1,666	1,875,977
Restricted for:			
Primary, Secondary and Other Education.....	467,559	—	—
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes.....	—	—	—
Debt Service.....	—	2,936,136	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	1,091,825
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.....	—	—	9,183
Endowments and Quasi-Endowments.....	—	—	95,721
Current Operations.....	—	—	382,333
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted.....	(4,339,243)	150,095	1,265,590
TOTAL NET ASSETS (DEFICITS).....	\$ (3,866,716)	\$ 3,087,897	\$ 4,720,629

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 82,546	\$ 979,187
75,591	650,346	1,420,971
184,237	1,137,857	1,957,687
—	7,040	776,030
—	59,250	78,548
6,391	18,704	39,569
1,702	32,405	43,292
107,539	368,358	931,195
1,984	28,249	65,755
4,872	66,595	111,612
382,316	2,451,350	6,403,846
—	15,093	482,652
—	34,737	449,327
—	595,387	1,239,098
—	—	4,146,360
990,843	1,365,932	4,312,869
28,644	118,234	253,644
137,953	121,433	330,620
349,652	87,547	493,754
1,332,713	4,541,287	8,759,269
85,900	755,034	1,193,451
2,925,705	7,634,684	21,661,044
3,308,021	10,086,034	28,064,890
—	38,709	38,709
3,308,021	10,124,743	28,103,599
62,531	182,574	503,941
94,316	218,390	669,168
—	7,040	776,030
—	1,128	885,321
31,039	276,597	493,467
45,691	153,752	241,522
116,018	110,786	896,699
—	—	445
349,595	950,267	4,466,593
—	8,318	463,539
—	7,889	7,889
197,729	312,821	719,128
—	—	3,887,358
916,096	2,194,726	6,118,159
—	—	3,800
1,113,825	2,523,754	11,199,873
1,463,420	3,474,021	15,666,466
404,659	3,402,283	5,689,553
—	—	467,559
—	24	24
—	41,445	41,445
—	42,831	42,831
—	—	2,936,136
115,775	154,959	270,734
82,761	14,056	96,817
501,681	570,649	2,164,155
336,144	89,930	426,074
43,889	152,475	196,364
92,279	16,656	108,935
31,874	150,164	182,038
39,710	17,888	57,598
25,100	169,130	194,230
3,610	12,811	16,421
25,660	91,641	126,484
87,184	21,604	204,509
3,314	101,405	487,052
11,902	244,734	256,636
39,059	1,356,037	(1,528,462)
\$ 1,844,601	\$ 6,650,722	\$ 12,437,133

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/09)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 861,883	\$ —	\$ —
Community and Economic Development.....	—	—	—
Cost of Services.....	—	104,457	—
Administration.....	—	12,152	—
Education and General:			
Instruction and Departmental Research.....	—	—	869,418
Separately Budgeted Research.....	—	—	419,982
Public Service.....	—	—	118,585
Academic Support.....	—	—	140,255
Student Services.....	—	—	87,603
Institutional Support.....	—	—	191,532
Operation and Maintenance of Plant.....	—	—	109,440
Scholarships and Fellowships.....	—	—	104,547
Auxiliary Enterprises.....	—	—	223,704
Hospitals.....	—	—	1,768,293
Interest on Long-Term Debt.....	—	331	49,993
Depreciation.....	143	104	231,744
Other.....	—	46,247	17,306
TOTAL EXPENSES.....	862,026	163,291	4,332,402
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	8,161	147,814	3,097,234
Operating Grants, Contributions and Restricted Investment Income.....	54,278	164,379	781,529
Capital Grants, Contributions and Restricted Investment Income.....	—	—	15,545
TOTAL PROGRAM REVENUES.....	62,439	312,193	3,894,308
NET PROGRAM (EXPENSE) REVENUE	(799,587)	148,902	(438,094)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	1,499	323,944
State Assistance.....	60,924	—	484,465
Other.....	—	259	1,746
TOTAL GENERAL REVENUES.....	60,924	1,758	810,155
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	33,363
CHANGE IN NET ASSETS.....	(738,663)	150,660	405,424
NET ASSETS (DEFICITS), JULY 1 (as restated).....	(3,128,053)	2,937,237	4,315,205
NET ASSETS (DEFICITS), JUNE 30.....	\$ (3,866,716)	\$ 3,087,897	\$ 4,720,629

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 18,654	\$ 880,537
—	40,257	40,257
—	—	104,457
—	—	12,152
288,177	1,584,335	2,741,930
175,532	209,794	805,308
54,917	138,757	312,259
68,591	415,864	624,710
41,297	227,353	356,253
296,256	450,772	938,560
60,926	315,141	485,507
36,118	314,102	454,767
79,284	587,065	890,053
—	300,767	2,069,060
48,328	95,743	194,395
101,996	296,627	630,614
17,747	53,779	135,079
1,269,169	5,049,010	11,675,898
750,430	3,010,868	7,014,507
362,232	970,991	2,333,409
11,067	69,626	96,238
1,123,729	4,051,485	9,444,154
(145,440)	(997,525)	(2,231,744)
—	231,240	556,683
201,318	1,256,737	2,003,444
3,572	73,293	78,870
204,890	1,561,270	2,638,997
10,566	22,179	66,108
70,016	585,924	473,361
1,774,585	6,064,798	11,963,772
\$ 1,844,601	\$ 6,650,722	\$ 12,437,133



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2010, 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 — nonexpendable and expendable. 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. Revenue from the federal government for the underfunded regular and extended unemployment benefits is also reported as operating revenues for the Unemployment Compensation Fund, since this source provides 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, 2009.

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, 2009. 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 and other legally separate entities subject to the control of the university's board.

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
Transportation Certificates of Participation
OAKS Certificates of Participation
STARS Certificates of Participation
OAKS Project
STARS Project

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

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at www.obm.ohio.gov/SectionPages/FinancialReporting. This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

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

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

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary funds, the State is not legally required to report budgetary data and comparisons for these funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also include investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

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

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

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value).



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 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 matured compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Derivatives Instruments

The State's derivative instruments include investment derivatives and interest rate swaps. Interest rate swaps that are ineffective hedging derivatives are reported within the investment derivatives classification.

The State reports its derivative instruments at fair value in the Statement of Net Assets. Changes in fair value for investment derivatives are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivatives are reported as deferred outflows/inflows of resources in the Statement of Net Assets.

Additional disclosures on the State's investment derivatives and its hedging derivatives can be found in NOTE 4 and NOTE 10, respectively.

T. 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, 2009, for the primary government's component units that resulted from implementation of a new standard, change in reporting entity and other adjustments, are presented in the following table (dollars in thousands).

Government-Wide Financial Statements	
	Total Component Units
Net Assets, as of June 30, 2009, As Previously Reported	\$ 11,868,913
<i>Implementation of New Accounting Standard:</i>	
Capital Assets Being Depreciated, Net.....	1,450
Capital Assets Not Being Depreciated.....	27,810
Deferred Outflows of Resources-Derivatives.....	15,573
Fair Value of Derivatives.....	(20,240)
<i>Change in Reporting Entity:</i>	
Net Assets of University of Physicians, Inc.-Component Unit of University of Cincinnati.....	73,128
<i>Other Adjustments that Increased/(Decreased) Net Assets:</i>	
Clinical Facility-Component Unit of University of Toledo.....	(2,862)
Total Changes in Net Assets.....	94,859
Net Assets, July 1, 2009, As Restated	\$ 11,963,772



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

B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2010, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.
- Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.
- Governmental Accounting Standards Board (GASB) Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB 51 establishes 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.

GASB 53 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.

GASB 58 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.

C. Recently Issued GASB Pronouncements

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 the 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.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The provisions of GASB 59 are effective for financial statements for periods beginning after June 15, 2010. The objective of GASB 59 is to update and improve the accounting and financial reporting requirements that address financial instruments in the following pronouncements: NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences* and GASB Statement No. 25, No. 31, No. 40, No. 43, and No. 53.

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 2010. 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 2010, whenever signed into law or otherwise legally authorized.

For fiscal year 2010, 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, 2010
(dollars in thousands)

	Major Special Revenue Funds				
	General	Job, Family, and Other Human Services	Education	Highw ay Operating	Revenue Distribution
Total Fund Balances - GAAP Basis	\$ 493,042	\$ 340,883	\$ 80,915	\$ 1,174,966	\$ (191,718)
Less: Reserved Fund Balances	634,254	1,644,492	36,461	2,239,956	118,004
Unreserved/Undesignated Fund Balances —					
GAAP Basis	(141,212)	(1,303,609)	44,454	(1,064,990)	(309,722)
BASIS DIFFERENCES					
Revenue Accruals/Adjustments:					
Cash Equity w ith Treasurer	(19,279)	10,195	(1,143)	(9,843)	(16,931)
Taxes Receivable	(730,679)	-	-	(69,258)	(502,113)
Intergovernmental Receivable	(830,875)	(546,189)	(112,809)	(71,802)	-
Loans Receivable, Net	(231,446)	-	-	(115,993)	-
Interfund Receivable	(3,082)	-	-	(725)	(92,035)
Other Receivables	(76,062)	(363,822)	(788)	(2,326)	-
Deferred Revenue	295,105	87,157	8,283	2,924	8,754
Unearned Revenue	-	107,049	31,539	-	6,914
Total Revenue Accruals/Adjustments	(1,596,318)	(705,610)	(74,918)	(267,023)	(595,411)
Expenditure Accruals/Adjustments:					
Cash Equity w ith Treasurer	(48,078)	(6,734)	(763)	(9,552)	-
Inventories	(29,069)	-	-	(40,768)	-
Other Assets	(14,354)	(2,446)	(7,888)	(4,045)	-
Accounts Payable	130,497	232,192	13,686	104,199	-
Accrued Liabilities	182,382	28,416	2,916	33,074	-
Medicaid Claims Payable	932,688	3,643	-	-	-
Intergovernmental Payable	389,378	389,929	76,149	644	945,076
Interfund Payable	593,903	13,848	2,757	78,926	1,142
Payable to Component Units	11,642	1,219	1,837	400	-
Refund and Other Liabilities	577,796	8,716	-	-	34,072
Liability for Escheat Property	6,390	-	-	-	-
Total Expenditure Accruals/Adjustments	2,733,175	668,783	88,694	162,878	980,290
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis)					
to Reserved for:					
Noncurrent Portion of Loans Receivable	226,258	-	-	114,349	-
Inventories	29,069	-	-	40,768	-
State and Local Highw ay Construction	-	-	-	-	117,769
Federal Programs	-	10,030	11,494	4,891	-
Other	158,993	28,708	230	7,001	-
Cash and Investments Held					
Outside of State Treasury	(529,371)	(8,496)	(454)	(439)	(5,914)
Other	11	2	-	1	1
Total Other Adjustments	(115,040)	30,244	11,270	166,571	111,856
Total Basis Differences	1,021,817	(6,583)	25,046	62,426	496,735
TIMING DIFFERENCES					
Encumbrances	(356,306)	(304,354)	(18,749)	(109,748)	-
Budgetary Fund Balances (Deficits) —					
Non-GAAP Basis	\$ 524,299	\$ (1,614,546)	\$ 50,751	\$ (1,112,312)	\$ 187,013



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.

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The table below reports the carrying amount of deposits, as of June 30, 2010, held by the primary government, including fiduciary activities, and its component units and the extent of exposure to custodial credit risk.

Primary Government (including Fiduciary Activities) and Component Units					
Deposits—Custodial Credit Risk					
As of June 30, 2010					
(dollars in thousands)					
	Carrying Amount	Bank Balance	Uncollateralized	Uninsured Portion of Reported Bank Balance	
				Collateralized with Securities Held by the Pledging Institution's Trust	Collateralized with Securities Held by the Pledging Institution
				Department or Agent but not in the Depositor- Government's Name	
Primary Government	\$ 1,421,576	\$ 1,440,755	\$ -	\$ 333,779	\$ 23,960
Component Units	1,521,589	1,481,570	69,234	1,012,782	264,019
Total Deposits — Reporting Entity	\$ 2,943,165	\$ 2,922,325	\$ 69,234	\$ 1,346,561	\$ 287,979

The following tables report the fair value, as of June 30, 2010, 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, 2010
(dollars in thousands)

Uninsured,
Unregistered, and
Held by the
Counterparty's Trust
Department or Agent
but not in the State's
Name

**Investments for the Primary Government
(including Fiduciary Activities), as of June 30, 2010**

	Total Fair Value	
<i>Investments Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations	\$ 17,134,218	\$ 199,751
U.S. Government Obligations—Strips	390,790	-
U.S. Agency Obligations	11,210,485	-
U.S. Agency Obligations—Strips	299,456	-
Common and Preferred Stock	57,090,379	295,689
Corporate Bonds and Notes	15,566,772	-
Corporate Bonds and Notes—Strips	1,536	-
Municipal Obligations.....	546,576	-
Commercial Paper	4,912,199	-
Repurchase Agreements	1,681	-
Mortgage and Asset-Backed Securities	6,083,423	-
International Investments:		
Foreign Stocks	32,683,283	1,509,190
Foreign Bonds	4,130,769	-
High-Yield and Emerging Markets Fixed Income	1,110,016	-
Securities Lending Collateral:		
Commercial Paper	429,920	-
Repurchase Agreements	1,455,978	-
Equity Mutual Funds	3,558	-
Variable Rate Notes	100,220	-
Fixed Rate Notes	72,386	-
Master Notes	128,300	-
U.S. Agency Obligations.....	49,867	-
Corporate Bonds.....	3,418	-
Bond Mutual Funds.....	537,807	-
Common Stock	22,966	-
		<u>\$ 2,004,630</u>
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations	249,939	
U.S. Agency Obligations	2,470,337	
U.S. Agency Obligations—Strips	28,163	
Common and Preferred Stock	6,838	
International Investments-Commingled Equity Funds	713,973	
Equity Mutual Funds	6,683,604	
Bond Mutual Funds	3,973,328	
Real Estate	11,078,020	
Venture Capital	7,656,127	
Partnerships and Hedge Funds	211,777	
Investment Contracts	6,007	
Deposit with Federal Government	384,416	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(2,237,869)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(270,766)	
Total Investments — Primary Government	\$ 184,919,897	



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments for Component Units, as of June 30, 2010	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust	
		Department or Agent but not in the Component Unit's Name	Counterparty but not in the Component Unit's Name
<i>Investments Subject to Custodial Credit Risk Exposure:</i>			
U.S. Government Obligations	\$ 419,457	\$ 200,726	\$ 96,734
U.S. Government Obligations—Strips	4,628	2,271	-
U.S. Agency Obligations	971,842	642,875	108,806
Common and Preferred Stock	884,215	120,900	342,667
Corporate Bonds and Notes	566,126	247,533	234,553
Commercial Paper	10,458	5,317	-
Repurchase Agreements	89,945	-	88,996
Mortgage and Asset-Backed Securities	75,508	-	-
Negotiable Certificates of Deposit	9,647	-	-
Municipal Obligations	14,912	11,419	-
International Investments:			
Foreign Stocks	245,052	677	174,359
Foreign Bonds	2,282	-	1,878
Other Investments	93,535	-	71,544
		<u>\$ 1,231,718</u>	<u>\$ 1,119,537</u>
<i>Investments Not Subject to Custodial Credit Risk</i>			
Equity Mutual Funds	1,204,210		
Bond Mutual Funds	1,252,804		
Real Estate	38,549		
Life Insurance	13,234		
Investment Contracts	25,868		
Charitable Remainder Trusts	234,551		
Partnerships and Hedge Funds	1,430,774		
Investment in State Treasurer's Cash and Investment Pool	2,237,869		
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio)	270,766		
Total Investments — Component Units	<u>\$ 10,096,232</u>		
Total Investments — Reporting Entity	<u>\$ 195,016,129</u>		

Reconciliation of Deposits and Investments Disclosures with Financial Statements
As of June 30, 2010
(dollars in thousands)

	Government-Wide Statement of Net Assets			Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Component Units	Statement of Net Assets	
Cash Equity with Treasurer	\$ 5,446,083	\$ 100,858	\$ 979,187	\$ 239,745	\$ 6,765,873
Cash and Cash Equivalents	114,313	578,990	1,420,971	224,402	2,338,676
Investments	897,492	18,618,567	6,270,556	155,563,326	181,349,941
Collateral on Lent Securities	1,657,827	26,089	776,030	82,279	2,542,225
Deposit with Federal Government	-	384,416	-	-	384,416
Restricted Assets:					
Cash Equity with Treasurer	-	68	482,652	-	482,720
Cash and Cash Equivalents	138,098	93	449,327	-	587,518
Investments	389,026	1,278,427	1,239,098	-	2,906,551
Collateral on Lent Securities	-	267,929	-	-	267,929
Total Reporting Entity	<u>\$ 8,642,839</u>	<u>\$ 21,255,437</u>	<u>\$ 11,617,821</u>	<u>\$ 156,109,752</u>	<u>\$ 197,625,849</u>
Total Carrying Amount of Deposits and Investments per Financial Statements					\$ 197,625,849
Outstanding Warrants and Other Reconciling Items					156,976
Differences Resulting from Component Units with December 31 Year-Ends					176,469
Total Carrying Amount of Deposits and Investments Disclosed in Note 4					<u>\$ 197,959,294</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2010, reported for the primary government and its component units is (dollars in thousands) \$197,625,849. The total of the carrying amounts of both deposits in the amount of \$2,943,165 and investments in the amount of \$195,016,129 that has been categorized and disclosed in this note is \$197,959,294. 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, 2010
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	\$ 9,255,689	\$ 10,811	\$ 3,828,580	\$ -	\$ -	\$ -
U.S. Agency Obligations—Strips	299,456	-	-	-	-	-
Corporate Bonds and Notes	2,167,365	1,553,090	5,557,192	4,795,054	625,578	576,404
Corporate Bonds and Notes—Strips	1,507	28	-	-	-	-
Foreign Bonds.....	553,107	294,386	748,159	1,738,673	151,868	68,578
Municipal Bonds.....	57,037	216,331	257,978	15,230	-	-
Commercial Paper	4,245,823	59,461	606,915	-	-	-
Repurchase Agreements	1,681	-	-	-	-	-
Mortgage and Asset-Backed Securities	5,227,773	122,656	86,728	90,136	139,053	108,685
High-Yield & Emerging Markets Fixed Income ...	13,461	4,338	15,991	149,322	262,164	424,505
Bond Mutual Funds	3,014,310	56,105	486,883	15,729	9,789	53,780
Investment Contracts	-	-	-	-	-	-
Securities Lending Collateral:						
Commercial Paper	-	-	429,920	-	-	-
Repurchase Agreements	-	273,000	1,174,764	-	-	-
Fixed Rate Notes.....	-	-	-	72,386	-	-
Variable Rate Notes	-	62,017	38,203	-	-	-
Master Notes	-	-	128,300	-	-	-
Corporate Bonds.....	-	-	400	-	-	-
U.S. Government Agency.....	49,867	-	-	-	-	-
Bond Mutual Funds	501,327	36,480	-	-	-	-
Total Primary Government	\$25,388,403	\$2,688,703	\$13,360,013	\$6,876,530	\$1,188,452	\$ 1,231,952

Investment Type	Credit Rating					Unrated	Total
	CCC/Caa	CC/Ca	C	D			
U.S. Agency Obligations	\$ -	\$ -	\$ -	\$ -	\$ 585,742	\$13,680,822	
U.S. Agency Obligations—Strips	-	-	-	-	28,163	327,619	
Corporate Bonds and Notes	162,234	6,459	1,520	1,131	120,745	15,566,772	
Corporate Bonds and Notes—Strips	-	-	-	-	1	1,536	
Foreign Bonds.....	15,275	6,809	8,328	-	545,586	4,130,769	
Municipal Bonds.....	-	-	-	-	-	546,576	
Commercial Paper	-	-	-	-	-	4,912,199	
Repurchase Agreements	-	-	-	-	-	1,681	
Mortgage and Asset-Backed Securities	141,729	61,362	1,100	2,114	102,087	6,083,423	
High-Yield & Emerging Markets Fixed Income ...	122,808	1,197	5,079	678	110,473	1,110,016	
Bond Mutual Funds	4,506	376	388	306	331,156	3,973,328	
Investment Contracts	-	-	-	-	6,007	6,007	
Securities Lending Collateral:							
Commercial Paper	-	-	-	-	-	429,920	
Repurchase Agreements	-	-	-	-	8,214	1,455,978	
Fixed Rate Notes	-	-	-	-	-	72,386	
Variable Rate Notes	-	-	-	-	-	100,220	
Master Notes	-	-	-	-	-	128,300	
Corporate Bonds.....	-	-	-	-	3,018	3,418	
U.S. Government Agency.....	-	-	-	-	-	49,867	
Bond Mutual Funds	-	-	-	-	-	537,807	
Total Primary Government	\$ 446,552	\$ 76,203	\$ 16,415	\$ 4,229	\$1,841,192	\$53,118,644	



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Component Units Investment Credit Ratings As of June 30, 2010 (dollars in thousands)					
	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	\$ 947,846	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds and Notes	107,564	114,583	250,443	78,972	8,246	1,089
Commercial Paper	5,000	-	5,458	-	-	-
Repurchase Agreements	89,945	-	-	-	-	-
Mortgage and Asset-Backed Securities	1,163	-	-	-	-	-
Negotiable Certificates of Deposit	452	-	-	-	-	-
Municipal Obligations	5,392	3,289	2,637	20	-	-
Bond Mutual Funds	580,444	206,644	135,363	41,695	14,772	6,361
Foreign Bonds	-	327	-	611	-	-
Investment Contracts	24,126	-	-	-	-	-
Other Investments	-	-	-	-	-	-
Total Component Units	\$ 1,761,932	\$ 324,843	\$ 393,901	\$121,298	\$ 23,018	\$7,450

Investment Type	Credit Rating				Total
	CCC/Caa	CC/Ca	C	Unrated	
U.S. Agency Obligations	\$ -	\$ -	\$ -	\$ 23,996	\$ 971,842
Corporate Bonds and Notes	23	-	19	5,187	566,126
Commercial Paper	-	-	-	-	10,458
Repurchase Agreements	-	-	-	-	89,945
Mortgage and Asset-Backed Securities	-	-	-	74,345	75,508
Negotiable Certificates of Deposit	-	-	-	9,195	9,647
Municipal Obligations	-	-	-	3,574	14,912
Bond Mutual Funds	4,213	308	-	263,004	1,252,804
Foreign Bonds	-	-	-	1,344	2,282
Investment Contracts	-	-	-	1,742	25,868
Other Investments	-	-	-	1,652	1,652
Total Component Units	\$ 4,236	\$ 308	\$ 19	\$384,039	\$3,021,044

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
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
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 or \$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 or \$500 million; and mutual funds, limited at 10 percent.

As of June 30, 2010, 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
<i>Governmental and Business-Type Activities:</i>		
Federal National		
Mortgage Association	2,051,141	7%
Federal Home Loan Bank	1,880,382	6%
<i>STAR Ohio Investment Trust Fund:</i>		
Federal National		
Mortgage Association	1,038,088	22%
Federal Home Loan Bank	1,315,527	28%
Federal Home Loan		
Mortgage Corporation	1,219,073	26%
<i>Agency Fund:</i>		
Federal Home Loan		
Mortgage Corporation	9,451,369	6%
<i>School Facilities Commission</i>		
<i>Component Unit Fund:</i>		
Federal National		
Mortgage Association	24,693	14%
Federal Home Loan Bank	38,382	22%
Federal Home Loan		
Mortgage Corporation	16,632	10%
<i>Ohio Water Development Authority</i>		
<i>Component Unit Fund (12/31/09):</i>		
Federal National		
Mortgage Association	211,645	19%
Federal Home Loan Bank	92,749	8%
Federal Home Loan		
Mortgage Corporation	108,568	10%

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, 2010, one investment reported as "Cash Equity with Treasurer" has terms that make its fair value highly sensitive to the interest rate changes. The U.S. agency obligations investment type includes a \$5 million investment with a call date during fiscal year 2012. This investment has a maturity date in fiscal year 2014 and is 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, 2010. Variable rate notes of \$81.3 million have quarterly reset dates. U.S. agency and instrumentality obligations of \$37.4 million have quarterly reset dates.

The Lottery Commission Enterprise Fund has collateral on lent securities with reset dates. Variable rate notes and U.S. agency and instrumentality obligations with reset dates are reported as collateral on lent securities. Variable rate notes of \$19 million and U.S. agency and instrumentality obligations of \$12.5 million have quarterly reset dates.

Also during fiscal year 2010, 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.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following tables list the investment maturities of the State's investments. All investments at June 30, 2010, meet the requirements of the State's laws and policies, when applicable.

Primary Government (including Fiduciary Activities)					
Investments Subject to Interest Rate Risk					
As of June 30, 2010					
(dollars in thousands)					
Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations	\$ 1,232,580	\$ 5,696,640	\$ 3,341,078	\$ 7,113,859	\$ 17,384,157
U.S. Government Obligations—Strips	12,200	113,878	94,995	169,717	390,790
U.S. Agency Obligations	9,000,609	844,413	792,828	3,042,972	13,680,822
U.S. Agency Obligations—Strips	43,513	79,100	138,405	66,601	327,619
Corporate Bonds and Notes	800,138	4,021,340	2,996,692	7,748,602	15,566,772
Corporate Bonds and Notes—Strips	-	-	1,465	71	1,536
Municipal Bonds.....	-	909	323	545,344	546,576
Commercial Paper	4,912,199	-	-	-	4,912,199
Repurchase Agreements	1,681	-	-	-	1,681
Mortgage and Asset-Backed Securities	2,772	118,755	693,828	5,268,068	6,083,423
Foreign Bonds	141,611	938,657	546,405	2,504,096	4,130,769
High-Yield & Emerging Markets Fixed Income	90,531	262,479	506,907	250,099	1,110,016
Bond Mutual Funds	3,742,365	120,967	100,774	9,222	3,973,328
Investment Contracts	-	6,007	-	-	6,007
Securities Lending Collateral:					
Commercial Paper	429,920	-	-	-	429,920
Repurchase Agreements	1,455,978	-	-	-	1,455,978
Variable Rate Notes	100,220	-	-	-	100,220
Master Notes	128,300	-	-	-	128,300
Fixed Rate Notes	-	29,589	42,797	-	72,386
Corporate Bonds.....	3,418	-	-	-	3,418
U.S. Agency Obligations.....	49,867	-	-	-	49,867
Bond Mutual Funds	537,807	-	-	-	537,807
Total Primary Government	<u>\$22,685,709</u>	<u>\$12,232,734</u>	<u>\$ 9,256,497</u>	<u>\$26,718,651</u>	<u>\$ 70,893,591</u>

Component Units					
Investments Subject to Interest Rate Risk					
As of June 30, 2010					
(dollars in thousands)					
Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations	\$ 155,950	\$ 237,537	\$ 9,636	\$ 16,334	\$ 419,457
U.S. Government Obligations—Strips	1,276	2,828	382	142	4,628
U.S. Agency Obligations	512,359	393,329	35,230	30,924	971,842
Corporate Bonds and Notes	227,666	238,906	79,914	19,640	566,126
Commercial Paper	10,458	-	-	-	10,458
Repurchase Agreements	89,945	-	-	-	89,945
Mortgage and Asset-Backed Securities	3,050	343	30,007	42,108	75,508
Negotiable Certificates of Deposit	7,163	2,484	-	-	9,647
Municipal Obligations	4,936	6,245	1,245	2,486	14,912
Bond Mutual Funds	608,880	222,366	313,739	107,819	1,252,804
Foreign Bonds	-	229	742	1,311	2,282
Investment Contracts	-	-	-	25,868	25,868
Other Investments	14,074	1,285	-	-	15,359
Total Component Units	<u>\$ 1,635,757</u>	<u>\$ 1,105,552</u>	<u>\$ 470,895</u>	<u>\$ 246,632</u>	<u>\$ 3,458,836</u>



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. The 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 the 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.

As of June, 30, 2010, 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, 2010
(dollars in thousands)**

Currency	Fiduciary Activities			Total
	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	
Argentinean Peso	\$ 77,855	\$ -	\$ -	\$ 77,855
Australian Dollar	440,478	9,305	-	449,783
Brazilian Real	464,492	46,423	11,366	522,281
British Pound	2,682,713	109,792	-	2,792,505
Bulgarian Lev	289	-	-	289
Canadian Dollar	710,659	103,168	-	813,827
Chilean Peso.....	33,231	-	-	33,231
Chinese Yuan	852	-	-	852
Colombian Peso	5,187	9,566	3,505	18,258
Czech Koruna	32,680	-	-	32,680
Danish Krone	192,362	-	-	192,362
Egyptian Pound	26,842	963	74	27,879
Euro	3,653,665	246,004	4,908	3,904,577
Ghana Cedi.....	-	-	343	343
Hong Kong Dollar	1,266,154	-	-	1,266,154
Hungarian Forint	40,549	384	-	40,933
Indian Rupee	223,190	8,402	-	231,592
Indonesian Rupiah	82,545	15,536	4,370	102,451
Israeli Shekel	73,312	965	-	74,277
Japanese Yen	2,449,120	9,193	4,540	2,462,853
Jordanian Dollar	1	-	-	1
Malaysian Ringgit	132,856	5,577	4,017	142,450
Mexican Peso	152,853	24,399	4,269	181,521
Moroccan Dirham	694	-	-	694
New Zealand Dollar	72,645	4,959	-	77,604
Norwegian Krone	196,790	-	-	196,790
Pakistani Rupee	2,450	-	-	2,450
Philippines Peso	21,212	-	-	21,212
Polish Zloty	58,537	7,423	-	65,960
Renminbi Yuan.....	3,040	-	-	3,040
Russian Ruble	36,141	-	989	37,130
Singapore Dollar	274,251	-	-	274,251
South African Rand	301,090	-	1,010	302,100
South Korean Won	697,827	12,833	-	710,660
Sri Lankan Rupee	1,015	-	-	1,015
Swedish Krona	267,037	33,460	-	300,497
Swiss Franc	712,154	-	-	712,154
Taiwan Dollar	542,489	-	-	542,489
Thailand Baht	145,594	1,930	-	147,524
Turkish Lira	222,508	13,614	-	236,122
Ukraine Hryvana.....	9	-	-	9
Uruguayuan Peso	-	3,606	-	3,606
Zimbabwean Dollar	885	-	-	885
Investments Held in Foreign Currency	<u>\$16,298,253</u>	<u>\$ 667,502</u>	<u>\$ 39,391</u>	<u>17,005,146</u>
Foreign Investments Held in U.S. Dollars				<u>21,632,895</u>
Total Foreign Investments-Primary Government, including Fiduciary Activities				<u><u>\$38,638,041</u></u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units			
International Investments—Foreign Currency Risk			
As of June 30, 2010			
(dollars in thousands)			
<u>The Ohio State University:</u>	Included in the Balance Reported for Common & Preferred Stock	Included in the Balance Reported for Corporate & International Bonds	Total
Currency			
Australian Dollar	\$ 24,256	\$ 1,311	\$ 25,567
Brazilian Real	5,195	1	5,196
British Pound	17,570	-	17,570
Canadian Dollar	8,621	-	8,621
Czech Koruna.....	811	-	811
Danish Krone	966	-	966
Egyptian Pound.....	806	-	806
Euro	43,785	-	43,785
Hong Kong Dollar	6,073	-	6,073
Hungarian Forint.....	172	-	172
Indian Rupee.....	2,600	-	2,600
Indonesian Rupiah	3,489	-	3,489
Israeli Shekel	524	11	535
Japanese Yen	20,037	-	20,037
Malaysian Ringgit	192	-	192
Mexican Peso	1,011	555	1,566
New Zealand Dollar	183	-	183
Norwegian Krone	1,377	-	1,377
Polish Zloty	159	-	159
Singapore Dollar	945	-	945
South African Rand	7,266	-	7,266
South Korean Won	11,744	-	11,744
Swedish Krona	3,240	-	3,240
Swiss Franc	4,289	-	4,289
Taiwan Dollar	5,947	-	5,947
Thailand Baht	1,828	-	1,828
Turkish Lira	1,273	-	1,273
Total Investments Held in Foreign Currency-Ohio State University	<u>\$ 174,359</u>	<u>\$ 1,878</u>	<u>\$176,237</u>



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	\$ 2,911	\$ -	\$ 2,911
Brazilian Real	3,786	-	3,786
British Pound	7,488	21	7,509
Bulgarian Lev.....	165	-	165
Canadian Dollar	7,796	-	7,796
Chinese Yuan.....	2,136	-	2,136
Czech Koruna.....	322	-	322
Euro	18,611	-	18,611
Hong Kong Dollar	2,221	-	2,221
Hungarian Forint.....	113	-	113
Indian Rupee.....	706	-	706
Indonesian Rupiah	887	-	887
Israeli Shekel.....	90	-	90
Japanese Yen	13,351	-	13,351
Lebanese Pound.....	47	-	47
Mexican Peso	247	-	247
Netherlands Antilles Guilder.....	1,087	-	1,087
Polish Zloty.....	261	-	261
Romanian Leu.....	143	-	143
Russian Ruble.....	967	-	967
Serbian Dinar.....	69	-	69
Singapore Dollar	386	-	386
South African Rand	2,012	-	2,012
South Korean Won	2,036	-	2,036
Taiwan Dollar	1,400	-	1,400
Thailand Baht	323	-	323
Turkish Lira	371	-	371
Venezuelan Bolivar.....	32	-	32
Zimbabwean Dollar.....	14	-	14
Kenyan Shilling.....	19	-	19
Nigerian Nira.....	19	-	19
Investments Held in Foreign Currency	70,016	21	70,037
Foreign Investments Held in U.S. Dollars	677	383	1,060
Total Nonmajor Component Units	<u>\$ 70,693</u>	<u>\$ 404</u>	<u>\$ 71,097</u>

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 of 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, 2010, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 107.5 days or less while the weighted average maturity of securities loans is 3.8 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 2010, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2010, 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.

E. Investment Derivatives

As of June 30, 2010, the State reports the following investment derivatives in its financial statements (dollars in thousands):

Investment Derivatives					
As of June 30, 2010					
<i>(dollars in thousands)</i>					
	Notional	Fair Value at 6/30/2010		Increase (Decrease) in Fair Value	
		Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate sw aps	\$157,750	(\$13,014)	Other Noncurrent Liability	(\$13,014)	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Call options	15,900	(34)	Investments	253	Refund and Other Liabilities
Credit default sw aps	24,814	(2,004)	Investments	17,815	Refund and Other Liabilities
Credit linked notes	8,376	8,376	Investments	850	Refund and Other Liabilities
Foreign currency contracts	104,100	367,815	Investments	1,259	Refund and Other Liabilities
Forward contracts	6,567,269	(63,885)	Investments	(51,959)	Refund and Other Liabilities
Futures contracts	3,093,794	4,099	Investments	(58,550)	Refund and Other Liabilities
Equity sw aps	1,528,469	-	Investments	(63,518)	Refund and Other Liabilities
Interest rate sw ap	115,781	494	Investments	(2,001)	Refund and Other Liabilities
Total return sw aps	248,581	-	Investments	(3,142)	Refund and Other Liabilities
Major Component Units:					
Investment Derivatives:					
<i>The Ohio State University:</i>					
Pay-fixed interest rate sw aps	16,576	(1,912)	Other Noncurrent Liability	(1,912)	Other Expenses
<i>University of Cincinnati:</i>					
Pay-fixed interest rate sw ap	24,075	(2,771)	Other Noncurrent Liability	(2,771)	Operating Restricted Investment Loss

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2010, and are reported as investment derivatives. The accumulated changes in fair value of (\$18.4) million at July 1, 2009, and the increases in the fair values for fiscal year 2010 of \$5.4 million are



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

netted and reported as operating restricted investment losses of \$13 million for the primary, secondary and other education function in the Statement of Activities.

The credit quality ratings of JPMorgan Chase, the counterparty, are Aa1/AA- as of June 30, 2010. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2010. However, should interest rates change and the fair values of the swaps becomes positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

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.

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the 10 year LIBOR 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.

Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio have entered into the derivatives reported in the Agency Fund. All derivatives of these retirement systems are categorized as investment derivatives. The fair values and associated risks of the investment derivatives for the Agency Fund are included in the balances and risks disclosed in the previous sections of this note disclosure.

For the major component units, the pay-fixed swaps for The Ohio State University and the University of Cincinnati component units in the table above do not meet the criteria for hedging derivatives. The accumulated changes in fair value of (\$1.3) million at July 1, 2009, and the decreases in the fair values for fiscal year 2010 of \$629 thousand for The Ohio State University are netted and reported as operating investment losses of \$1.9 million in the Statement of Activities. The decrease in fair value of \$2.8 million for the University of Cincinnati is reported as an operating investment loss of \$2.8 million in the Statement of Activities.

The Ohio State University has two pay-fixed swaps reported as investment derivatives. These transactions are designed to manage the interest costs and risks associated with the variable interest rate debt. The first swap, maturing September 1, 2018, has been used to offset the variable interest rate on \$17.4 million of the 2010 bond financing for an ambulatory facility. The underlying index is a variable rate based on the 30-day BMA rate at the beginning of each month. The other swap, maturing February 28, 2012, fixes the interest rate on a \$2.2 million term loan to fund a 40 percent interest in the Fresenius Partnership. The underlying index is a variable rate based on the 30-day LIBOR rate in effect at the beginning of the month.

The University of Cincinnati's pay-fixed swap is used to protect the University against the potential of rising interest rates within the variable rate market on the 2010A BANS of \$24.1 million. The swap matures on June 1, 2030. It has an underlying index of 67 percent LIBOR. The University was not exposed to credit risk because the swap had a negative fair value at June 30, 2010. There are no counterparty collateral posting requirements on the swap.

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, 2010, approximately \$155 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet of which \$146.2 million is reported in the General Fund and \$8.8 million is reported in the Revenue Distribution Special Revenue Fund.



NOTE 5 RECEIVABLES (Continued)

Refund liabilities for income taxes, totaling approximately \$603 million are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which \$569 million is reported in the General Fund and \$34 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			Nonmajor Governmental Activities	Total Primary Government
	General	Highway Operating	Revenue Distribution		
Current-Due Within One Year:					
Income Taxes	\$293,258	\$ -	\$17,561	\$ -	\$310,819
Sales Taxes	343,779	-	20,587	-	364,366
Motor Vehicle Fuel Taxes	-	69,258	93,788	2,352	165,398
Commercial Activity Taxes	-	-	337,709	-	337,709
Public Utility Taxes	55,626	-	30,191	-	85,817
Severance Taxes	-	-	-	1,678	1,678
	<u>692,663</u>	<u>69,258</u>	<u>499,836</u>	<u>4,030</u>	<u>1,265,787</u>
Noncurrent-Due in More Than One Year:					
Income Taxes	38,016	-	2,277	-	40,293
Taxes Receivable, Net	<u>\$730,679</u>	<u>\$69,258</u>	<u>\$502,113</u>	<u>\$4,030</u>	<u>\$1,306,080</u>

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, 2010 (dollars in thousands):

	From Nonexchange Programs		Services		Total Primary Government
	Federal Government	Local Government	Other State Governments	Local Government	
Governmental Activities:					
Major Governmental Funds:					
General	\$ 699,553	\$ 128,610	\$ -	\$ 2,712	\$ 830,875
Job, Family and Other Human Services	372,027	174,162	-	-	546,189
Education	34,566	78,243	-	-	112,809
Highway Operating	71,802	-	-	-	71,802
Nonmajor Governmental Funds	<u>372,287</u>	<u>34,077</u>	-	<u>28,003</u>	<u>434,367</u>
Total Governmental Activities	<u>1,550,235</u>	<u>415,092</u>	<u>-</u>	<u>30,715</u>	<u>1,996,042</u>
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	21	-	21
Nonmajor Proprietary Funds	-	-	-	9,684	9,684
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>21</u>	<u>9,684</u>	<u>9,705</u>
Intergovernmental Receivable	<u>\$ 1,550,235</u>	<u>\$ 415,092</u>	<u>\$ 21</u>	<u>\$ 40,399</u>	<u>\$ 2,005,747</u>



NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2010, are detailed in the following tables (dollars in thousands):

Primary Government - Loans Receivable				
Loan Program	Governmental Activities			
	Major Governmental Funds			Total Primary Government
	General	Highway Operating	Nonmajor Governmental Funds	
Housing Finance	\$ 214,795	\$ -	\$ -	\$ 214,795
School District Solvency Assistance	8,807	-	-	8,807
Wayne Trace Local School District	3,575	-	-	3,575
Office of Minority Financial Incentives	1,747	-	-	1,747
Highway, Transit, & Aviation Infrastructure Bank.....	-	115,993	-	115,993
Economic Development				
Office of Financial Incentives	-	-	411,958	411,958
Rail Development	-	-	3,029	3,029
Brownfield Revolving Loan	-	-	2,403	2,403
Local Infrastructure Improvements	-	-	382,848	382,848
Other Loans Receivable.....	2,660	-	-	2,660
Loans Receivable, Gross	231,584	115,993	800,238	1,147,815
Estimated Uncollectible	(138)	-	-	(138)
Loans Receivable, Net	<u>231,446</u>	<u>115,993</u>	<u>800,238</u>	<u>1,147,677</u>
Current-Due Within One Year	10,453	15,193	41,261	66,907
Noncurrent-Due in More Than One Year	220,993	100,800	758,977	1,080,770
Loans Receivable, Net	<u>\$ 231,446</u>	<u>\$ 115,993</u>	<u>\$ 800,238</u>	<u>\$ 1,147,677</u>

Major Component Units - Loans Receivable			
Loan Program	Ohio Water Development Authority (12/31/09)	Ohio State University	University of Cincinnati
	Water and Wastewater Treatment (including restricted portion).....	\$4,191,089	\$ -
Student	-	89,567	37,276
Other	-	-	4,310
Loans Receivable, Gross.....	4,191,089	89,567	41,586
Estimated Uncollectible.....	-	(18,050)	(6,551)
Loans Receivable, Net.....	<u>4,191,089</u>	<u>71,517</u>	<u>35,035</u>
Current-Due Within One Year.....	-	13,533	6,391
Noncurrent-Due in More Than One Year.....	4,191,089	57,984	28,644
Loans Receivable, Net.....	<u>\$4,191,089</u>	<u>\$71,517</u>	<u>\$35,035</u>



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, 2010, consist of the following (dollars in thousands).

Primary Government - Other Receivables							
Governmental Activities							
Major Governmental Funds							
Types of Receivables	General	Job, Family & Other Human Services	Education	Highway Operating	Buckeye Tobacco Settlement Financing Authority	Nonmajor Govern- mental Funds	Total
Manufacturers' Rebates	\$61,851	\$171,331	\$ -	\$ -	\$ -	\$14,577	\$247,759
Tobacco Settlement	-	-	-	-	237,486	73,863	311,349
Health Facility Bed Assessments	-	107,188	-	-	-	-	107,188
Interest	870	-	-	162	24	166	1,222
Accounts	7,247	83,696	699	1,459	-	-	93,101
Environmental Legal Settlements	-	-	-	-	-	678	678
Miscellaneous	6,094	1,607	89	705	-	1,808	10,303
	<u>76,062</u>	<u>363,822</u>	<u>788</u>	<u>2,326</u>	<u>237,510</u>	<u>91,092</u>	<u>771,600</u>
Reconciliation of balances included in "Other Receivables" balance in the government-wide financial statements...	300	-	-	-	-	-	300
Other Receivables, Net.....	<u>76,362</u>	<u>363,822</u>	<u>788</u>	<u>2,326</u>	<u>237,510</u>	<u>91,092</u>	<u>771,900</u>
Current-Due Within One Year	76,062	363,822	788	2,326	24	17,229	460,251
Noncurrent-Due in More Than One Year	300	-	-	-	237,486	73,863	311,649
Other Receivables, Net.....	<u>\$76,362</u>	<u>\$363,822</u>	<u>\$788</u>	<u>\$2,326</u>	<u>\$237,510</u>	<u>\$91,092</u>	<u>\$771,900</u>
Business-Type Activities							
Major Proprietary Funds							
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds		Total	
Accounts.....	\$ 144,769	\$ -	\$ 100,842	\$ 186	\$	245,797	
Interest and Dividends (including restricted portion).....	161,171	3,009	-	3,414		167,594	
Lottery Sales Agents.....	-	38,450	-	-		38,450	
Other Receivables, Gross.....	305,940	41,459	100,842	3,600		451,841	
Estimated Uncollectible.....	(1,017)	(256)	(84,050)	-		(85,323)	
Other Receivables, Net-Due Within One Year.....	<u>\$ 304,923</u>	<u>\$ 41,203</u>	<u>\$ 16,792</u>	<u>\$ 3,600</u>		<u>\$ 366,518</u>	
Total Primary Government.....						<u>\$ 1,138,418</u>	



NOTE 5 RECEIVABLES (Continued)

Major Component Units - Other Receivables		
Types of Receivables	Ohio State University	University of Cincinnati
Accounts.....	\$999,896	\$51,781
Interest.....	18,856	8,826
Investment Trade Receivable (Stock and Bond Proceeds).....	-	96,246
Pledges.....	54,464	74,555
Unbilled Charges.....	-	37,407
Other Receivables, Gross.....	1,073,216	268,815
Estimated Uncollectible.....	(594,498)	(23,323)
Other Receivables, Net.....	<u>478,718</u>	<u>245,492</u>
Current-Due Within One Year.....	455,278	107,539
Noncurrent-Due Within More Than One Year.....	23,440	137,953
Other Receivables, Net.....	<u>\$478,718</u>	<u>\$245,492</u>

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2010, is comprised of interest due of approximately \$1.4 million, investment trade receivable of \$9.5 million, and miscellaneous receivables of \$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, 2010, follow (dollars in thousands).

Primary Government - Accrued Liabilities			
	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General.....	\$ 182,382	\$ -	\$ 182,382
Job, Family and Other Human Services.....	28,416	-	28,416
Education.....	2,916	-	2,916
Highway Operating.....	33,074	-	33,074
Nonmajor Governmental Funds.....	70,871	-	70,871
	<u>317,659</u>	<u>-</u>	<u>317,659</u>
Reconciliation of fund level statements to government-wide statements due to basis differences.....			
Total Governmental Activities.....	<u>-</u>	<u>154,439</u>	<u>154,439</u>
	<u>317,659</u>	<u>154,439</u>	<u>472,098</u>
Business-Type Activities:			
Nonmajor Proprietary Funds.....	6,813	-	6,813
Total Primary Government.....	<u>\$ 324,472</u>	<u>\$ 154,439</u>	<u>\$ 478,911</u>

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Expenses
Fiduciary Activities:				
State Highway Patrol Retirement System				
Pension Trust (12/31/2009).....	\$ 17,112	\$ 537	\$ -	\$ 17,649
Variable College Savings Plan				
Private-Purpose Trust.....	-	-	3,884	3,884
Total Fiduciary Activities.....	<u>\$ 17,112</u>	<u>\$ 537</u>	<u>\$ 3,884</u>	<u>\$ 21,533</u>

Major Component Units - Accrued Liabilities					
	Wages and Employee Benefits	Self- Insurance	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University.....	\$ 165,593	\$ 144,813	\$ 3,691	\$31,446	\$ 345,543
University of Cincinnati.....	39,751	-	4,590	49,975	94,316



NOTE 6 PAYABLES (Continued)

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government, as of June 30, 2010, are comprised of the following (dollars in thousands).

Primary Government - Intergovernmental Payable					
	Local Government				
	Shared Revenue and Local		Federal	Other	Total
	Permissive Taxes	Subsidies and Other	Government	States	
Governmental Activities:					
Major Governmental Funds:					
General	\$ 277,354	\$ 98,799	\$ 13,225	\$ -	\$ 389,378
Job, Family and Other Human Services ...	-	389,929	-	-	389,929
Education	-	76,149	-	-	76,149
Highway Operating	-	644	-	-	644
Revenue Distribution	942,919	-	-	2,157	945,076
Nonmajor Governmental Funds	-	227,624	-	-	227,624
Total Governmental Activities	<u>1,220,273</u>	<u>793,145</u>	<u>13,225</u>	<u>2,157</u>	<u>2,028,800</u>
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	53	2,314,343	-	2,314,396
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the business-type financial statements					
	-	-	(2,314,187)	-	(2,314,187)
Total Business-Type Activities	<u>-</u>	<u>53</u>	<u>156</u>	<u>-</u>	<u>209</u>
Total Primary Government					<u>\$ 2,029,009</u>
Fiduciary Activities:					
Holding and Distribution Agency Fund	\$ -	\$ -	\$ 1,327	\$14,108	\$ 15,435
Payroll Withholding and Fringe Benefits Agency Fund	-	28,819	-	-	28,819
Other Agency Fund	113,181	5,696	-	-	118,877
Total Fiduciary Activities	<u>\$ 113,181</u>	<u>\$ 34,515</u>	<u>\$ 1,327</u>	<u>\$14,108</u>	<u>\$ 163,131</u>

As of June 30, 2010, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately \$1.34 billion for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Assets, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities."

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



NOTE 6 PAYABLES (Continued)

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, 2010, consist of the balances, as follows (dollars in thousands):

Primary Government - Refund and Other Liabilities						
	Personal Income Tax Estimated Refund		Claims		Other	Total
Governmental Activities:						
Major Governmental Funds:						
General	\$ 571,168	\$ 6,628				\$ 577,796
Job, Family and Other Human Services	-	8,716				8,716
Revenue Distribution	34,072	-				34,072
Nonmajor Governmental Funds	-	760				760
	605,240	16,104				621,344
Reconciliation of balances included in the "Refund and Other Liabilities" and "Other Noncurrent Liabilities" balances in the government-wide financial statements.....	-	(6,628)				(6,628)
Total Governmental Activities	\$ 605,240	\$ 9,476				\$ 614,716
	Reserve for Compensation Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	\$ 1,926,200	\$ 87,974	\$ 27,617	\$ -	\$ 47,186	\$ 2,088,977
Lottery Commission	-	162,025	2,584	66,757	2,485	233,851
Unemployment Compensation	-	6,759	-	-	-	6,759
Nonmajor Proprietary Funds	-	2,844	12,416	-	1,048	16,308
	1,926,200	259,602	42,617	66,757	50,719	2,345,895
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements.....	(1,926,200)	(87,974)	(42,170)	(66,757)	(21,849)	(2,144,950)
Total Business-Type Activities	\$ -	\$ 171,628	\$ 447	\$ -	\$ 28,870	\$ 200,945
	Total Primary Government					<u>\$ 815,661</u>
	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2009)....	\$ -	\$ -	\$ -	\$ -	\$ 65	\$ 65
Variable College Savings Plan						
Private-Purpose Trust.....	-	-	-	-	9,176	9,176
STAR Ohio Investment Trust	-	-	-	-	2,909	2,909
Agency Funds:						
Holding and Distribution	-	27,881	-	-	-	27,881
Centralized Child Support Collections.....	59,023	-	-	-	-	59,023
Retirement Systems	-	-	-	146,765,956	-	146,765,956
Payroll Withholding and Fringe Benefits	-	-	88,995	-	-	88,995
Other	-	401,870	-	29,377	131,274	562,521
Total Fiduciary Activities.....	\$ 59,023	\$ 429,751	\$ 88,995	\$ 146,795,333	\$ 143,424	\$ 147,516,526



NOTE 6 PAYABLES (Continued)

	Major Component Units - Refund and Other Liabilities					
	Refund and Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity		Total
				Life Agreements	Other	
Ohio State University.....	\$ 51,703	\$ 108,988	\$ 17,418	\$ 38,050	\$31,892	\$ 248,051
University of Cincinnati.....	30,774	58,649	140,529	-	13,468	243,420

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

A. Interfund Balances

Interfund balances, as of June 30, 2010, consist of the following (in thousands):

Due from	Due To					
	Governmental Activities					
	General	Highway Operating	Revenue Distribution	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Major Governmental Funds:						
General	\$ -	\$ -	\$ 92,035	\$ -	\$ 2,802	\$ 94,837
Revenue Distribution	-	725	-	-	417	1,142
Nonmajor Governmental Funds	-	-	-	886,507	-	886,507
Total Governmental Activities ...	-	725	92,035	886,507	3,219	982,486
Business-Type Activities:						
Nonmajor Proprietary Funds	3,082	-	-	-	-	3,082
Total Business-Type Activities .	3,082	-	-	-	-	3,082
Total Primary Government	<u>\$3,082</u>	<u>\$725</u>	<u>\$92,035</u>	<u>\$886,507</u>	<u>\$3,219</u>	<u>\$985,568</u>

Due from	Business-Type Activities			
	Major Proprietary Fund			Total Primary Government
	Workers' Compensation	Nonmajor Proprietary Funds	Total	
Major Governmental Funds:				
General	\$488,171	\$10,895	\$499,066	\$593,903
Job, Family, Other Human Services	13,848	-	13,848	13,848
Education	2,757	-	2,757	2,757
Highway Operating	78,926	-	78,926	78,926
Revenue Distribution	-	-	-	1,142
Nonmajor Governmental Funds	110,303	1	110,304	996,811
Total Governmental Activities	<u>694,005</u>	<u>10,896</u>	<u>704,901</u>	<u>1,687,387</u>
Business-Type Activities:				
Major Proprietary Funds:				
Lottery Commission	2,668	-	2,668	2,668
Nonmajor Proprietary Funds	10,356	-	10,356	13,438
Total Business-Type Activities	<u>13,024</u>	<u>-</u>	<u>13,024</u>	<u>16,106</u>
Total Primary Government	<u>\$707,029</u>	<u>\$10,896</u>	<u>\$717,925</u>	<u>\$1,703,493</u>



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

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

The nonmajor governmental funds include an internal balance for bond proceeds transferred from the Buckeye Tobacco Settlement Financing Authority to fund capital projects at state-supported institutions of higher education. This assistance is included in the nonmajor funds as a due to/from other fund of \$886.5 million and is being amortized over the projected payment period of the future tobacco settlement receipts.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$707 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 \$701.8 million in the internal balance reported for governmental activities.



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

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2010, consist of the following (dollars in thousands):

Transferred from	Transferred to							Total
	Governmental Activities							
	Major Governmental Funds						Nonmajor Governmental Funds	
General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution				
Major Governmental Funds:								
General	\$ -	\$ 10,912	\$ 673	\$ -	\$ 198,959	\$ 744,833	\$ 955,377	
Job, Family and Other Human Services ..	14,582	-	1,500	-	-	22	16,104	
Education	370	62	-	-	-	-	432	
Highway Operating	400	-	-	-	185,727	342,523	528,650	
Revenue Distribution	112,682	-	16,712	463,161	-	235,637	828,192	
Buckeye Tobacco Settlement Financing Authority Revenue Bonds.....	-	-	-	-	-	14,008	14,008	
Nonmajor Governmental Funds	69,369	42	-	54,000	-	18,386	141,797	
Total Governmental Activities	197,403	11,016	18,885	517,161	384,686	1,355,409	2,484,560	
Major Proprietary Funds:								
Workers' Compensation	8,324	-	-	-	-	3,777	12,101	
Lottery Commission	335	-	728,625	-	-	-	728,960	
Unemployment Compensation	-	42,756	-	-	-	-	42,756	
Nonmajor Proprietary Funds	167,745	-	-	-	-	61,583	229,328	
Total Business-Type Activities	176,404	42,756	728,625	-	-	65,360	1,013,145	
Total Primary Government	\$373,807	\$53,772	\$747,510	\$517,161	\$384,686	\$1,420,769	\$3,497,705	

Transferred from	Business-Type Activities		Total Primary Government
	Nonmajor Proprietary Funds	Total	
Major Governmental Funds:			
General	\$34,818	\$ 34,818	\$ 990,195
Job, Family and Other Human Services ...	-	-	16,104
Education	-	-	432
Highway Operating	-	-	528,650
Revenue Distribution	-	-	828,192
Buckeye Tobacco Settlement Financing Authority Revenue Bonds.....	-	-	14,008
Nonmajor Governmental Funds	-	-	141,797
Total Governmental Activities	34,818	34,818	2,519,378
Major Proprietary Funds:			
Workers' Compensation	-	-	12,101
Lottery Commission	-	-	728,960
Unemployment Compensation	-	-	42,756
Nonmajor Proprietary Funds	-	-	229,328
Total Business-Type Activities	-	-	1,013,145
Total Primary Government	\$34,818	\$34,818	\$3,532,523

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 2010, the component units reported \$2 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 \$3.89 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	\$ -	\$11,642	\$74,188	\$1,661,577	\$59,049	\$1,794,814
Job, Family and Other Human	-	1,219	-	-	-	-
Education	-	1,837	-	-	-	-
Highway Operating	-	400	-	-	-	-
Buckeye Tobacco Settlement Authority Revenue Bonds.....	3,887,358	-	-	-	-	-
Nonmajor Governmental Funds	-	28,194	-	208,630	-	208,630
Total Governmental Activities.....	<u>3,887,358</u>	<u>43,292</u>	<u>74,188</u>	<u>1,870,207</u>	<u>59,049</u>	<u>2,003,444</u>
Total Primary Government	<u>\$3,887,358</u>	<u>\$43,292</u>	<u>\$74,188</u>	<u>\$1,870,207</u>	<u>\$59,049</u>	<u>\$2,003,444</u>

Component Units			
	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistance from the Primary Government
Major Component Units:			
School Facilities Commission	\$ -	\$3,887,358	\$60,924
Ohio State University	9,185	-	484,465
University of Cincinnati	1,702	-	201,318
Nonmajor Component Units	<u>32,405</u>	<u>-</u>	<u>1,256,737</u>
Total Component Units	<u>\$43,292</u>	<u>\$3,887,358</u>	<u>\$2,003,444</u>



NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2010, reported for the primary government was as follows (dollars in thousands):

	Primary Government			Balance June 30, 2010
	Balance July 1, 2009	Increases	Decreases	
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,927,909	\$54,427	(\$10,111)	\$1,972,225
Buildings	59,908	1,090	-	60,998
Land Improvements	1,202	-	-	1,202
Construction-in-Progress	1,933,142	451,531	(639,300)	1,745,373
Infrastructure:				
Highway Network:				
General Subsystem	8,445,695	53,360	(6,482)	8,492,573
Priority Subsystem	7,542,770	113,629	(2,070)	7,654,329
Bridge Network	2,559,462	339,234	(54,909)	2,843,787
Total Capital Assets Not Being Depreciated.....	<u>22,470,088</u>	<u>1,013,271</u>	<u>(712,872)</u>	<u>22,770,487</u>
Other Capital Assets:				
Buildings	3,566,802	95,753	(35,451)	3,627,104
Land Improvements	421,785	12,142	(22,208)	411,719
Machinery and Equipment	656,726	73,497	(15,804)	714,419
Vehicles	272,913	20,544	(11,097)	282,360
Infrastructure:				
Parks, Recreation and Natural Resources Network...	65,752	15,541	(1,652)	79,641
Total Other Capital Assets at Historical Cost.....	<u>4,983,978</u>	<u>217,477</u>	<u>(86,212)</u>	<u>5,115,243</u>
Less Accumulated Depreciation for:				
Buildings	1,728,621	103,444	(11,900)	1,820,165
Land Improvements	212,870	15,348	(4,921)	223,297
Machinery and Equipment	476,278	65,684	(23,731)	518,231
Vehicles	147,393	23,945	(7,390)	163,948
Infrastructure:				
Parks, Recreation and Natural Resources Network..	9,368	2,673	(6)	12,035
Total Accumulated Depreciation	<u>2,574,530</u>	<u>211,094</u>	<u>(47,948)</u>	<u>2,737,676</u>
Other Capital Assets, Net	<u>2,409,448</u>	<u>6,383</u>	<u>(38,264)</u>	<u>2,377,567</u>
Governmental Activities-				
Capital Assets, Net	<u>\$24,879,536</u>	<u>\$1,019,654</u>	<u>(\$751,136)</u>	<u>\$25,148,054</u>

For fiscal year 2010, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	(in 000s)
Primary, Secondary and Other Education.....	\$1,779
Public Assistance and Medicaid.....	1,962
Health and Human Services.....	12,916
Justice and Public Protection.....	82,269
Environmental Protection and Natural Resources.....	19,888
Transportation.....	94,584
General Government.....	72,906
Community and Economic Development.....	27,937
Total Depreciation Expense for Governmental Activities.....	314,241
Gains (Losses) on Capital Asset Disposals Included in Depreciation.....	(103,147)
Fiscal Year 2010 Increases to Accumulated Depreciation.....	<u>\$211,094</u>



NOTE 8 CAPITAL ASSETS (Continued)

As of June 30, 2010, the State considered the following governmental capital asset balances as being temporarily or permanently impaired and removed from service.

Governmental Activities (net book value):	(in 000s)
Temporarily Impaired Assets Removed from Service:	
Buildings.....	\$21,612
Land Improvements	4
Construction-In-Progress.....	2,280
Total.....	<u>\$23,896</u>
Permanently Impaired Assets Removed from Service:	
Buildings.....	\$5,233
Land Improvements.....	1,533
Total.....	<u>\$6,766</u>

	Primary Government (Continued)			
	Balance			Balance
	July 1, 2009	Increases	Decreases	June 30, 2010
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$11,994	\$ -	\$ -	\$11,994
Total Capital Assets Not Being Depreciated.....	<u>11,994</u>	<u>-</u>	<u>-</u>	<u>11,994</u>
Other Capital Assets:				
Buildings	223,634	2,233	-	225,867
Land Improvements	66	-	-	66
Machinery and Equipment	119,759	96,106	(74,448)	141,417
Vehicles	4,557	358	(266)	4,649
Total Other Capital Assets at Historical Cost....	<u>348,016</u>	<u>98,697</u>	<u>(74,714)</u>	<u>371,999</u>
Less Accumulated Depreciation for:				
Buildings	137,694	7,383	-	145,077
Land Improvements	54	1	-	55
Machinery and Equipment	103,370	24,716	(74,193)	53,893
Vehicles	2,150	545	(173)	2,522
Total Accumulated Depreciation	<u>243,268</u>	<u>32,645</u>	<u>(74,366)</u>	<u>201,547</u>
Other Capital Assets, Net	<u>104,748</u>	<u>66,052</u>	<u>(348)</u>	<u>170,452</u>
Business-Type Activities - Capital Assets, Net..	<u>\$116,742</u>	<u>\$66,052</u>	<u>(\$348)</u>	<u>\$182,446</u>

For fiscal year 2010, the State charged depreciation expense to the following business-type functions:

Business-Type Activities	(in 000s)
Workers' Compensation.....	\$11,561
Lottery Commission.....	18,037
Tuition Trust Authority.....	149
Liquor Control.....	357
Underground Parking Garage.....	623
Office of Auditor of State.....	526
Total Depreciation Expense for Business-Type Activities.....	<u>31,253</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation.....	1,392
Fiscal year 2010 Increase to Accumulated Depreciation.....	<u>\$32,645</u>



NOTE 8 CAPITAL ASSETS (Continued)

B. Major Component Units

Capital asset activity, for the year ended June 30, 2010, reported for discretely presented major component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Component Units			Balance June 30, 2010
	Balance July 1, 2009 (as restated)	Increases	Decreases	
<u>Ohio State University:</u>				
Capital Assets Not Being Depreciated:				
Land	\$74,118	\$70	(\$262)	\$73,926
Construction-in-Progress	386,184	-	(112,958)	273,226
Total Capital Assets Not Being Depreciated.....	<u>460,302</u>	<u>70</u>	<u>(113,220)</u>	<u>347,152</u>
Other Capital Assets:				
Buildings	3,607,824	333,440	(2,105)	3,939,159
Land Improvements	279,732	2,416	(152)	281,996
Machinery, Equipment and Vehicles	900,585	137,173	(115,039)	922,719
Library Books and Publications	162,335	2,449	(1,772)	163,012
Total Other Capital Assets at Historical Cost.....	<u>4,950,476</u>	<u>475,478</u>	<u>(119,068)</u>	<u>5,306,886</u>
Other Capital Assets:				
Buildings	1,391,707	126,980	(1,032)	1,517,655
Land Improvements	160,938	11,430	(52)	172,316
Machinery, Equipment and Vehicles	592,181	89,210	(96,833)	584,558
Library Books and Publications	146,025	4,124	(1,774)	148,375
Total Accumulated Depreciation	<u>2,290,851</u>	<u>231,744</u>	<u>(99,691)</u>	<u>2,422,904</u>
Other Capital Assets, Net	<u>2,659,625</u>	<u>243,734</u>	<u>(19,377)</u>	<u>2,883,982</u>
Total Capital Assets, Net	<u>\$3,119,927</u>	<u>\$243,804</u>	<u>(\$132,597)</u>	<u>\$3,231,134</u>
<u>University of Cincinnati:</u>				
Capital Assets Not Being Depreciated:				
Land	\$25,100	\$ -	\$ -	\$25,100
Construction-in-Progress	29,454	33,158	(16,438)	46,174
Collections of Works of Art and Historical Treasures.....	14,582	44	-	14,626
Total Capital Assets Not Being Depreciated.....	<u>69,136</u>	<u>33,202</u>	<u>(16,438)</u>	<u>85,900</u>
Other Capital Assets:				
Buildings	1,834,958	16,109	-	1,851,067
Land Improvements	99,708	271	-	99,979
Machinery, Equipment and Vehicles	236,919	15,918	(5,442)	247,395
Library Books and Publications	148,481	8,766	(2,965)	154,282
Infrastructure	115,716	139	-	115,855
Total Other Capital Assets at Historical Cost.....	<u>2,435,782</u>	<u>41,203</u>	<u>(8,407)</u>	<u>2,468,578</u>
Less Accumulated Depreciation for:				
Buildings	698,597	65,494	-	764,091
Land Improvements	26,275	4,946	-	31,221
Machinery, Equipment and Vehicles	154,815	18,903	(6,098)	167,620
Library Books and Publications	106,056	8,146	(2,091)	112,111
Infrastructure	56,220	4,602	-	60,822
Total Accumulated Depreciation	<u>1,041,963</u>	<u>102,091</u>	<u>(8,189)</u>	<u>1,135,865</u>
Other Capital Assets, Net	<u>1,393,819</u>	<u>(60,888)</u>	<u>(218)</u>	<u>1,332,713</u>
Total Capital Assets, Net	<u>\$1,462,955</u>	<u>(\$27,686)</u>	<u>(\$16,656)</u>	<u>\$1,418,613</u>

For fiscal year 2010, Ohio State University and the University of Cincinnati reported approximately \$231.7 million and \$102 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 survivor 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 cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected, and cannot result in a monthly allowance that is less than 50 percent of that monthly 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 2010, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
<u>Regular Employees:</u>		
July 1, 2009 through June 30, 2010	10.00%	14.00%
<u>Law Enforcement Employees:</u>		
July 1, 2009 through December 31, 2009	10.10%	17.63%
January 1, 2010 through June 30, 2010	11.10%	17.87%

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 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):

	2010	2009	2008
<u>Primary Government:</u>			
Regular Employees	\$241,734	\$216,623	\$ 217,003
Law Enforcement			
Employees.....	3,889	3,708	3,718
Total	<u>\$245,623</u>	<u>\$220,331</u>	<u>\$ 220,721</u>

Major Component Units:

School Facilities			
Commission	\$345	\$303	\$268
Ohio Water			
Development Authority.....	155	80	72
Ohio State University.....	85,332	67,273	63,104
University of Cincinnati.....	13,814	11,950	11,672



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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):

	2010	2009	2008
<i>Primary Government:</i>			
Employer Contributions	\$5,085	\$4,762	\$4,407
Employee Contributions	11,114	10,672	9,721
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions ..	2,427	2,139	1,988
Employee Contributions .	5,871	5,288	4,425
University of Cincinnati:			
Employer Contributions ..	372	335	300
Employee Contributions .	812	775	640

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
July 1, 2009 through February 28, 2010	5.50%
March 1, 2010 through June 30, 2010	5.00%

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



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):

	2010	2009	2008
<i>Primary Government:</i>			
Regular Employees	\$148,549	\$196,410	\$190,963
Law Enforcement			
Employees	1,694	2,288	2,238
Total	<u>\$150,243</u>	<u>\$198,698</u>	<u>\$193,201</u>

Major Component Units:

School Facilities			
Commission	\$212	\$271	\$236
Ohio Water			
Development Authority.....	65	72	64
Ohio State University.....	52,407	60,263	55,482
University of Cincinnati.....	8,486	10,709	10,262

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2010, employers paid 4.5 percent of their share into members' accounts for the period covering July 1, 2009 through June 30, 2010. 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 five years of credit service for the period covering July 1, 2009 through June 30, 2010. 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 and the defined contribution portion of the combined plan were as follows (dollars in thousands):

	2010	2009	2008
<i>Primary Government</i>	\$2,621	\$2,454	\$2,272
<i>Major Component Units:</i>			
Ohio State University.....	1,251	1,103	954
University of Cincinnati.....	192	172	144

The number of active contributing participants for the primary government was 55,870, as of June 30, 2010.

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, of each year from 2006 to 2008. Rates for law enforcement employees increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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 350 employees or 40 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, 2010, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2010, the State incurred expenditures/expenses totaling \$17.6 million for 389 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 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.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2010 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):

	2010	2009	2008
<i>Primary Government</i>	\$8,101	\$7,498	\$7,536
<i>Major Component Units:</i>			
Ohio State University.....	39,969	38,355	36,631
University of Cincinnati.....	15,274	14,609	14,487

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):

	2010	2009	2008
<i>Primary Government:</i>			
Employer Contributions	\$106	\$98	\$105
Employee Contributions	177	163	170
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions	3,290	3,155	2,707
Employee Contributions	3,785	3,633	3,149
University of Cincinnati:			
Employer Contributions	926	885	813
Employee Contributions	1,158	1,107	1,038

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)

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer healthcare plan. STRS provides access to healthcare to eligible retirees who participate in the defined benefit plan or combined plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Retirees enrolled in the defined contribution plan receive no post-employment healthcare benefits.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the healthcare plan. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Under Ohio law, funding for the post-employment healthcare may be deducted from employer contributions. Of the 14 percent employer contribution rate, one percent of the covered payroll was allocated to post-employment healthcare. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2009 (the most recent information available), 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):

	2010	2009	2008
<i>Primary Government</i>	\$623	\$577	\$580
<i>Major Component Units:</i>			
Ohio State University.....	3,075	2,950	2,818
University of Cincinnati.....	1,175	1,124	1,114

The number of eligible benefit recipients for STRS as a whole was 169,828, as of June 30, 2009 (the most recent information available); a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2010, 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 nine percent of the total salaries of contributing members.

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."



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate and private equity investments are based on independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.

Employees are eligible for pension and healthcare benefits upon reaching both an age and service requirement. Employees with at least 15 years of service credit, but less than 20 years of service credit, may retire at age 55. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 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, 2009, were 26.5 percent and ten percent, respectively. During 2009, the board increased the employer contribution rate to 26.5 percent from 25.5 percent effective July 1, 2009.

During calendar year 2009, all of the employees' contributions funded pension benefits while 21 percent of the employer's contributions funded pension benefits from January 1, 2009 through June 30, 2009 and 22 percent from July 1, 2009 through December 31, 2009. 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 2009 were approximately \$20.5 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
2009	\$19,978	102.4%
2008	21,221	95.7%
2007	21,666	92.1%

The contributions made by employers in 2007 and 2008 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, 2009. 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. Based upon significant declines in investment values during 2008, the SHPRS actuary was unable to amortize unfunded actuarially accrued pension liabilities over a finite period. Without plan design changes, the system is unlikely to be able to pay off future liabilities.



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						
<i>(dollars in thousands)</i>						
(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)
2009	\$940,084	\$620,357	\$319,727	66.0%	\$94,825	337.2%
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%

Other Post Employment Benefits (OPEB)

The healthcare coverage provided by SHPRS is considered to be an OPEB as described in GASB Statement 45. Healthcare benefits are not guaranteed and are subject to change at any time. The OPEB valuation is based on the substantive plan as it is currently presented to plan members, including historical pattern of cost-sharing between the plan and benefit recipients. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future.

During calendar year 2009, 4.5 percent of the employer's contributions funded healthcare benefits. Active members do not make contributions to the OPEB plan. The cost of retiree healthcare benefits is recognized as claims incurred and premiums paid. The calendar year 2009 expense was \$9.8 million. The number of active contributing plan participants, as of December 31, 2009, was 1,547.

The employer contributions for calendar year 2009 were approximately \$4.8 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
2009	\$19,379	24.7%
2008	19,273	24.2%
2007	18,303	25.0%

The contributions made by employers did not meet the ARC, but they did meet the statutory requirements.

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, 2009, 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 healthcare inflation was assumed to be at least four percent a year, plus an additional declining percentage ranging from 5 percent to 0.5 percent through 2019. There are no cost of living adjustments for OPEB benefits. 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.

Net assets available for benefits allocated to healthcare costs at December 31, 2009 were \$100.7 million, and included investments carried at fair value, as previously described.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of December 31, 2009, 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 \$186.8 million, the actuarial accrued liability for healthcare benefits at that date was \$287.6 million.

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

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB						
<i>(dollars in thousands)</i>						
(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)
2009	\$287,582	\$100,748	\$186,834	35.0%	\$94,825	197.0%
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%

**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, 2010, 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, 2010, 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.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2010, for the ARP follow (dollars in thousands):

	OPERS	STRS
<i>Major Component Units:</i>		
Ohio State University:		
Employer Contributions	\$21,423	\$17,591
Employee Contributions	16,193	16,753
University of Cincinnati:		
Employer Contributions	7,882	6,339
Employee Contributions	5,958	6,036

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 19 constitutional amendments (the last adopted November 2009 for compensation to veterans of the Persian Gulf, Afghanistan, and Iraq conflicts), 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, business site development, and veterans compensation. 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, 2010, the General Assembly had authorized the issuance of \$3.87 billion in Common Schools Capital Facilities Bonds, of which \$3.29 billion has been issued. As of June 30, 2010, 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, 2010, the General Assembly has authorized the issuance of approximately \$2.77 billion in Highway Capital Improvements Bonds, of which \$2.12 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, 2010, the General Assembly had authorized \$3 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$2.76 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, 2010, the General Assembly had authorized the issuance of \$231 million in Coal Research and Development Bonds, of which \$198 million had been issued.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$350 million, as of June 30, 2010, of which \$325 million had been issued.

Constitutional amendments in 2000 and 2008 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, 2010, the General Assembly had authorized the issuance of approximately \$300 million in Conservation Projects Bonds of which \$250 million had been issued.

Through approval of the May 2010 and November 2005 amendments, voters authorized the issuance of \$1.2 billion of Third Frontier Research and Development Bonds. Obligations that may be issued are limited to \$450 million for fiscal years 2006 through 2011, \$225 million in fiscal year 2012, and \$175 million in any fiscal year thereafter, plus any obligations unissued from previous fiscal years. As of June 30, 2010, the General Assembly had authorized the issuance of \$450 million in Third Frontier Research and Development Bonds, of which \$256 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 \$150 million in Site Development Bonds as of June 30, 2010, of which \$75 million had been issued.

A 2009 constitutional amendment provides for the issuance of up to \$200 million in Veterans Compensation Bonds. No obligations may be issued after December 31, 2013. As of June 30, 2010, none of the \$200 million authorized had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2010, 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, 2010. 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, 2010
(dollars in thousands)**

	Fiscal Years		Maturing	Outstanding	Authorized But
	Issued	Interest Rates	Through Fiscal	Balance	Unissued
			Year		
Common Schools Capital Facilities	2002-10	1.8%-5.5%	2027	\$2,727,712	\$580,000
Higher Education Capital Facilities	2002-10	2.0%-5.5%	2027	1,549,299	613,000
Highway Capital Improvements	2001-10	2.9%-5.3%	2025	726,141	657,000
Infrastructure Improvements	1992-10	2.0%-7.6%	2031	1,674,163	240,014
Coal Research and Development	2002-10	2.0%-4.3%	2020	28,498	33,000
Natural Resources Capital Facilities	2002-10	2.0%-5.0%	2024	152,483	25,000
Conservation Projects	2002-10	2.0%-5.0%	2024	198,346	50,000
Third Frontier Research and Development	2007-10	2.0%-5.5%	2020	221,403	194,300
Site Development	2007-10	2.0%-5.3%	2020	65,244	75,000
Total General Obligation Bonds				<u>\$7,343,289</u>	<u>\$2,467,314</u>



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future Funding of Current Interest and Capital Appreciation Bonds:			
Year Ending June 30,	Principal	Interest	Total
2011.....	\$302,235	\$297,499	\$599,734
2012.....	529,500	281,726	811,226
2013.....	543,405	259,697	803,102
2014.....	533,295	234,939	768,234
2015.....	493,945	210,363	704,308
2016-2020	2,204,440	734,701	2,939,141
2021-2025	1,571,370	256,049	1,827,419
2026-2030	280,795	28,031	308,826
2031-2035	15,245	416	15,661
Total Current Interest and Capital Appreciation Bonds	<u>\$6,474,230</u>	<u>\$2,303,421</u>	<u>\$8,777,651</u>

Future Funding of Variable-Rate Bonds:				
Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2011.....	\$21,125	\$12,272	\$10,995	\$44,392
2012.....	19,230	11,809	10,767	41,806
2013.....	18,125	11,374	10,524	40,023
2014.....	36,045	10,844	10,275	57,164
2015.....	51,895	9,780	9,873	71,548
2016-2020.....	293,260	28,721	39,313	361,294
2021-2025	218,540	9,034	13,311	240,885
2026-2030	13,620	42	371	14,033
Total Variable-Rate Bonds	<u>\$671,840</u>	<u>\$93,876</u>	<u>\$105,429</u>	<u>\$871,145</u>
Total General Obligation Bonds	7,146,070			
Unamortized Premium/(Discount),	318,486			
Deferred Refunding Loss	(121,267)			
Total Carrying Amount	<u>\$7,343,289</u>			

The Coal Development bonds Series K, dated September 4, 2009, were defeased on April 23, 2010, until their final maturity date. The State used the unspent proceeds and some interest earnings to purchase eligible investments in an escrow account to make the principal and interest payments until final maturity. The debt service is secured solely by the escrow account and is no longer considered State debt.

For the year ended June 30, 2010, NOTE 15 summarizes changes in general obligation bonds.

Hedging Derivatives

As of June 30, 2010, approximately \$354.2 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of (\$42.8) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Assets. The fair value decreased \$15.2 million during fiscal year 2010. This decrease is reported on the Statement of Net Assets as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Terms and objectives of the State's hedging derivatives are provided in the following table.

Hedging Derivatives
As of June 30, 2010
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notational Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2010	State's Swap Rate at 06/30/2010	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	\$63,900	SIFMA Index	0.31%	4.63%	11/29/2001	8/1/2021
Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize interest expense Embedded Option: The counterparties may elect to terminate the swap if the SIFMA index averages 7 percent or higher over a 180-day period. Credit Quality Ratings of Counterparty: 50% Aa1/AA- JPMorgan Chase; 50% A2/A Morgan Stanley Capital Services							
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	\$55,295	LIBOR (See terms below)	0.47%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize interest expense Credit Quality Ratings of Counterparty: A2/A Morgan Stanley Capital Services Terms: 63% of LIBOR + 25 basis points (1-month LIBOR < 5.0%)							
Common Schools, Series 2003D	Pay-fixed interest rate swap	\$67,000	LIBOR (see terms below)	0.48%	3.41%	9/14/2007	3/15/2024
Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize interest expense Credit Quality Ratings of Counterparty: 50% Aa1/AA- JPMorgan Chase; 50% A2/A Morgan Stanley Capital Services Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	\$84,020	LIBOR (see terms below)	0.48%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize interest expense Credit Quality Ratings of Counterparty: 50% Aa3/A+ UBS AG; 50% Aaa/AA- Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate swap	\$84,020	LIBOR (see terms below)	0.48%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize interest expense Credit Quality Ratings of Counterparty: 50% Aa3/A+ UBS AG; 50% Aaa/AA- Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points							

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2010. However, should interest rates change and the fair values of the swaps becomes positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

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,



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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 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.

These swaps expose 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.

For Infrastructure Improvement, Series 2001B, the SIFMA municipal swap index has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

For Infrastructure, Series 2004A and for Common Schools, Series 2003D, 2006B, and 2006C, the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities, given that the variable swap receipt is based on a taxable index (LIBOR). 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.

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 termination events have occurred.

Advance Refundings

During fiscal year 2010, there were ten advance refundings of general obligations bonds. Three of these refundings, sometimes called restructurings, were for GRF debt service relief rather than economic savings. Details on the advanced refundings are presented in the table on the following page.

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, 2010, the balances in these trusts for bonds defeased in prior years were \$71.9 million for Infrastructure Improvement Bonds, \$12.5 million for Natural Resources Bonds, \$67.8 million for Common Schools Bonds, and \$81.1 million for Higher Education Bonds.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

**Primary Government — Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2010
(dollars in thousands)**

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Higher Education, Series 2009C	10/6/2009	\$262,430	2.64%	\$264,295	\$293,974	\$20,188/12 yrs	\$16,677
Common Schools, Series 2009C	10/6/2009	240,830	2.56%	246,955	274,623	17,342/12 yrs	14,099
Conservation, Series 2009A	10/6/2009	34,040	2.40%	34,795	37,882	2,256/11 yrs	2,049
Natural Resources, Series M	10/6/2009	5,285	2.05%	5,040	5,356	438/ 7 yrs	358
Higher Education, Series 2010A	1/21/2010	95,240	3.16%	100,780	105,120	(26,695)/13 yrs	(3,694)
Higher Education, Series 2010B	1/21/2010	24,360	2.16%	24,615	27,586	1,395/ 7 yrs	964
Common Schools, Series 2010A	1/21/2010	131,170	3.09%	141,425	148,028	(35,364)/13 yrs	(4,504)
Common Schools, Series 2010B	1/21/2010	53,685	1.99%	54,860	60,483	2,814/ 7 yrs	2,074
Infrastructure, Series 2010A	1/21/2010	51,290	3.17%	49,550	51,857	(13,842)/13 yrs	(1,955)
Infrastructure, Series 2010C	3/5/2010	54,400	2.08%	54,710	60,525	3,513/ 8 yrs	2,862
Total		<u>\$952,730</u>		<u>\$977,025</u>	<u>\$1,065,434</u>		<u>\$28,930</u>

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 2030, 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 cleanup of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. The Revitalization Project bonds, payable through 2026, 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 \$846.2 million. During fiscal year 2010, pledged net revenues were \$218 million. Principal and interest requirements for fiscal year 2010 totaled \$47.4 million.

Since fiscal year 1998, the Treasurer of State has issued a total of \$1.52 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.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

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 \$1.05 billion. For fiscal year 2010, principal and interest payments on the revenue bonds was \$147.7 million and pledged receipts was \$145.1 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principle amount of which shall not exceed \$6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts for the next 45 years through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of \$5.53 billion. The future tobacco settlement receipts, including related investment earnings and net of specified operating and enforcement expenses, have been pledged to repay the bonds, which are payable through 2052. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts. As of June 30, 2010, the total principal and interest payments remaining to be paid on the bonds were \$18.52 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2010 were \$306 million and \$305 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 \$70.6 million. For fiscal year 2010, both the total lease rental payments and the principal and interest payments on the revenue bonds were \$19.8 million.

Revenue bonds outstanding for the primary government, as of June 30, 2010, are presented below.

Primary Government Revenue Bonds As of June 30, 2010 (dollars in thousands)				
	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	2004-10	1.3%-7.7%	2030	\$413,848
Revitalization Project	2003-10	2.0%-5.0%	2026	167,460
State Infrastructure Bank	2004-10	2.0%-6.0%	2022	878,106
Buckeye Tobacco Settlement Financing Authority....	2008	4.1%-7.5%	2052	5,431,917
Total Governmental Activities				<u>6,891,331</u>
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	64,200
Total Business-Type Activities				<u>64,200</u>
Total Revenue Bonds				<u>\$6,955,531</u>



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2010, are presented below.

Primary Government Future Funding Requirements for Revenue Bonds As of June 30, 2010 (dollars in thousands)						
Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011.....	\$161,150	\$347,501	\$508,651	\$15,865	\$3,109	\$18,974
2012.....	167,505	339,682	507,187	15,890	2,326	18,216
2013.....	176,310	331,831	508,141	15,915	1,543	17,458
2014.....	186,235	323,081	509,316	15,200	751	15,951
2015.....	194,130	314,185	508,315	-	-	-
2016-2020.....	974,650	1,427,860	2,402,510	-	-	-
2021-2025.....	838,610	1,180,001	2,018,611	-	-	-
2026-2030.....	620,160	980,096	1,600,256	-	-	-
2031-2035.....	505,200	800,087	1,305,287	-	-	-
2036-2040.....	879,212	746,163	1,625,375	-	-	-
2041-2045.....	1,216,505	420,442	1,636,947	-	-	-
2046-2050.....	840,179	3,033,274	3,873,453	-	-	-
2051-2053.....	155,111	3,262,189	3,417,300	-	-	-
	<u>6,914,957</u>	<u>13,506,392</u>	<u>20,421,349</u>	<u>62,870</u>	<u>7,729</u>	<u>70,599</u>
Net Unamortized Premium/(Discount).....	(17,760)	-	(17,760)	1,873	-	1,873
Deferred Refunding Loss	(5,866)	-	(5,866)	(543)	-	(543)
Total	<u>\$6,891,331</u>	<u>\$13,506,392</u>	<u>\$20,397,723</u>	<u>\$64,200</u>	<u>\$7,729</u>	<u>\$71,929</u>
Total						
Year Ending June 30,	Principal	Interest	Total			
2011.....	\$177,015	\$350,610	\$527,625			
2012.....	183,395	342,008	525,403			
2013.....	192,225	333,374	525,599			
2014.....	201,435	323,832	525,267			
2015.....	194,130	314,185	508,315			
2016-2020.....	974,650	1,427,860	2,402,510			
2021-2025.....	838,610	1,180,001	2,018,611			
2026-2030.....	620,160	980,096	1,600,256			
2031-2035.....	505,200	800,087	1,305,287			
2036-2040.....	879,212	746,163	1,625,375			
2041-2045.....	1,216,505	420,442	1,636,947			
2046-2050.....	840,179	3,033,274	3,873,453			
2051-2053.....	155,111	3,262,189	3,417,300			
	<u>6,977,827</u>	<u>13,514,121</u>	<u>20,491,948</u>			
Net Unamortized Premium/(Discount).....	(15,887)	-	(15,887)			
Deferred Refunding Loss	(6,409)	-	(6,409)			
Total	<u>\$6,955,531</u>	<u>\$13,514,121</u>	<u>\$20,469,652</u>			



NOTE 11 REVENUE BONDS AND NOTES (Continued)

For the year ended June 30, 2010, NOTE 15 summarizes changes in revenue bonds.

B. Component Units

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

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs and reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 2009, approximately \$1.26 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, 2009, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2010.....	\$103,205	\$58,242	\$161,447
2011.....	108,970	53,551	162,521
2012.....	90,750	48,739	139,489
2013.....	91,255	44,435	135,690
2014.....	99,550	39,928	139,478
2015-2019.....	517,090	126,391	643,481
2020-2024.....	205,280	20,338	225,618
2025-2029.....	9,235	415	9,650
	<u>1,225,335</u>	<u>392,039</u>	<u>1,617,374</u>
Net Unamortized			
Premium/(Discount).....	76,362	-	76,362
Deferred Refunding Loss..	(43,665)	-	(43,665)
Total	<u>\$1,258,032</u>	<u>\$392,039</u>	<u>\$1,650,071</u>

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately \$80.4 million in bonds have adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31, 2009 the rate for variable-rate bonds was approximately 0.22 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, 2010, follow.

**Major Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2010**

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/2009)			Ohio State University		
	Principal	Interest	Total	Principal	Interest	Total
2010.....	\$170,530	\$100,573	\$271,103			
2011.....	180,535	93,102	273,637	\$499,366	\$40,446	\$539,812
2012.....	184,270	85,090	269,360	67,196	37,851	105,047
2013.....	188,875	77,552	266,427	77,046	33,848	110,894
2014.....	186,335	69,893	256,228	57,792	30,751	88,543
2015.....	-	-	-	59,740	28,003	87,743
2015-2019.....	848,860	232,696	1,081,556	-	-	-
2016-2020.....	-	-	-	270,955	99,365	370,320
2020-2024.....	398,605	68,304	466,909	-	-	-
2021-2025.....	-	-	-	159,770	52,306	212,076
2025-2029.....	85,915	12,805	98,720	-	-	-
2026-2030.....	-	-	-	103,420	19,802	123,222
2030-2034.....	17,845	2,012	19,857	-	-	-
2031-2035.....	-	-	-	26,530	2,639	29,169
2036-2040.....	-	-	-	10,780	15	10,795
	<u>\$2,261,770</u>	<u>\$742,027</u>	<u>\$3,003,797</u>	<u>\$1,332,595</u>	<u>\$345,026</u>	<u>\$1,677,621</u>
Net Unamortized						
Premium/(Discount).....	105,490	-	105,490	49,826	-	49,826
Deferred Refunding						
Loss	(72,449)	-	(72,449)	-	-	-
Total	<u>\$2,294,811</u>	<u>\$742,027</u>	<u>\$3,036,838</u>	<u>\$1,382,421</u>	<u>\$345,026</u>	<u>\$1,727,447</u>
Year Ending	University of Cincinnati					
December 31 or June 30,	Principal	Interest	Total			
2011.....	\$210,522 *	\$40,390	\$250,912			
2012.....	35,469	37,568	73,037			
2013.....	38,685	36,015	74,700			
2014.....	42,984	34,182	77,166			
2015.....	51,463	32,011	83,474			
2016-2020.....	227,625	128,643	356,268			
2021-2025.....	215,795	72,796	288,591			
2026-2030.....	145,670	27,215	172,885			
2031-2035.....	50,220	2,428	52,648			
	<u>\$1,018,433</u>	<u>\$411,248</u>	<u>\$1,429,681</u>			
Net Unamortized						
Premium/(Discount).....	13,681	-	13,681			
Total	<u>\$1,032,114</u>	<u>\$411,248</u>	<u>\$1,443,362</u>			

* FY 2011 principal includes \$96,205 of BANS that are outstanding as of June 30, 2010.



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 developmental disabilities 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, 2010, are presented in the following table.

Primary Government-Governmental Activities					
Special Obligation Bonds					
As of June 30, 2010					
(dollars in thousands)					
	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Ohio Building Authority	1998-10	2.0%-6.1%	2030	\$1,579,433	\$200,915
Treasurer of State Chapter 154	1999-10	2.6%-4.8%	2021	758,661	218,225
				<u>\$2,338,094</u>	<u>\$419,140</u>

Future special obligation debt service requirements, as of June 30, 2010, were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2011.....	\$ 328,620	\$ 102,574	\$ 431,194
2012.....	305,760	87,480	393,240
2013.....	259,235	74,150	333,385
2014.....	205,175	63,134	268,309
2015.....	195,775	54,030	249,805
2016-2020.....	675,875	154,895	830,770
2021-2025.....	272,370	43,617	315,987
2026-2030.....	42,855	5,207	48,062
	<u>2,285,665</u>	<u>585,087</u>	<u>2,870,752</u>
Net Unamortized			
Premium/(Discount).....	87,825	-	87,825
Deferred Refunding Loss..	(35,396)	-	(35,396)
Total	<u>\$2,338,094</u>	<u>\$ 585,087</u>	<u>\$2,923,181</u>

For the year ended June 30, 2010, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2010, OBA had five current refunding issues. 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.



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Details on the advanced refunding for the fiscal year 2010 are presented in the table below.

Primary Government — Governmental Activities Special Obligation Bonds Details of Advance Refundings For the Year Ended June 30, 2010 <i>(dollars in thousands)</i>							
Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Ohio Building Authority:							
Administrative Building 2009 Series B	9/17/2009	\$86,590	3.41%	\$91,588	\$96,395	(\$19,706)/15 yrs	\$1,013
Adult Correctional 2009 Series B	9/17/2009	75,790	3.46%	80,189	83,198	(19,873)/15 yrs	295
Juvenile Correctional 2009 Series B	9/17/2009	16,820	3.51%	16,678	17,012	(5,944)/15 yrs	(56)
Highway Safety 2010 Series A	4/1/2010	10,860	2.80%	11,236	11,988	938/10 yrs	892
Juvenile Correctional 2010 Series B	4/1/2010	11,450	2.30%	12,025	13,055	699/8 yrs	527
Total		<u>\$201,510</u>		<u>\$211,716</u>	<u>\$221,648</u>		<u>\$2,671</u>

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, 2010, \$68 million and \$68 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, 2010, approximately \$200.4 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.



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2010, are presented in the following table.

Primary Government — Governmental Activities
Certificate of Participation Obligations
As of June 30, 2010
(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	\$2,065
Department of Administrative Services:				
Ohio Administrative Knowledge System (OAKS)	2005-09	2.5%-5.25%	2019	161,045
State Taxation Accounting and Revenue System (STARS)....	2008	3.0%-5.0%	2019	37,318
Total Certificates of Participation				<u>\$200,428</u>

As of June 30, 2010, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending	Principal	Interest	Total
2011.....	\$19,255	\$8,164	\$27,419
2012.....	22,180	7,321	29,501
2013.....	21,610	6,357	27,967
2014.....	22,530	5,431	27,961
2015.....	23,540	4,400	27,940
2016-2020.....	86,015	6,930	92,945
	<u>195,130</u>	<u>38,603</u>	<u>233,733</u>
Net Unamortized			
Premium.....	5,298	-	5,298
Total	<u>\$200,428</u>	<u>\$38,603</u>	<u>\$239,031</u>

For the year ended June 30, 2010, NOTE 15 summarizes changes in COP obligations.



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

B. Component Units

For the State's component units, approximately \$4.2 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, 2010, 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, 2010			
<i>(dollars in thousands)</i>			
Year Ending	<i>Ohio State University</i>		
	Principal	Interest	Total
2011.....	\$445	\$202	\$647
2012.....	465	180	645
2013.....	490	156	646
2014.....	515	130	645
2015.....	540	104	644
2016-2020	1,790	138	1,928
Total.....	<u>\$4,245</u>	<u>\$910</u>	<u>\$5,155</u>

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2010, 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	\$444,775
Capital Leases Payable	8,624
Derivatives.....	55,784
Litigation Liabilities	6,628
Pollution Remediation Liabilities.....	5,902
Estimated Claims Payable	10,071
Liability for Escheat Property	194,585
Total Governmental Activities	<u>726,369</u>
Business-Type Activities:	
Compensated Absences	42,169
Capital Leases Payable	66,757
Workers' Compensation:	
Benefits Payable	17,878,400
Other	2,036,024
Unemployment Compensation:	
Intergovernmental Payable	2,314,187
Deferred Prize Awards Payable	672,615
Tuition Benefits Payable	632,900
Total Business-Type Activities	<u>23,643,052</u>
Total Primary Government	<u>\$24,369,421</u>



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

For the year ended June 30, 2010, 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, 2010, was \$487 million, of which \$444.8 million is allocable to governmental activities and \$42.2 million is allocable to business-type activities.

As of June 30, 2010, discretely presented major component units reported a total of \$168.7 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.

The primary government's total operating lease expenditures/expenses for fiscal year 2010 were approximately \$77.5 million.

Fiscal year 2011 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2010, were \$3.5 million. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2010, are below (dollars in thousands):

Year Ending June 30,	Capital Leases		
	Governmental Activities	Business- Type Activities	Total
2011.....	\$ 2,919	\$ 18,814	\$ 21,733
2012.....	2,542	18,814	21,356
2013.....	2,316	18,813	21,129
2014.....	1,216	18,813	20,029
2015.....	441	-	441
2016-2020.....	33	-	33
Total Lease Payments.....	9,467	75,254	84,721
Amount for Interest.....	(843)	(8,497)	(9,340)
Present Value of Net Minimum Lease Payments...	<u>\$ 8,624</u>	<u>\$ 66,757</u>	<u>\$ 75,381</u>



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2010, the primary government had the following capital assets under capital leases (dollars in thousands):

Primary Government			
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	
Equipment	\$15,705	\$81,095	\$96,800
Vehicles	2,223	-	2,223
Total	<u>\$17,928</u>	<u>\$81,095</u>	<u>\$99,023</u>

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

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary 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, 2010, are presented in the following table (dollars in thousands):

Major Component Units		
Capital Leases		
Year Ending June 30,	Ohio State	University of
	University	Cincinnati
2011.....	\$ 6,650	\$ 14,787
2012.....	5,556	14,351
2013.....	4,107	13,199
2014.....	2,004	13,376
2015.....	318	12,984
2016-2020.....	102	57,301
2021-2025.....	-	51,260
2026-2030.....	-	26,779
2031-2035.....	-	10,438
Total Minimum Lease Payments.....	<u>18,737</u>	<u>214,475</u>
Amount for interest.....	<u>(1,319)</u>	<u>(73,945)</u>
Present Value of Net Minimum		
Lease Payments.....	<u>\$ 17,418</u>	<u>\$ 140,530</u>
Equipment & Vehicles.....	\$ 53,932	\$ 1,271
Buildings	-	183,493
Total	<u>\$ 53,932</u>	<u>\$ 184,764</u>

C. Derivatives

For governmental activities, the State has reported (\$55.8) million of investment and hedging derivatives as of June 30, 2010. Additional information regarding the State's derivatives is included in NOTE 4 and NOTE 10.

As of June 30, 2010, the discretely presented major component units reported a total of (\$4.7) million of investment derivatives. Additional information regarding the major component units' derivatives is included in NOTE 4.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

D. 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, 2010, \$6.6 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.

E. Pollution Remediation Liabilities

The State recognizes a liability for pollution remediation in the amount \$5.9 million, as of June 30, 2010. 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.

F. Estimated Claims Payable

For governmental activities, the State recognized \$6.5 million in estimated claims liabilities, as of June 30, 2010, 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 \$3.6 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Department of Development, as of June 30, 2010. The program is included in governmental activities and is accounted for in the Community and Economic Development Special Revenue Fund.

G. 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, 2010, the liability totaled approximately \$194.6 million.

H. 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, 2010, in the amount of approximately \$17.88 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.

I. 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 3.2 to 9.0 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. As of June 30, 2010, this payable totals \$672.6 million.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Future payments of prize awards, stated at present value, as of June 30, 2010, follow (dollars in thousands):

Year Ending June 30,	
2011.....	\$ 77,068
2012.....	76,247
2013.....	76,094
2014.....	76,003
2015.....	75,865
2016-2020.....	307,623
2021-2025.....	150,942
2026-2030.....	65,998
2031-2035.....	31,469
2036-2040.....	1,514
	938,823
Unamortized Discount	(266,208)
Net Prize Liability	\$672,615

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

J. Unemployment Compensation

As of June 30, 2010, the State's Unemployment Compensation Fund is recognizing a liability for repayable advances from the Federal government of \$2.31 billion. These advances were used for the payment of compensation benefits.

K. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$632.9 million, as of June 30, 2010. 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 seven percent, 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, 2009.....	\$ (62.8)
Adjustment to Beginning of Year's	
Assets.....	(9.8)
Interest on the Deficit at 6.5 Percent	(4.7)
Investment Gain	24.0
Higher-Than-Assumed Tuition Increase	(18.0)
Interest Gain on Late Tuition Payouts	0.6
Other.....	(0.1)
Actuarial Deficit, as of June 30, 2010.....	\$ (70.8)

As of June 30, 2010, the market value of actuarial net assets available for the payment of the tuition benefits payable was \$562.1 million.

L. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$2.04 billion in other noncurrent liabilities, as of June 30, 2010, of which 1.) \$1.93 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 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$21.8 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, 2010, are presented for the primary government in the following table.

**Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2010**
(dollars in thousands)

Governmental Activities:	Balance June 30, 2009 (restated)	Additions	Reductions	Balance June 30, 2010	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	\$7,138,051	\$1,632,287	\$1,427,049	\$7,343,289	\$332,222
Revenue Bonds (NOTE 11)	6,646,593	413,068	168,330	6,891,331	151,829
Special Obligation Bonds (NOTE 12)	2,427,556	363,473	452,935	2,338,094	332,583
Total Bonds and Notes Payable	<u>16,212,200</u>	<u>2,408,828</u>	<u>2,048,314</u>	<u>16,572,714</u>	<u>816,634</u>
Certificates of Participation (NOTE 13)	216,537	7	16,116	200,428	19,326
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	341,496	422,406	319,127	444,775	72,705
Capital Leases Payable	9,929	708	2,013	8,624	2,555
Derivatives.....	46,016	15,160	5,392	55,784	-
Litigation Liabilities	8,735	-	2,107	6,628	6,628
Pollution Remediation Liabilities	5,533	1,204	835	5,902	2,338
Estimated Claims Payable	10,352	725	1,006	10,071	2,543
Liability for Escheat Property	244,628	5,287	55,330	194,585	66,767
Total Other Noncurrent Liabilities	<u>666,689</u>	<u>445,490</u>	<u>385,810</u>	<u>726,369</u>	<u>153,536</u>
Total Noncurrent Liabilities	<u>\$17,095,426</u>	<u>\$2,854,325</u>	<u>\$2,450,240</u>	<u>\$17,499,511</u>	<u>\$989,496</u>
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	\$80,657	\$332	\$16,789	\$64,200	\$15,865
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	31,920	36,865	26,616	42,169	4,566
Capital Leases Payable	3	81,095	14,341	66,757	15,222
Workers' Compensation:					
Benefits Payable	17,426,373	2,216,473	1,764,446	17,878,400	1,966,452
Other:					
Adjustment Expenses Liability	1,819,997	520,757	414,554	1,926,200	393,273
Premium Payment Security Deposits ..	88,474	1,919	2,419	87,974	-
Miscellaneous	28,133	32,748	39,031	21,850	21,850
Unemployment Compensation:					
Intergovernmental Payable	862,538	1,451,649	-	2,314,187	-
Deferred Prize Awards Payable	699,849	52,036	79,270	672,615	42,296
Tuition Benefits Payable	648,500	-	15,600	632,900	79,000
Total Other Noncurrent Liabilities	<u>21,605,787</u>	<u>4,393,542</u>	<u>2,356,277</u>	<u>23,643,052</u>	<u>2,522,659</u>
Total Noncurrent Liabilities	<u>\$21,686,444</u>	<u>\$4,393,874</u>	<u>\$2,373,066</u>	<u>\$23,707,252</u>	<u>\$2,538,524</u>

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.



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

For fiscal year 2010, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt.

	<u>(in 000s)</u>
Governmental Activities:	
Primary, Secondary and Other Education	\$338,968
Higher Education Support	129,279
Environmental Protection and Natural Resources	900
Community and Economic Development.....	<u>123,472</u>
Total Interest Expense Charged to Governmental Functions	<u><u>\$592,619</u></u>

B. Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2010 (December 31, 2009 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, 2010
(dollars in thousands)**

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amount Due Within One Year
<i>School Facilities Commission:</i>					
Intergovernmental Payable	\$1,723,578	\$522,715	\$910,111	\$1,336,182	\$880,961
Other Liabilities*.....	935	-	935	-	-
Compensated Absences*	611	743	530	824	131
Total	<u>\$1,725,124</u>	<u>\$523,458</u>	<u>\$911,576</u>	<u>\$1,337,006</u>	<u>\$881,092</u>
<i>Ohio Water Development Authority:</i>					
Revenue Bonds & Notes Payable (NOTE 11) .	\$2,498,815	\$545,309	\$749,313	\$2,294,811	\$170,530
Compensated Absences*	199	153	150	202	13
Total	<u>\$2,499,014</u>	<u>\$545,462</u>	<u>\$749,463</u>	<u>\$2,295,013</u>	<u>\$170,543</u>
<i>Ohio State University:</i>					
Compensated Absences*	\$103,581	\$13,195	\$7,788	\$108,988	\$7,788
Capital Leases Payable*	23,606	2,151	8,338	17,419	6,031
Derivatives*.....	1,283	629	-	1,912	-
Other Liabilities*	124,252	27,375	54,644	96,983	3,787
Revenue Bonds & Notes Payable (NOTE 11) .	1,331,969	432,785	382,333	1,382,421	499,365
Certificates of Participation (NOTE 13)	4,670	-	425	4,245	445
Total	<u>\$1,589,361</u>	<u>\$476,135</u>	<u>\$453,528</u>	<u>\$1,611,968</u>	<u>\$517,416</u>
<i>University of Cincinnati:</i>					
Compensated Absences*	\$63,704	\$8,372	\$13,427	\$58,649	\$36,632
Capital Leases Payable*	148,957	-	8,428	140,529	7,668
Derivatives*.....	-	2,771	-	2,771	-
Other Liabilities*	39,954	76,415	74,898	41,471	1,391
Revenue Bonds & Notes Payable (NOTE 11) .	959,538	312,009	239,433	1,032,114	116,018
Total	<u>\$1,212,153</u>	<u>\$399,567</u>	<u>\$336,186</u>	<u>\$1,275,534</u>	<u>\$161,709</u>

*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, 2010 (December 31, 2009 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	<u>Outstanding Amount</u>
Primary Government:	
Ohio Department of Development:	
Ohio Enterprise Bond Program	\$197,080
Hospital Facilities Bonds	7,320
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program.....	<u>21,560</u>
Total Primary Government	<u><u>\$225,960</u></u>
Component Units (12/31/09):	
Ohio Water Development Authority	\$2,197,180
Ohio Air Quality Development Authority	<u>2,500,000</u>
Total Component Units	<u><u>\$4,697,180</u></u>

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, 2010 (dollars in thousands):

Primary Government:	
<u>Major Government Funds:</u>	
Revenue Distribution.....	(\$191,718)
<u>Nonmajor Governmental Funds:</u>	
Higher Education Improvements	
Special Revenue Fund.....	(740,521)
Help America Vote Act	
Special Revenue Fund.....	<u>(10)</u>
Total Governmental Funds.....	<u><u>(\$932,249)</u></u>
<u>Major Proprietary Funds:</u>	
Unemployment Compensation.....	(\$1,905,416)
<u>Nonmajor Proprietary Funds:</u>	
Tuition Trust Authority.....	<u>(47,454)</u>
Total Business-Type Funds.....	<u><u>(\$1,952,870)</u></u>
Component Units:	
<u>Major Component Units:</u>	
School Facilities Commission Fund	(\$3,866,716)
<u>Nonmajor Component Units:</u>	
Ohio Capital Fund.....	<u>(39,392)</u>
Total Component Units.....	<u><u>(\$3,906,108)</u></u>



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, 2010, are presented in the following table:

Primary Government						
Governmental Funds — Reserved for Other						
As of June 30, 2010						
<i>(dollars in thousands)</i>						
	General Fund	Job, Family, and Other Human Services	Education	Highway Operating	Nonmajor Governmental Funds	Total Governmental Funds
Compensated Absences	\$16,029	\$2,386	\$230	\$2,956	\$6,224	\$27,825
Prepays (included in “Other Assets”)	14,354	2,446	-	4,045	5,972	26,817
Advances to Local Governments	128,610	23,876	-	-	-	152,486
Ohio Enterprise Bond Program	-	-	-	-	10,000	10,000
Loan Guarantee Programs	-	-	-	-	23,030	23,030
Assets in Excess of						
Debt Service Requirements	-	-	-	-	3	3
Environmental Protection and						
Natural Resources	-	-	-	-	2,585	2,585
Community and Economic Development ...	-	-	-	-	22,638	22,638
Total Reserved for Other	<u>\$158,993</u>	<u>\$28,708</u>	<u>\$230</u>	<u>\$7,001</u>	<u>\$70,452</u>	<u>\$265,384</u>

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great 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. No member state shares were distributed as of December 31, 2009.



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, 2009 (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, 2009, was as follows (dollars in thousands):

Cash and Investments	\$105,632
Other Assets	144
Total Assets	105,776
Total Liabilities	944
Total Net Assets	104,832
Total Liabilities and Net Assets	\$105,776
Total Revenues and Other Additions.....	\$20,792
Total Expenditures	(3,201)
Net Increase in Net Assets	\$17,591

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 financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the 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 2010 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	\$61,257	\$19,873	\$81,130
Jefferson	5,113	767	5,880
Lakeland	20,709	814	21,523
Lorain County	27,102	3,360	30,462
Rio Grande	5,792	-	5,792
Sinclair	52,123	2,879	55,002
Total Local Community Colleges	<u>172,096</u>	<u>27,693</u>	<u>199,789</u>
Technical Colleges:			
Belmont	6,093	-	6,093
Central Ohio	10,417	183	10,600
Hocking	16,658	1,519	18,177
James A. Rhodes	10,784	1,373	12,157
Marion	6,134	1,384	7,518
Zane	6,419	574	6,993
North Central	8,213	296	8,509
Stark	23,572	4,549	28,121
Total Technical Colleges	<u>88,290</u>	<u>9,878</u>	<u>98,168</u>
Total	<u>\$260,386</u>	<u>\$37,571</u>	<u>\$297,957</u>

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 2010, the State had the following related-party transactions with its related organizations:

- The General Fund reports \$214.8 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 \$2.2 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.



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$4.6 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, 2010, \$6.6 million remains payable to the two districts as a result of these cases. A liability of \$6.6 million has been included as "Refund and Other Liabilities" for the General Fund in the governmental funds Balance Sheet and for governmental activities in the government-wide Statement of Net Assets.

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 as well as a percentage of the State's liability as attorney's fees. On March 19, 2010, the trial court issued a decision on the contested calculations used to determine the State's total liability. This decision is being appealed to the Tenth District Court of Appeals. The State's ultimate liability will be paid from the Unclaimed Funds Account.

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 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. In December 2008, the Cuyahoga County Common Pleas Court issued the requested preliminary injunction restraining BWC from continuing its current group rating plan for the policy year beginning July 1, 2009. At the same time, the common pleas court ordered that BWC enact a group retrospective rating plan for the policy year beginning July 1, 2009. BWC filed an appeal and a motion for stay with the common pleas court. On December 17, 2008, the General Assembly passed House Bill 79 clarifying that Ohio's group rating program was not intended to be retrospective



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

only. On January 6, 2009, the Governor signed the bill making it effective immediately. On January 7, 2009, BWC filed a motion to dissolve the preliminary injunction and in March 2009 the common pleas court issued an order vacating the preliminary injunction. Plaintiff has filed a motion for class certification and BWC filed a response in opposition. In January 2010, the common pleas court granted class certification and BWC has appealed.

BWC/IC is involved in litigation challenging policies related to lump sum advancements made to permanent total disability (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, \$30.3 million during fiscal year 2009, and \$9.4 million during fiscal year 2010.

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 2009 State of Ohio Single Audit (issued in June 2010), \$4.4 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for the questioned costs in the state's financial statements for the fiscal year ended June 30, 2010.

C. Loan Commitments

As of June 30, 2010, commitments to finance program loans from the primary government's budgeted nonmajor special revenue funds are detailed below (dollars in thousands):

<i>Community and Economic Development</i>	
Ohio Department of Development:	
Low- & Moderate-Income	
Housing Loans	\$1,278
<i>Local Infrastructure and Transportation</i>	
Ohio Public Works Commission:	
State Capital Improvements Loans	78,761
Revolving Loans	70,920
	<u>149,681</u>
Total Nonmajor Governmental Funds	<u><u>\$150,959</u></u>



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

As of December 31, 2009, loan commitments for the Ohio Water Development Authority, a discretely presented major component unit, were as follows (dollars in thousands):

Water Pollution Control Loan ...	\$584,464
Fresh Water	127,964
Drinking Water Assistance	152,868
Community Assistance	13,325
Rural Utility Services	3,292
Pure Water Refunding	310
Other Projects	10,971
Total	<u>\$893,194</u>

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, 2010, the Ohio Department of Transportation had total contractual commitments of approximately \$2.56 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 \$1.64 billion, \$338.3 million, \$538.3 million and \$63.4 million, respectively.

As of June 30, 2010, 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):

<u>Primary Government</u>	
Mental Health/Developmental Disabilities	
Facilities Improvements	\$45,186
Parks and Recreation Improvements	15,852
Administrative Services	
Building Improvements	18,261
Youth Services Building Improvements	19,211
Adult Correctional Building Improvements	33,848
Highway Safety Building Improvements	184
Ohio Parks and Natural Resources	8,211
Total	<u>\$140,753</u>
<u>Major Component Units</u>	
Ohio State University	\$270,161
University of Cincinnati	334,981

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).



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

While BTSFA's share of the total base payments to the states through 2052 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 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 2010, Ohio received \$305.5 million, which is approximately \$68.8 million or 18.4 percent less than the pre-adjusted base payment for the year.

As of June 30, 2010, the estimated tobacco settlement receivable in the amount of \$311.4 million is included in "Other Receivables" reported for the governmental funds. The receivable includes \$61.2 million for payments withheld from BTSFA beginning fiscal year 2008 and \$73.9 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The 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, BTFSFA may not have adequate financial resources to make payment on the bonds.



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments from the Strategic Contribution Fund	Total
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.....	371,684	24,486	396,170
2016-2020.....	2,066,091	49,887	2,115,978
2021-2025.....	2,287,980	—	2,287,980
2026-2030.....	2,440,318	—	2,440,318
2031-2035.....	2,607,356	—	2,607,356
2036-2040.....	2,777,330	—	2,777,330
2041-2045.....	2,956,978	—	2,956,978
2046-2050.....	3,146,926	—	3,146,926
2051-2052.....	1,316,177	—	1,316,177
Total	<u>\$21,417,531</u>	<u>\$169,681</u>	<u>\$21,587,212</u>

F. Pollution Remediation Activities

During fiscal year 2010, 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 (in general, projects with a liability of less than \$100 thousand at June 30 are not listed):

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 liability at June 30 is estimated at \$1.2 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 of the State regarding scrap tires, the EPA continues its progress in the cleanup of scrap tire sites across the State. As of June 30, 2010, the estimated cost of remediation activities currently in progress and any additional activities planned is approximately \$150 thousand. These costs were estimated by the EPA site coordinators using inventory counts and current market costs for tire removal and disposal.
- As a result of the imminent danger to public health and the laws of the State regarding construction and demolition debris landfills, the EPA continues its progress in the cleanup of construction and demolition debris landfill sites across the State. As of June 30, 2010, the estimated cost of remediation activities currently in progress and any additional activities planned is approximately \$128 thousand. Cost was estimated by the EPA site coordinator using actual invoices to date.

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 \$222 thousand. Cost was estimated by DNR using previous invoices to date and projecting the costs over the remaining 20 year commitment of testing the site for contamination.



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

The Ohio Department of Public Safety (DPS) has been named as a responsible party to remediate pollution resulting from soil contamination (sandstone) that may be from a former underground storage facility at one of its sites. Due to the nature of the activity, costs are currently unable to be estimated.

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 liability at June 30 is estimated at \$300 thousand and DYS expects that same 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 seven sites owned by the agency. The pollution at six 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, the June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be \$3.8 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The amounts of liabilities described above are included within the "Other Noncurrent Liabilities-Due in One Year" and "Other Noncurrent Liabilities-Due in More Than One Year" accounts 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 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, 2010, no capital assets were 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, 2010, in the amount of approximately \$17.88 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 \$1.93 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.



NOTE 20 RISK FINANCING (Continued)

Benefits payable and the compensation adjustment expenses liability have been discounted at 4 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 \$32.20 billion, as of June 30, 2010, and \$33.70 billion, as of June 30, 2009. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2010.

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

Primary Government		
Changes in Workers' Compensation Benefits Payable and Compensation Adjustment Expenses Liability		
Last Two Fiscal Years		
<i>(dollars in millions)</i>		
	Fiscal Year 2010	Fiscal year 2009
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	\$19,246	\$19,435
Incurring Compensation and Compensation Adjustment Benefits.....	2,737	2,133
Incurring Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(2,179)	(2,322)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	<u>\$19,804</u>	<u>\$19,246</u>

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.



NOTE 20 RISK FINANCING (Continued)

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, 2010, approximately \$96.6 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims for the Ohio Med Health Plan. Changes in the balance of claims liabilities for the plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med Health Plan		
	Fiscal Year 2010	Fiscal Year 2009
Claims Liabilities, as of July 1	\$ 31,214	\$ 33,835
Incurred Claims	243,438	226,737
Claims Payments	(241,606)	(229,358)
Claims Liabilities, as of June 30	<u>\$ 33,046</u>	<u>\$ 31,214</u>

As of June 30, 2010, the resources on deposit in the Agency Fund for the Ohio Med Health Plan exceeded the estimated claims liability by approximately \$63.6 million, thereby resulting in a funding surplus. Eighty-five percent or \$54 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, 2010, 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 2010	Fiscal Year 2009
Claims Liabilities, as of July 1	\$ 7,887	\$ 11,122
Incurred Claims	69,200	67,842
Claims Payments	(68,505)	(71,077)
Claims Liabilities, as of June 30	<u>\$ 8,582</u>	<u>\$ 7,887</u>

As of June 30, 2010, the estimated claims liability exceeded resources on deposit in the Agency Fund for the United Healthcare Plan by approximately \$71.6 million, thereby resulting in a funding deficit. Eighty-five percent or \$60.9 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, 2010, approximately \$21.3 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 2010	Fiscal Year 2009
Claims Liabilities, as of July 1	\$ 12,729	\$ 9,108
Incurred Claims	75,350	89,329
Claims Payments	(77,950)	(85,708)
Claims Liabilities, as of June 30	<u>\$ 10,129</u>	<u>\$ 12,729</u>



NOTE 20 RISK FINANCING (Continued)

As of June 30, 2010, the resources on deposit in the Agency Fund for the Aetna Plan exceeded the estimated claims liability by approximately \$11.2 million, thereby resulting in a funding surplus. Eighty-five percent or \$9.5 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, 2010 (December 31, 2009, for the Ohio Water Development Authority), the State issued major debt as detailed in the following table:

Debt Issuances
Subsequent to June 30, 2010
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Veterans Compensation, Series 2010.....	08/02/10	4.18%	\$50,000
Higher Education Capital Facilities, Refunding Series 2010C.....	09/29/10	2.55%	98,560
Common Schools Capital Facilities, Refunding Series 2010C.....	09/29/10	2.66%	129,340
Infrastructure Improvements, Refunding Series 2010D.....	09/29/10	2.31%	14,950
Conservation Projects, Refunding Series 2010A.....	09/29/10	2.13%	26,120
Third Frontier Research and Development-Tax Exempt, Series 2010A.....	10/20/10	0.99%	22,995
Third Frontier Research and Development-Taxable, Series 2010B.....	10/20/10	2.01%	52,005
Higher Education Capital Facilities-Taxable, Series 2010D.....	11/22/10	1.83%	4,535
Higher Education Capital Facilities-Taxable, Series 2010E.....	11/22/10	3.15%	295,465
Total General Obligation Bonds			<u>693,970</u>
<i>Treasurer of State-General Obligation Bonds:</i>			
Highway Capital Improvement-Tax Exempt, Series N	10/04/10	1.26%	29,825
Highway Capital Improvement-Taxable, Series O	10/04/10	2.32%	145,175
Highway Capital Improvement-Refunding Series P	10/04/10	1.29%	32,610
Total General Obligation Bonds			<u>207,610</u>
<i>Treasurer of State-Revenue Bonds:</i>			
Development Assistance-Taxable, Series 2010D	11/16/10	2.23%	15,970
State Infrastructure Project-Tax Exempt, Series 2010-3	12/08/10	2.56%	184,000
State Infrastructure Project-Taxable, Series 2010-4.....	12/08/10	2.56%	46,000
Development Assistance Bonds-Taxable, Series 2010C.....	12/09/10	5.00%	28,000
Total Revenue Bonds			<u>273,970</u>
<i>Ohio Building Authority-Special Obligation Bonds</i>			
State Facilities (Administrative Building), Refunding Series 2010C.....	08/17/10	2.77%	148,865
State Facilities (Adult Correctional Facility), Refunding Series 2010A.....	08/17/10	2.86%	79,325
Juvenile Correctional Facility, Series 2010D.....	08/17/10	2.96%	15,005
Total Special Obligation Bonds			<u>243,195</u>
Total Primary Government			<u>\$1,418,745</u>
Major Component Units:			
<i>Ohio Water Development Authority Debt:</i>			
WPCLF Revenue Bonds, Water Quality Series 2010.....	01/28/10	1.25% - 5.00%	\$366,290
WPCLF Bond Anticipation Notes, State Match Series 2010.....	05/12/10	5.00%	40,000
Fresh Water Commerical Paper, Series 2010A.....	05/18/10	0.38%	25,000
DWAF Revenue Bonds-Tax Exempt , Leverage Series 2010A.....	06/22/10	3.00% - 5.00%	6,205
DWAF Revenue Bonds-Taxable, Leverage Series 2010B.....	06/22/10	5.28% - 5.74%	44,530
DWAF Revenue Bonds, State Match Series 2010A.....	06/22/10	1.50% - 5.00%	19,255
Fresh Water Commerical Paper, Series 2010B.....	07/07/10	0.32%	25,000
Water Development Revenue Bonds-Tax Exempt, Series 2010A.....	07/13/10	2.00%	630
Water Development Revenue Bonds-Taxable, Series 2010B.....	07/13/10	3.25% - 6.15%	28,885
WPCLF Revenue Bonds-Tax Exempt, Water Quality Series 2010B-1.....	08/24/10	2.00% - 5.00%	30,035
WPCLF Revenue Bonds-Taxable, Water Quality Series 2010B-2.....	08/24/10	3.49% - 4.88%	429,125
Fresh Water Commerical Paper, Series 2010C.....	09/15/10	0.31%	25,000
Fresh Water Revenue Bonds-Tax Exempt, Series 2010A-1.....	09/21/10	1.50% - 4.00%	6,035
Fresh Water Revenue Bonds-Taxable, Series 2010A-2.....	09/21/10	3.59% - 4.92%	149,290
WPCLF Revenue Bonds, Refunding Water Quality Series 2010C.....	09/30/10	2.50% - 5.00%	73,200
DWAF Revenue Bonds, Refunding Leverage Series 2010C.....	10/07/10	1.50% - 5.00%	100,560
DWAF Revenue Bonds, Refunding State Match Series 2010B.....	10/07/10	3.00% - 5.00%	15,850
Total Ohio Water Development Authority			<u>\$1,384,890</u>



NOTE 21 SUBSEQUENT EVENTS (Continued)

Debt Issuances (Continued)
Subsequent to June 30, 2010
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Major Component Units:			
<i>The Ohio State University Debt:</i>			
General Receipts Bonds-Taxable, Series 2010C	09/15/10	4.91%	\$654,785
General Receipts Bonds-Tax Exempt, Series 2010D.....	09/15/10	3.25% - 5.00%	88,335
General Receipts Bonds, Series 2010E.....	10/05/10	Variable	150,000
Total The Ohio State University.....			<u>\$893,120</u>
<i>University of Cincinnati Debt:</i>			
<i>Bond Anticipation Notes (BANs):</i>			
Bond Anticipation Notes, Series 2010D	07/21/10	1.25%	\$19,610
Bond Anticipation Notes, Series 2010E.....	07/21/10	1.50%	10,490
Bond Anticipation Notes, Series 2010H.....	12/16/10	2.00%	34,610
Total Bond Anticipation Notes			<u>64,710</u>
<i>General Receipts Bonds:</i>			
General Receipts Bonds-Tax Exempt, Series 2010B	07/13/10	2.00% - 3.00%	3,460
General Receipts Bonds-Taxable, Series 2010C	07/13/10	3.24% - 6.48%	94,865
General Receipts Bonds-Tax Exempt, Series 2010F.....	11/09/10	2.00% - 5.00%	95,035
General Receipts Bonds-Taxable, Series 2010G.....	11/09/10	4.72% - 6.28%	14,880
Total General Receipts Bonds.....			<u>208,240</u>
Total University of Cincinnati			<u>\$272,950</u>

B. 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 for two tax years 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 remained in effect at 2008 levels through tax year 2010.