Ohio Office of Budget
and Management

State of Ohio
John Kasich
Governor

OHIO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2011

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2011
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 6,384,503	$ 100,718	$ 6,485,221	$ 479,337
Cash and Cash Equivalents	137,035	360,266	497,301	1,490,982
Investments	632,478	20,799,622	21,432,100	7,181,416
Collateral on Lent Securities	1,366,763	19,641	1,386,404	33,118
Deposit with Federal Government	—	638,977	638,977	—
Taxes Receivable	1,396,841	—	1,396,841	—
Intergovernmental Receivable	1,604,771	10,338	1,615,109	64,079
Premiums and				
Assessments Receivable	—	3,885,693	3,885,693	—
Investment Trade Receivable	—	87,889	87,889	—
Loans Receivable, Net	1,166,547	—	1,166,547	327,230
Receivable from Primary Government	—	—	—	48,923
Receivable from Component Units	3,826,687	—	3,826,687	—
Other Receivables	608,789	349,802	958,591	1,129,395
Inventories	90,857	38,533	129,390	63,841
Other Assets	108,483	27,799	136,282	703,729
Restricted Assets:				
Cash Equity with Treasurer	—	59	59	—
Cash and Cash Equivalents	319,771	24	319,795	985,148
Investments	199,260	1,253,969	1,453,229	2,480,055
Collateral on Lent Securities	—	237,300	237,300	—
Intergovernmental Receivable	—	—	—	1
Loans Receivable, Net	—	—	—	4,310,523
Other Receivables	283,084	2,613	285,697	—
Capital Assets Being Depreciated, Net	2,382,116	148,308	2,530,424	8,989,838
Capital Assets Not Being Depreciated	23,177,562	11,994	23,189,556	1,491,235
TOTAL ASSETS	**43,685,547**	**27,973,545**	**71,659,092**	**29,778,850**
Deferred Outflows of Resources	36,708	—	36,708	2,746
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**43,722,255**	**27,973,545**	**71,695,800**	**29,781,596**
LIABILITIES:				
Accounts Payable	607,392	44,185	651,577	550,030
Accrued Liabilities	363,103	5,125	368,228	548,023
Medicaid Claims Payable	1,053,411	—	1,053,411	—
Obligations Under Securities Lending	1,366,763	256,941	1,623,704	33,118
Investment Trade Payable	—	174,122	174,122	—
Intergovernmental Payable	1,440,861	297,323	1,738,184	6,944
Internal Balances	715,572	(715,572)	—	—
Payable to Primary Government	—	—	—	3,826,687
Payable to Component Units	48,923	—	48,923	—
Unearned Revenue	361,623	2,661	364,284	458,183
Benefits Payable	—	1,658	1,658	—
Refund and Other Liabilities	701,526	79,245	780,771	83,507
Liability for Escheat Property	—	—	—	—
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,149,503	15,890	1,165,393	933,167
Due in More Than One Year	16,139,651	31,999	16,171,650	7,726,332
Certificates of Participation:				
Due in One Year	22,255	—	22,255	465
Due in More Than One Year	157,680	—	157,680	3,335
Other Noncurrent Liabilities:				
Due in One Year	145,785	2,462,198	2,607,983	736,209
Due in More Than One Year	683,839	21,238,882	21,922,721	1,071,846
TOTAL LIABILITIES	**24,957,887**	**23,894,657**	**48,852,544**	**15,977,846**

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS:				
Invested in Capital Assets,				
Net of Related Debt	*23,157,156*	*54,430*	*23,211,586*	*5,822,565*
Restricted for:				
Primary, Secondary and Other Education	*99,169*	—	*99,169*	—
Higher Education Support	*5,936*	—	*5,936*	—
Public Assistance and Medicaid	*492,122*	—	*492,122*	—
Health and Human Services	*107,431*	—	*107,431*	—
Justice and Public Protection	*86,822*	—	*86,822*	—
Environmental Protection and Natural Resources	*140,229*	—	*140,229*	*5,340*
Transportation	*2,439,080*	—	*2,439,080*	—
General Government	*82,615*	—	*82,615*	—
Community and Economic Development	*403,151*	—	*403,151*	*3,086,842*
Deferred Lottery Prizes	—	*77,142*	*77,142*	—
Workers Compensation	—	*5,728,951*	*5,728,951*	—
Ohio Building Authority	—	*27,021*	*27,021*	—
Tuition Trust Authority	—	*11,838*	*11,838*	—
Nonexpendable for				
Colleges and Universities	—	—	—	*3,288,448*
Expendable for				
Colleges and Universities	—	—	—	*2,151,480*
Unrestricted	*(8,249,343)*	*(1,820,494)*	*(10,069,837)*	*(550,925)*
TOTAL NET ASSETS	***$ 18,764,368***	***$ 4,078,888***	***$ 22,843,256***	***$ 13,803,750***

STATE OF OHIO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(dollars in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary					
and Other Education	$ 12,126,435	$ 33,362	$ 2,795,074	$ —	$ (9,297,999)
Higher Education Support	2,726,016	541	317,647	—	(2,407,828)
Public Assistance and Medicaid	20,111,691	1,045,698	15,074,561	—	(3,991,432)
Health and Human Services	4,295,483	347,395	2,733,427	—	(1,214,661)
Justice and Public Protection	3,184,345	1,163,286	388,044	76	(1,632,939)
Environmental Protection					
and Natural Resources	350,870	227,580	76,521	72	(46,697)
Transportation	2,186,332	113,581	54,914	1,464,994	(552,843)
General Government	792,728	341,275	43,691	342	(407,420)
Community and Economic					
Development	4,479,010	504,275	557,993	—	(3,416,742)
Interest on Long-Term Debt					
(excludes interest charged as					
program expense)	134,888	—	—	—	(134,888)
TOTAL GOVERNMENTAL ACTIVITIES	**50,387,798**	**3,776,993**	**22,041,872**	**1,465,484**	**(23,103,449)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,354,296	1,950,169	2,364,359	—	1,960,232
Lottery Commission	1,911,105	2,608,235	24,133	—	721,263
Unemployment Compensation	4,094,207	1,587,385	2,486,300	—	(20,522)
Ohio Building Authority	22,076	24,290	10	—	2,224
Tuition Trust Authority	79,671	9,979	127,990	—	58,298
Liquor Control	507,800	733,573	—	—	225,773
Underground Parking Garage	3,171	3,176	2	—	7
Office of Auditor of State	69,185	40,388	—	—	(28,797)
TOTAL BUSINESS-TYPE ACTIVITIES	**9,041,511**	**6,957,195**	**5,002,794**	**—**	**2,918,478**
TOTAL PRIMARY GOVERNMENT	**$ 59,429,309**	**$ 10,734,188**	**$ 27,044,666**	**$ 1,465,484**	**$ (20,184,971)**
COMPONENT UNITS:					
School Facilities Commission	$ 373,644	$ 3,470	$ 5,330	$ —	$ (364,844)
Ohio Water Development Authority	352,365	146,284	300,242	—	94,161
Ohio State University	4,539,202	3,301,619	833,569	16,398	(387,616)
University of Cincinnati	1,324,594	782,690	313,660	796	(227,448)
Other Component Units	5,184,834	3,176,869	1,098,861	88,639	(820,465)
TOTAL COMPONENT UNITS	**$ 11,774,639**	**$ 7,410,932**	**$ 2,551,662**	**$ 105,833**	**$ (1,706,212)**

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	$ (23,103,449)	$ 2,918,478	$ (20,184,971)	$ (1,706,212)
General Revenues:				
Taxes:				
Income	8,815,468	—	8,815,468	—
Sales	7,793,045	—	7,793,045	—
Corporate and Public Utility	2,462,681	—	2,462,681	—
Cigarette	855,610	—	855,610	—
Other	699,907	—	699,907	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,759,421	—	1,759,421	—
Total Taxes	22,386,132	—	22,386,132	—
Tobacco Settlement	334,665	—	334,665	—
Escheat Property	101,289	—	101,289	—
Unrestricted Investment Income	2,688	1,184	3,872	948,633
State Assistance	—	—	—	1,963,546
Other	1,323	—	1,323	106,666
Additions to Endowments and Permanent Fund Principal	—	—	—	64,068
Transfers-Internal Activities	945,551	(945,551)	—	—
TOTAL GENERAL REVENUES, CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**23,771,648**	**(944,367)**	**22,827,281**	**3,082,913**
CHANGE IN NET ASSETS	**668,199**	**1,974,111**	**2,642,310**	**1,376,701**
NET ASSETS, JULY 1 (as restated)	18,096,169	2,104,777	20,200,946	12,427,049
NET ASSETS, JUNE 30	**$ 18,764,368**	**$ 4,078,888**	**$ 22,843,256**	**$ 13,803,750**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 3,015,411	$ 348,950	$ —
Cash and Cash Equivalents	89,186	2,539	319,771
Investments	533,459	—	199,260
Collateral on Lent Securities	646,977	74,553	—
Taxes Receivable	1,329,097	—	—
Intergovernmental Receivable	658,187	325,719	—
Loans Receivable, Net	1,061,252	—	—
Interfund Receivable	108,246	—	872,671
Receivable from Component Units	—	—	3,826,687
Other Receivables	133,840	381,717	283,084
Inventories	32,885	—	—
Other Assets	16,230	2,270	—
TOTAL ASSETS	**$ 7,624,770**	**$ 1,135,748**	**$ 5,501,473**
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	$ 168,544	$ 163,198	$ —
Accrued Liabilities	113,718	16,491	—
Medicaid Claims Payable	889,747	733	—
Obligations Under Securities Lending	646,977	74,553	—
Intergovernmental Payable	1,039,154	99,107	—
Interfund Payable	1,496,764	13,798	—
Payable to Component Units	30,779	9,679	—
Deferred Revenue	341,780	97,580	283,060
Unearned Revenue	7,270	235,766	—
Refund and Other Liabilities	657,591	4,364	—
Liability for Escheat Property	8,838	—	—
TOTAL LIABILITIES	5,401,162	715,269	283,060
FUND BALANCES:			
Nonspendable	65,080	32,874	—
Restricted	1,078,652	315,679	5,218,413
Committed	671,210	71,926	—
Assigned	1,616,695	—	—
Unassigned	(1,208,029)	—	—
TOTAL FUND BALANCES	2,223,608	420,479	5,218,413
TOTAL LIABILITIES AND FUND BALANCES	**$ 7,624,770**	**$ 1,135,748**	**$ 5,501,473**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,020,142	$ 6,384,503
45,310	456,806
99,019	831,738
645,233	1,366,763
67,744	1,396,841
620,865	1,604,771
105,295	1,166,547
986	981,903
—	3,826,687
93,232	891,873
57,972	90,857
11,970	30,470
$ 4,767,768	**$ 19,029,759**
$ 275,650	$ 607,392
60,362	190,571
162,931	1,053,411
645,233	1,366,763
302,600	1,440,861
186,913	1,697,475
8,465	48,923
106,941	829,361
118,587	361,623
39,404	701,359
—	8,838
1,907,086	8,306,577
66,932	164,886
2,343,786	8,956,530
449,989	1,193,125
—	1,616,695
(25)	(1,208,054)
2,860,682	10,723,182
$ 4,767,768	**$ 19,029,759**

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STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011
(dollars in thousands)

Total Fund Balances for Governmental Funds	***$ 10,723,182***
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	*2,082,738*
Buildings and Improvements, net of $1,908,823 accumulated depreciation	*1,779,018*
Land Improvements, net of $236,027 accumulated depreciation	*181,204*
Machinery and Equipment, net of $553,624 accumulated depreciation	*274,472*
Vehicles, net of $172,547 accumulated depreciation	*125,927*
Infrastructure, net of $15,152 accumulated depreciation	*19,461,832*
Construction-in-Progress	*1,654,487*
	25,559,678
Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.	
Taxes Receivable	*186,422*
Intergovernmental Receivable	*278,343*
Other Receivables	*361,606*
Other Assets	*2,990*
	829,361
Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.	*78,013*
Deferred outflows of resources are not financial resources, and therefore, are not reported in the funds.	*36,708*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued Liabilities:	
Interest Payable	*(172,532)*
Other	
Refunds and Other Liabilities	*(167)*
Bonds and Notes Payable:	
General Obligation Bonds	*(7,872,276)*
Revenue Bonds	*(7,156,025)*
Special Obligation Bonds	*(2,260,853)*
Certificates of Participation	*(179,935)*
Other Noncurrent Liabilities:	
Compensated Absences	*(464,077)*
Net Pension Obligation	*(4,299)*
Net OPEB Obligation	*(66,593)*
Capital Leases Payable	*(6,530)*
Derivatives	*(53,119)*
Estimated Claims Payable	*(10,385)*
Pollution Remediation, net of liabilities reported as accounts payable in the funds and recoveries reported above as other receivables	*(4,851)*
Liability for Escheat Property	*(210,932)*
	(18,462,574)
Total Net Assets of Governmental Activities	***$ 18,764,368***

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, 2011
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 8,771,965	$ —	$ —
Sales Taxes	7,785,452	—	—
Corporate and Public Utility Taxes	2,462,363	—	—
Motor Vehicle Fuel Taxes	1,070,014	—	—
Cigarette Taxes	855,610	—	—
Other Taxes	682,637	—	—
Licenses, Permits and Fees	657,629	893,287	—
Sales, Services and Charges	63,323	1	—
Federal Government	8,122,729	8,477,581	—
Tobacco Settlement	—	—	289,290
Escheat Property	124,026	—	—
Investment Income	20,997	5,337	2,618
Other	297,932	192,407	—
TOTAL REVENUES	**30,914,677**	**9,568,613**	**291,908**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	8,662,756	204	60,671
Higher Education Support	2,559,430	2,707	—
Public Assistance and Medicaid	11,494,588	8,675,598	—
Health and Human Services	1,087,029	774,677	—
Justice and Public Protection	2,291,039	57,863	—
Environmental Protection and Natural Resources	66,263	—	—
Transportation	12,977	—	—
General Government	410,771	3,534	—
Community and Economic Development	3,253,061	—	—
CAPITAL OUTLAY	—	5,119	—
DEBT SERVICE	—	—	299,727
TOTAL EXPENDITURES	**29,837,914**	**9,519,702**	**360,398**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**1,076,763**	**48,911**	**(68,490)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and Certificates of Participation Issued	624,890	49,607	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Premiums/Discounts	1,200	—	—
Capital Leases	915	—	—
Transfers-in	477,418	24,989	—
Transfers-out	(1,574,293)	(1,932)	(14,109)
TOTAL OTHER FINANCING SOURCES (USES)	**(469,870)**	**72,664**	**(14,109)**
NET CHANGE IN FUND BALANCES	**606,893**	**121,575**	**(82,599)**
FUND BALANCES, July 1 (as restated)	1,612,899	298,904	5,301,012
Increase (Decrease) for Changes in Inventories	3,816	—	—
FUND BALANCES, JUNE 30	**$ 2,223,608**	**$ 420,479**	**$ 5,218,413**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 13,082	$ 8,785,047
5,676	7,791,128
1,149	2,463,512
689,407	1,759,421
—	855,610
17,270	699,907
1,245,206	2,796,122
33,393	96,717
6,701,135	23,301,445
3	289,293
—	124,026
15,255	44,207
480,660	970,999
9,202,236	**49,977,434**
2,987,734	11,711,365
27,279	2,589,416
37,162	20,207,348
2,304,369	4,166,075
656,051	3,004,953
309,547	375,810
2,356,990	2,369,967
113,072	527,377
1,078,380	4,331,441
498,195	503,314
1,168,770	1,468,497
11,537,549	**51,255,563**
(2,335,313)	**(1,278,129)**
657,928	1,332,425
544,775	544,775
(621,223)	(621,223)
122,631	123,831
—	915
2,527,689	3,030,096
(494,211)	(2,084,545)
2,737,589	**2,326,274**
402,276	**1,048,145**
2,462,096	9,674,911
(3,690)	126
$ 2,860,682	**$ 10,723,182**

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, 2011

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		*1,048,145*
Change in Inventories		*126*
		1,048,271
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	*622,049*	
Depreciation Expense	*(210,425)*	
Excess of Capital Outlay Over Depreciation Expense		*411,624*
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	*(860,000)*	
Revenue Bonds	*(358,000)*	
Special Obligation Bonds	*(113,000)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(624,662)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(17,895)*	
Revenue Bonds	*(21,419)*	
Special Obligation Bonds	*(6,031)*	
Deferred Refunding Loss	*31,031*	
Capital Leases	*(914)*	
Total Debt Proceeds		*(1,970,890)*
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt Principal Retirement and Defeasements:		
General Obligation Bonds	*650,582*	
Revenue Bonds	*162,565*	
Special Obligation Bonds	*444,181*	
Certificates of Participation	*19,255*	
Capital Lease Payments	*3,008*	
Total Long-Term Debt Repayment		*1,279,591*
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues increase by this amount this year.		*36,401*

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

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

Increase in Bond Issue Costs Included in Other Assets....................................	*69*	
Increase in Accrued Interest and Other Accrued Liabilities...............................	*(24,322)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net....................	*30,441*	
Amortization of Deferred Refunding Loss..	*(32,995)*	
Increase in Compensated Absences...	*(19,302)*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*2,665*	
Increase in Estimated Claims Payable...	*(314)*	
Decrease in Pollution Remediation...	*589*	
Increase in Net Pension Obligation...	*(4,299)*	
Increase in Liability for OPEB Obligation..	*(66,593)*	
Increase in Liability for Escheat Property..	*(22,737)*	
Total additional expenditures..		*(136,798)*
Change in Net Assets of Governmental Activities...		***$ 668,199***

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 FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:				
Income Taxes	$ 8,254,277	$ 8,254,277	$ 8,807,000	$ 552,723
Sales Taxes	7,468,982	7,468,982	7,779,917	310,935
Corporate and Public Utility Taxes	2,379,901	2,379,901	2,415,645	35,744
Motor Vehicle Fuel Taxes	1,092,244	1,092,244	1,092,244	—
Cigarette Taxes	794,000	794,000	855,610	61,610
Other Taxes	670,227	670,227	682,465	12,238
Licenses, Permits and Fees	832,823	832,823	830,400	(2,423)
Sales, Services and Charges	74,585	74,585	74,524	(61)
Federal Government	8,444,829	8,444,829	8,503,870	59,041
Tobacco Settlement	258,623	258,623	258,623	—
Investment Income	91,929	91,929	12,137	(79,792)
Other	1,329,037	1,329,037	1,293,304	(35,733)
TOTAL REVENUES	**31,691,457**	**31,691,457**	**32,605,739**	**914,282**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	9,241,580	9,270,222	9,110,904	159,318
Higher Education Support	3,221,256	3,231,850	2,806,859	424,991
Public Assistance and Medicaid	12,314,663	12,401,718	12,098,334	303,384
Health and Human Services	1,444,192	1,424,383	1,311,393	112,990
Justice and Public Protection	2,848,430	2,882,593	2,716,274	166,319
Environmental Protection and Natural Resources	122,683	127,304	113,651	13,653
Transportation	20,359	20,359	20,027	332
General Government	923,520	988,511	814,262	174,249
Community and Economic Development	4,642,682	4,741,979	3,841,750	900,229
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE	937,328	952,311	774,706	177,605
TOTAL BUDGETARY EXPENDITURES	**35,716,693**	**36,041,230**	**33,608,160**	**2,433,070**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(4,025,236)**	**(4,349,773)**	**(1,002,421)**	**3,347,352**
OTHER FINANCING SOURCES (USES):				
Bonds Issued	569,872	569,872	569,051	(821)
Transfers-in	3,703,017	3,703,017	3,141,456	(561,561)
Transfers-out	(3,650,411)	(3,650,411)	(3,336,222)	314,189
TOTAL OTHER FINANCING SOURCES (USES)	**622,478**	**622,478**	**374,285**	**(248,193)**
NET CHANGE IN FUND BALANCES	**$ (3,402,758)**	**$ (3,727,295)**	**(628,136)**	**$ 3,099,159**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated)			1,164,989	
Outstanding Encumbrances at Beginning of Fiscal Year			1,277,006	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 1,813,859**	

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

JOB, FAMILY AND OTHER HUMAN SERVICES			
BUDGET			VARIANCE WITH FINAL BUDGET
ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
		$ —	
		—	
		—	
		—	
		—	
		—	
		899,908	
		1	
		5,230,695	
		—	
		5,337	
		873,508	
		7,009,449	
$ 2,448	$ 2,448	325	$ 2,123
3,843	3,843	2,858	985
9,323,384	9,420,288	7,468,411	1,951,877
844,711	970,683	895,788	74,895
89,030	89,765	63,410	26,355
—	—	—	—
—	—	—	—
3,452	4,109	2,887	1,222
230	230	180	50
11,255	11,255	5,545	5,710
—	—	—	—
$ 10,278,353	**$ 10,502,621**	**8,439,404**	**$ 2,063,217**
		(1,429,955)	
		49,607	
		20,222	
		(18,150)	
		51,679	
		(1,378,276)	
		(1,633,666)	
		1,893,887	
		$ (1,118,055)	

STATE OF OHIO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2011
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 1,847	$ 65,091	$ —
Cash and Cash Equivalents	343,640	13,506	—
Collateral on Lent Securities	1,323	13,907	—
Restricted Assets:			
Cash Equity with Treasurer	—	59	—
Investments	—	42,778	—
Collateral on Lent Securities	—	237,300	—
Other Receivables	—	2,613	—
Deposit with Federal Government	—	—	638,977
Intergovernmental Receivable	—	—	95
Premiums and Assessments Receivable	771,736	—	32,139
Investment Trade Receivable	87,889	—	—
Interfund Receivable	74,132	—	—
Other Receivables	281,178	44,089	20,189
Inventories	—	—	—
Other Assets	9,422	8,184	6,086
TOTAL CURRENT ASSETS	**1,571,167**	**427,527**	**697,486**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	24	—	—
Investments	—	673,530	—
Investments	20,708,953	—	—
Premiums and Assessments Receivable	3,081,818	—	—
Interfund Receivable	647,828	—	—
Capital Assets Being Depreciated, Net	78,922	61,985	—
Capital Assets Not Being Depreciated	11,994	—	—
TOTAL NONCURRENT ASSETS	**24,529,539**	**735,515**	**—**
TOTAL ASSETS	**26,100,706**	**1,163,042**	**697,486**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	7,719	6,781	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	1,323	251,207	—
Investment Trade Payable	174,122	—	—
Intergovernmental Payable	—	—	297,323
Deferred Prize Awards Payable	—	45,451	—
Interfund Payable	—	108	—
Unearned Revenue	—	1,769	—
Benefits Payable	1,915,283	—	1,658
Refund and Other Liabilities	418,911	62,912	11,055
Bonds and Notes Payable	15,890	—	—
TOTAL CURRENT LIABILITIES	**2,533,248**	**368,228**	**310,036**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	2,314,187
Deferred Prize Awards Payable	—	597,623	—
Interfund Payable	—	2,783	—
Benefits Payable	16,097,317	—	—
Refund and Other Liabilities	1,666,140	43,714	—
Bonds and Notes Payable	31,999	—	—
TOTAL NONCURRENT LIABILITIES	**17,795,456**	**644,120**	**2,314,187**
TOTAL LIABILITIES	**20,328,704**	**1,012,348**	**2,624,223**
NET ASSETS (DEFICITS):			
Invested in Capital Assets, Net of Related Debt	43,051	3,978	—
Restricted for Deferred Lottery Prizes	—	77,142	—
Unrestricted	5,728,951	69,574	(1,926,737)
TOTAL NET ASSETS (DEFICITS)	**$ 5,772,002**	**$ 150,694**	**$ (1,926,737)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 33,780	$ 100,718
3,120	360,266
4,411	19,641
—	59
505,858	548,636
—	237,300
—	2,613
—	638,977
10,243	10,338
—	803,875
—	87,889
1,604	75,736
4,346	349,802
38,533	38,533
4,107	27,799
606,002	**3,302,182**
—	24
31,803	705,333
90,669	20,799,622
—	3,081,818
9,073	656,901
7,401	148,308
—	11,994
138,946	**25,404,000**
744,948	**28,706,182**
29,685	44,185
5,125	5,125
4,411	256,941
—	174,122
—	297,323
—	45,451
3,399	3,507
892	2,661
81,936	1,998,877
5,884	498,762
—	15,890
131,332	**3,342,844**
—	2,314,187
—	597,623
10,775	13,558
510,663	16,607,980
9,249	1,719,103
—	31,999
530,687	**21,284,450**
662,019	**24,627,294**
7,401	54,430
—	77,142
75,528	3,947,316
$ 82,929	**$ 4,078,888**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 2,600,993	$ 24,267
Premium and Assessment Income	1,935,180	—	1,467,152
Federal Government	—	—	2,524,407
Investment Income	—	—	—
Other	14,989	7,242	56,730
TOTAL OPERATING REVENUES	**1,950,169**	**2,608,235**	**4,072,556**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	60,899	88,876	—
Bonuses and Commissions	—	161,326	—
Prizes	—	1,603,054	—
Benefits and Claims	2,238,942	—	4,094,207
Depreciation	11,179	20,088	—
Other	43,276	21	—
TOTAL OPERATING EXPENSES	**2,354,296**	**1,873,365**	**4,094,207**
OPERATING INCOME (LOSS)	**(404,127)**	**734,870**	**(21,651)**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	2,364,359	24,133	1,129
Interest Expense	—	(4,073)	—
Other	—	(33,667)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	**2,364,359**	**(13,607)**	**1,129**
INCOME (LOSS) BEFORE TRANSFERS	**1,960,232**	**721,263**	**(20,522)**
TRANSFERS:			
Transfers-in	—	—	8,000
Transfers-out	(13,309)	(739,145)	(8,799)
TOTAL TRANSFERS	**(13,309)**	**(739,145)**	**(799)**
NET INCOME (LOSS)	**1,946,923**	**(17,882)**	**(21,321)**
NET ASSETS (DEFICITS), JULY 1	3,825,079	168,576	(1,905,416)
NET ASSETS (DEFICITS), JUNE 30	**$ 5,772,002**	**$ 150,694**	**$ (1,926,737)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 808,437	$ 3,433,697
—	3,402,332
—	2,524,407
88,874	88,874
43,269	122,230
940,580	**9,571,540**
525,521	525,521
86,496	236,271
—	161,326
—	1,603,054
67,442	6,400,591
1,443	32,710
998	44,295
681,900	**9,003,768**
258,680	**567,772**
12	2,389,633
—	(4,073)
(3)	(33,670)
9	**2,351,890**
258,689	**2,919,662**
30,893	38,893
(223,191)	(984,444)
(192,298)	**(945,551)**
66,391	**1,974,111**
16,538	2,104,777
$ 82,929	**$ 4,078,888**

STATE OF OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 2,595,736	$ —
Cash Received from Multi-State Lottery for Grand Prize Winner	—	171,003	—
Cash Received from Premiums and Assessments	2,029,065	—	1,465,822
Cash Received from Interfund Services Provided	55,416	777	—
Other Operating Cash Receipts	41,471	6,465	53,357
Cash Payments to Suppliers for Goods and Services	(45,136)	(56,204)	—
Cash Payments to Employees for Services	(225,822)	(27,104)	—
Cash Payments for Benefits and Claims	(2,001,437)	—	(3,712,414)
Cash Payments for Lottery Prizes	—	(1,955,575)	—
Cash Payments for Bonuses and Commissions	—	(161,326)	—
Cash Payments for Premium Reductions and Refunds	(72,257)	—	—
Cash Payments for Interfund Services Used	(15,334)	(3,518)	—
Other Operating Cash Payments	—	(21)	(362,859)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(234,034)**	**570,233**	**(2,556,094)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	8,000
Transfers-out	(13,309)	(739,145)	(8,799)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(13,309)**	**(739,145)**	**(799)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(15,865)	(15,694)	—
Interest Paid	(3,110)	(3,591)	—
Acquisition and Construction of Capital Assets	(2,816)	(520)	—
Proceeds from Sales of Capital Assets	104	23	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(21,687)**	**(19,782)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(9,626,672)	(45,665)	(1,462,325)
Proceeds from the Sales and Maturities of Investments	9,026,269	98,235	4,019,218
Investment Income Received	782,313	11,804	—
Borrower Rebates and Agent Fees	(8,385)	(524)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**173,525**	**63,850**	**2,556,893**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(95,505)**	**(124,844)**	**—**
CASH AND CASH EQUIVALENTS, JULY 1 (as restated)	441,016	203,500	—
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 345,511**	**$ 78,656**	**$ —**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 787,498	$ 3,383,234
—	171,003
—	3,494,887
9,939	66,132
12,641	113,934
(516,754)	(618,094)
(95,111)	(348,037)
—	(5,713,851)
—	(1,955,575)
—	(161,326)
—	(72,257)
(7,073)	(25,925)
(67,449)	(430,329)
123,691	**(2,096,204)**
31,110	39,110
(223,191)	(984,444)
(192,081)	**(945,334)**
—	(31,559)
—	(6,701)
(380)	(3,716)
5	132
(375)	**(41,844)**
(1,586,366)	(12,721,028)
1,639,623	14,783,345
16,744	810,861
—	(8,909)
70,001	**2,864,269**
1,236	**(219,113)**
35,664	680,180
$ 36,900	**$ 461,067**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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)	$ (404,127)	$ 734,870	$ (21,651)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	11,179	20,088	—
Provision for Uncollectible Accounts	48,075	—	—
Amortization of Premiums and Discounts	(446)	—	—
Interest on Bonds, Notes and Capital Leases	3,110	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government	—	—	(2,810,326)
Intergovernmental Receivable	—	(5,895)	(74)
Premiums and Assessments Receivable	25,681	—	(17,424)
Interfund Receivable	(14,931)	—	—
Other Receivables	(34,195)	—	(3,396)
Inventories	—	—	—
Other Assets	(1,867)	1,379	673
Increase (Decrease) in Liabilities:			
Accounts Payable	2,530	571	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	297,114
Deferred Prize Awards Payable	—	(63,165)	—
Interfund Payable	—	223	—
Unearned Revenue	—	637	—
Benefits Payable	134,200	—	(5,306)
Refund and Other Liabilities	(3,243)	(118,475)	4,296
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (234,034)**	**$ 570,233**	**$ (2,556,094)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 1,599,613	$ (50,417)	$ —
Capital Assets Acquired under Capital Leases	—	6,944	—

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 258,680	$ 567,772
(88,874)	(88,874)
1,388	32,655
—	48,075
2	(444)
—	3,110
—	(2,810,326)
(778)	(6,747)
—	8,257
218	(14,713)
(3,069)	(40,660)
3,602	3,602
(403)	(218)
(4,927)	(1,826)
(2,626)	(2,626)
—	297,114
—	(63,165)
737	960
892	1,529
—	128,894
(41,151)	(158,573)
$ 123,691	**$ (2,096,204)**
$ —	$ 1,549,196
—	6,944

STATE OF OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/10)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	15,744	88,396	71,020
Investments (at fair value):			
U.S. Government and Agency Obligations	19,111	—	2,082,770
Common and Preferred Stock	200,315	—	—
Corporate Bonds and Notes	38,668	—	—
Foreign Stocks and Bonds	12,978	—	—
Commercial Paper	—	—	350,327
Repurchase Agreements	—	—	—
Mutual Funds	442,684	5,994,449	665,116
Real Estate	22,795	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	2,696	—	—
Partnership and Hedge Funds	—	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	871	—	—
Employee Contributions Receivable	716	—	—
Other Receivables	1,204	6,150	226
Other Assets	12	—	—
Capital Assets, Net	21	—	—
TOTAL ASSETS	**757,815**	**6,088,995**	**3,169,459**
LIABILITIES:			
Accounts Payable	1,114	—	—
Accrued Liabilities	22,349	2,382	—
Obligations Under Securities Lending	—	—	—
Investment Trade Payable	—	—	53,266
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	69	8,107	231
TOTAL LIABILITIES	**23,532**	**10,489**	**53,497**
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits	626,868	—	—
Employees' Postemployment Healthcare Benefits	107,415	—	—
Individuals, Organizations and Other Governments	—	6,078,506	—
Pool Participants	—	—	3,115,962
TOTAL NET ASSETS	**$ 734,283**	**$ 6,078,506**	**$ 3,115,962**

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

AGENCY
$ 283,036
108,425
14,808,432
51,643,647
13,636,915
41,101,806
6,042,703
508,818
8,646,158
13,172,770
9,847,920
6,284,992
2,041,220
65,054
56,626
—
—
1,336
434,393
—
168,684,251
—
—
56,626
—
174,439
168,453,186
168,684,251
—
—
—
—
$ —

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STATE OF OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/10)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 24,440	$ —	$ —
Employees	8,296	—	—
Plan Participants	—	4,811,450	—
Other	1,713	—	—
Total Contributions	34,449	4,811,450	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	86,194	819,576	—
Interest, Dividends and Other	8,639	103,698	5,893
Total Investment Income	94,833	923,274	5,893
Less: Investment Expense	4,938	26,369	2,429
Net Investment Income	89,895	896,905	3,464
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	10,230,967
Reinvested Distributions	—	—	3,463
Shares Redeemed	—	—	(10,134,810)
Net Capital Share and Individual Account Transactions	—	—	99,620
TOTAL ADDITIONS	**124,344**	**5,708,355**	**103,084**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	52,498	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	11,448	—	—
Refunds of Employee Contributions	477	—	—
Administrative Expense	744	—	—
Transfers to Other Retirement Systems	567	—	—
Distributions to Shareholders and Plan Participants	—	4,703,534	3,464
TOTAL DEDUCTIONS	**65,734**	**4,703,534**	**3,464**
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits	47,819	—	—
Employees' Postemployment Healthcare Benefits	10,791	—	—
Individuals, Organizations and Other Governments	—	1,004,821	—
Pool Participants	—	—	99,620
TOTAL CHANGE IN NET ASSETS	58,610	1,004,821	99,620
NET ASSETS, JULY 1	675,673	5,073,685	3,016,342
NET ASSETS, JUNE 30	**$ 734,283**	**$ 6,078,506**	**$ 3,115,962**

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, 2011
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/10)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 402,198	$ 21	$ —
Cash and Cash Equivalents	—	40,096	568,420
Investments	—	33,548	947,937
Collateral on Lent Securities	25,583	—	—
Intergovernmental Receivable	—	687	9,764
Loans Receivable, Net	584	2,591	16,014
Receivable from Primary Government	—	—	9,216
Other Receivables	20	5	435,856
Inventories	—	—	35,331
Other Assets	37	—	46,367
TOTAL CURRENT ASSETS	**428,422**	**76,948**	**2,068,905**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	453,133	488,361
Investments	—	1,391,779	—
Intergovernmental Receivable	—	1	—
Loans Receivable, Net	—	4,310,523	—
Investments	—	31,346	2,188,997
Loans Receivable, Net	3,481	63,841	57,028
Other Receivables	—	19,377	25,110
Other Assets	—	66,898	—
Capital Assets Being Depreciated, Net	77	1,072	2,855,089
Capital Assets Not Being Depreciated	11,781	539	609,921
TOTAL NONCURRENT ASSETS	**15,339**	**6,338,509**	**6,224,506**
TOTAL ASSETS	**443,761**	**6,415,457**	**8,293,411**
Deferred Outflows of Resources	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**443,761**	**6,415,457**	**8,293,411**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	10,173	83,389	212,561
Accrued Liabilities	339	11,751	227,811
Obligations Under Securities Lending	25,583	—	—
Intergovernmental Payable	555,689	—	—
Unearned Revenue	—	—	206,415
Refund and Other Liabilities	708	—	39,167
Bonds and Notes Payable	—	179,395	537,671
Certificates of Participation	—	—	465
TOTAL CURRENT LIABILITIES	**592,492**	**274,535**	**1,224,090**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	194,698	—	—
Unearned Revenue	—	—	—
Refund and Other Liabilities	773	207	334,249
Payable to Primary Government	3,826,687	—	—
Bonds and Notes Payable	—	2,957,922	1,481,033
Certificates of Participation	—	—	3,335
TOTAL NONCURRENT LIABILITIES	**4,022,158**	**2,958,129**	**1,818,617**
TOTAL LIABILITIES	**4,614,650**	**3,232,664**	**3,042,707**
NET ASSETS (DEFICITS):			
Invested in Capital Assets, Net of Related Debt	11,857	1,611	1,979,373
Restricted for:			
Environmental Protection and Natural Resources	—	—	—
Community and Economic Development	—	3,003,056	—
Nonexpendable:			
Scholarships and Fellowships	—	—	—
Research	—	—	—
Endowments and Quasi-Endowments	—	—	1,217,323
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	—	—	9,233
Endowments and Quasi-Endowments	—	—	123,849
Current Operations	—	—	459,000
Loans, Grants and Other College and University Purposes	—	—	—
Unrestricted	(4,182,746)	178,126	1,461,926
TOTAL NET ASSETS (DEFICITS)	**$ (4,170,889)**	**$ 3,182,793**	**$ 5,250,704**

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
$ —	$ 77,118	$ 479,337
84,945	797,521	1,490,982
272,336	1,371,089	2,624,910
—	7,535	33,118
—	53,628	64,079
6,500	19,776	45,465
4,877	34,830	48,923
101,914	403,835	941,630
2,191	26,319	63,841
5,117	63,333	114,854
477,880	**2,854,984**	**5,907,139**
—	43,654	985,148
159,878	928,398	2,480,055
—	—	1
—	—	4,310,523
995,343	1,340,820	4,556,506
24,718	132,697	281,765
39,609	103,669	187,765
436,537	85,440	588,875
1,329,396	4,804,204	8,989,838
147,714	721,280	1,491,235
3,133,195	**8,160,162**	**23,871,711**
3,611,075	**11,015,146**	**29,778,850**
—	2,746	2,746
3,611,075	**11,017,892**	**29,781,596**
73,492	170,415	550,030
86,650	221,472	548,023
—	7,535	33,118
—	4,254	559,943
32,482	264,303	503,200
45,446	136,379	221,700
109,267	106,834	933,167
—	—	465
347,337	**911,192**	**3,349,646**
—	8,318	203,016
—	7,609	7,609
162,987	363,005	861,221
—	—	3,826,687
987,626	2,299,751	7,726,332
—	—	3,335
1,150,613	**2,678,683**	**12,628,200**
1,497,950	**3,589,875**	**15,977,846**
401,739	3,427,985	5,822,565
—	5,340	5,340
—	83,786	3,086,842
128,472	150,753	279,225
92,686	14,197	106,883
553,964	617,062	2,388,349
420,645	93,346	513,991
47,584	214,830	262,414
98,144	17,326	115,470
34,720	183,170	217,890
41,726	21,196	62,922
26,884	208,693	235,577
2,327	20,498	22,825
26,315	71,632	107,180
92,388	96,967	313,204
5,704	67,705	532,409
12,705	268,884	281,589
127,122	1,864,647	(550,925)
$ 2,113,125	**$ 7,428,017**	**$ 13,803,750**

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/10)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education	$ 373,596	$ —	$ —
Community and Economic Development	—	—	—
Cost of Services	—	331,401	—
Administration	—	13,557	—
Education and General:			
Instruction and Departmental Research	—	—	883,307
Separately Budgeted Research	—	—	440,756
Public Service	—	—	110,357
Academic Support	—	—	147,845
Student Services	—	—	88,604
Institutional Support	—	—	243,827
Operation and Maintenance of Plant	—	—	115,091
Scholarships and Fellowships	—	—	102,631
Auxiliary Enterprises	—	—	244,787
Hospitals	—	—	1,857,428
Interest on Long-Term Debt	—	6,038	57,847
Depreciation	48	110	239,351
Other	—	1,259	7,371
TOTAL EXPENSES	**373,644**	**352,365**	**4,539,202**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	3,470	146,284	3,301,619
Operating Grants, Contributions and Restricted Investment Income	5,330	300,242	833,569
Capital Grants, Contributions and Restricted Investment Income	—	—	16,398
TOTAL PROGRAM REVENUES	**8,800**	**446,526**	**4,151,586**
NET PROGRAM (EXPENSE) REVENUE	**(364,844)**	**94,161**	**(387,616)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	338	365,108
State Assistance	60,671	—	508,667
Other	—	397	13,081
TOTAL GENERAL REVENUES	**60,671**	**735**	**886,856**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**—**	**30,835**
CHANGE IN NET ASSETS	**(304,173)**	**94,896**	**530,075**
NET ASSETS (DEFICITS), JULY 1 (as restated)	(3,866,716)	3,087,897	4,720,629
NET ASSETS (DEFICITS), JUNE 30	**$ (4,170,889)**	**$ 3,182,793**	**$ 5,250,704**

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
$ —	$ 16,490	$ 390,086
—	57,760	57,760
—	—	331,401
—	—	13,557
277,304	1,613,476	2,774,087
178,565	218,046	837,367
55,356	127,219	292,932
86,472	432,436	666,753
43,881	234,540	367,025
330,414	482,193	1,056,434
59,183	327,708	501,982
40,659	344,192	487,482
80,071	605,438	930,296
—	281,097	2,138,525
47,123	85,639	196,647
103,936	308,678	652,123
21,630	49,922	80,182
1,324,594	**5,184,834**	**11,774,639**
782,690	3,176,869	7,410,932
313,660	1,098,861	2,551,662
796	88,639	105,833
1,097,146	**4,364,369**	**10,068,427**
(227,448)	**(820,465)**	**(1,706,212)**
270,836	312,351	948,633
204,925	1,189,283	1,963,546
8,472	84,716	106,666
484,233	**1,586,350**	**3,018,845**
21,823	**11,410**	**64,068**
278,608	**777,295**	**1,376,701**
1,834,517	6,650,722	12,427,049
$ 2,113,125	**$ 7,428,017**	**$ 13,803,750**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2011, 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, 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 and deferred outflows of resources less liabilities and deferred inflows of resources equal net assets*. The *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.

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. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Industrial Commission of Ohio, 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, 2010.

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* fund 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, 2010. The Ohio State University Fund accounts for the university's operations, including its health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For revenue arising from exchange transactions (e.g., 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from 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
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 (OAKS) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, 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 fund 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. The State is not legally required to report budgetary data and comparisons for the budgeted proprietary funds. Also, the State does not present budgetary data for its discretely presented component units.

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

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

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

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

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

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

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio’s reporting entity.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Therefore, the State reports an equivalent portion of fund balance as nonspendable.

J. Restricted Assets

The primary government reports assets restricted for the payment of deferred lottery prize awards, revenue bonds, and tuition benefits in the enterprise funds.

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

K. Capital Assets

Primary Government

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Classification; Budget Stabilization Fund; Net Assets and Fund Balance Spending Order
Fund balance reported in the governmental fund financial statements is classified as follows:

Nonspendable
The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either 1.) not in spendable form, such as prepaids and inventories or 2.) legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted
Fund balance amounts should be *restricted* when constraints placed on the use of resources 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.

Unrestricted
Committed
Amounts constrained for specific purposes by formal action (i.e., legislation) of the government's highest level of decision-making authority (i.e., General Assembly) should be reported as *committed* fund balance. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the constraints.

Assigned
Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as *assigned* fund balance, except for stabilization arrangements. The intent should be conveyed by the governing body itself or through delegation to a body or official authorized on behalf of the government to assign amounts to be used for specific purposes. The Controlling Board, created under Chapter 127, Ohio Revised Code, is an example of a body delegated by the government to make assignments. The Director of the Office of Budget and Management is an example of an authorized official granted assignment authority through legislative language, including enacted budget bills. While both the committed and assigned fund balance classifications include amounts constrained for specific use by actions taken by the government itself, the authority for making an assignment is not required to be the government's highest level of decision-making authority. Amounts should not be reported as assigned if the assignment would result in a deficit in unassigned fund balance.

Unassigned
Unassigned fund balance is the residual classification for the General Fund. This classification represents spendable fund balance that has not been otherwise restricted, committed or assigned to specific purposes within the General Fund. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance due to overspending amounts that are restricted or committed.

Fund balance in the State's Budget Stabilization Fund, as discussed in Sections 131.43 and 131.44, Ohio Revised Code, does not meet the criteria to be classified as restricted or committed and is, therefore, reported as unassigned in the General Fund.

For reporting purposes, restricted amounts are generally considered to have been spent first, followed by unrestricted amounts. Within the unrestricted fund balance amounts, the spending order is generally committed, followed by assigned, and then unassigned when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

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).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, for the primary government's component units are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:	Total Component Units
Net Assets, as of June 30, 2010, As Previously Reported	$ 12,437,133
Change in Reporting Entity:	
University of Cincinnati Component Unit......................................	(11,488)
Other Adjustments that Increased/(Decreased) Net Assets:	
Other Liabilities	1,404
Total Changes in Net Assets...	(10,084)
Net Assets, July 1, 2010, As Restated	$ 12,427,049

During the implementation of GASB Statement No. 54, the State reclassified funds within the governmental funds category. Beginning fund balance for governmental funds at July 1, 2010, was unchanged in total.

	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total Fund Balance
Fund Balance, as of June 30, 2010, As Previously Reported	$ 493,042	$ 340,883	$ 80,915	$ 1,174,966	$ (191,718)	$ 5,301,012	$ 2,475,811	$ 9,674,911
From Revenue Distribution to General..	(191,718)	-	-	-	191,718	-	-	-
From Education to Nonmajor Governmental Funds............................	-	-	(80,915)	-	-	-	80,915	-
From Highway Operating to Nonmajor Governmental Funds............	-	-	-	(1,174,966)	-	-	1,174,966	-
From Job, Family and Other Human Services to General..................	41,979	(41,979)	-	-	-	-	-	-
From Nonmajor Governmental Funds to General...............................	1,269,596	-	-	-	-	-	(1,269,596)	-
Total Changes in Fund Balance..	1,119,857	(41,979)	(80,915)	(1,174,966)	191,718	-	(13,715)	-
Fund Balance, July 1, 2010, As Restated	$ 1,612,899	$ 298,904	$ -	$ -	$ -	$ 5,301,012	$ 2,462,096	$ 9,674,911

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, 2011, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

- Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus.*

GASB 54 provides clearer fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is required to observe the constraints imposed upon the use of the resources reported in the governmental funds.

GASB 59 updates and improves the accounting and financial reporting requirements that address financial instruments.

C. Recently Issued GASB Pronouncements

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 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*, regarding the requirements 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 November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of GASB 60 are effective for financial statements for periods beginning after December 15, 2011. GASB 60 establishes guidance for accounting and financial reporting for service concession arrangements (SCAs). This Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators by requiring both to account for and report SCAs in the same manner. This improves the comparability of financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The provisions of GASB 61 are effective for financial statements beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. It addresses reporting entity issues that have arisen since the issuance of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. It also modifies existing requirements for including, presenting, and disclosing information about component units and equity interest transactions.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 62 are effective for financial statements for periods beginning after December 15, 2011. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It eliminates the need to determine which FASB and AICPA pronouncements apply to state and local governments for more consistent application of guidance and improved comparability of financial statements.

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

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of GASB 63 are effective for financial statements beginning after December 15, 2011. GASB 63 standardizes financial reporting of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position and improves the comparability of financial statements by providing guidance where none previously existed.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The provisions of GASB 64 are effective for periods beginning after June 15, 2011. GASB 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement establishes the criteria for determining when an effective hedging relationship continues and when hedge accounting should continue to be applied.

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 Fund*, *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 2011. 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 2011, whenever signed into law or otherwise legally authorized.

For fiscal year 2011, 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 fund 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 Fund
As of June 30, 2011
(dollars in thousands)

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis	$2,223,608	$420,479
Less: Nonspendable Fund Balances	65,080	32,874
Less: Restricted Fund Balances	1,078,652	315,679
Less: Committed Fund Balances	671,210	71,926
Less: Assigned Fund Balances	1,616,695	-
Unassigned Fund Balances — GAAP Basis	(1,208,029)	-
BASIS DIFFERENCES		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer	(26,129)	10,582
Taxes Receivable	(1,329,097)	-
Intergovernmental Receivable	(658,187)	(325,719)
Loans Receivable, Net	(1,061,252)	-
Interfund Receivable	(108,246)	-
Receivables from Component Units	-	-
Other Receivables	(133,840)	(381,717)
Deferred Revenue	341,780	97,580
Unearned Revenue	7,270	235,766
Total Revenue Accruals/Adjustments	(2,967,701)	(363,508)
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer	(60,073)	(22,768)
Inventories	(32,885)	-
Other Assets	(16,230)	(2,270)
Accounts Payable	168,544	163,198
Accrued Liabilities	113,718	16,491
Medicaid Claims Payable	889,747	733
Intergovernmental Payable	1,039,154	99,107
Interfund Payable	1,496,764	13,798
Payable to Component Units	30,779	9,679
Refund and Other Liabilities	657,591	4,364
Liability for Escheat Property	8,838	-
Total Expenditure Accruals/Adjustments	4,295,947	282,332
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable	65,080	32,874
Restricted	1,078,652	315,679
Committed	671,210	71,926
Assigned	1,616,695	-
Cash and Investments Held Outside State Treasury	(622,645)	(2,539)
Other	(1)	(2)
Total Other Adjustments	2,808,991	417,938
Total Basis Differences	4,137,237	336,762
TIMING DIFFERENCES		
Encumbrances	(1,115,349)	(1,454,817)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$1,813,859	($1,118,055)

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The table below reports the carrying amount of deposits, as of June 30, 2011, held by the primary government, including fiduciary activities, and its major component units and the extent of exposure to custodial credit risk.

Primary Government (including Fiduciary Activities) and Major Component Units
Deposits—Custodial Credit Risk
As of June 30, 2011
(dollars in thousands)

			Uninsured Portion of Reported Bank Balance		
	Carrying Amount	Bank Balance	Uncollateralized	Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government	$ 1,585,920	$ 1,369,523	$ 42	$ 155,896	$ 22,616
Major Component Units:					
Ohio Water Development Authority (12/31/10)	34,362	34,494	-	33,244	-
Ohio State University	1,111,791	1,109,855	-	1,101,882	-
University of Cincinnati	84,730	87,721	10,900	-	-

Custodial credit risk for investments exists when a government is unable to recover the value of investments 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 following table reports the fair value, as of June 30, 2011, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk (dollars in thousands).

Primary Government (including Fiduciary Activities)
Investments—Fair Value and Custodial Credit Risk
As of June 30, 2011
(dollars in thousands)

	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
Investments Subject to Custodial Credit Risk Exposure:		
U.S. Government Obligations	$ 16,984,304	$ 250,015
U.S. Government Obligations—Strips	306,770	-
U.S. Agency Obligations	12,863,557	-
U.S. Agency Obligations—Strips	300,382	-
Common and Preferred Stock	59,624,866	-
Corporate Bonds and Notes	17,586,231	-
Corporate Bonds and Notes—Strips	1,700	-
Municipal Obligations	937,796	-
Commercial Paper	6,936,906	-
Repurchase Agreements	503,411	-
Mortgage and Asset-Backed Securities	6,363,002	-
International Investments:		
Foreign Stocks	40,209,672	-
Foreign Bonds	4,868,380	-
High-Yield and Emerging Markets Fixed Income	1,252,280	-
Securities Lending Collateral:		
Commercial Paper	487,334	-
Repurchase Agreements	973,824	248,824
Variable Rate Notes	38,430	-
Master Notes	85,300	-
U.S. Agency Obligations	37,491	-
Corporate Bonds	65,644	-
Common Stock	30,020	-
		$ 498,839
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Agency Obligations	1,663,127	
U.S. Agency Obligations—Strips	21,827	
International Investments-Commingled Equity Funds	1,016,913	
Equity Mutual Funds	6,286,685	
Bond Mutual Funds	4,227,418	
Real Estate	14,010,430	
Venture Capital	9,847,920	
Partnerships and Hedge Funds	2,077,878	
Investment Contracts	6,019	
Deposit with Federal Government	638,977	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(512,453)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(428,023)	
Total Investments — Primary Government	$ 209,314,018	

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component units. The School Facilities Commission Component Unit Fund participates in the State Treasurer's Cash and Investment Pool and does not hold investments separate from the pool. Risks associated with the School Facilities Commission's share of the pool are included in the disclosures for the Primary Government.

Major Component Units
Investment Custodial Credit Risk
As of June 30, 2011
(dollars in thousands)

		Uninsured, Unregistered, and Held by the	
	Fair Value	Counterparty's Trust Department or Agent but not in the Component Unit's Name	Counterparty but not in the Component Unit's Name
Ohio Water Development Authority (12/31/10):			
U.S. Government Obligations	$ 224,526	$ 224,526	$ -
U.S. Agency Obligations	1,186,822	1,186,822	-
Municipal Obligations	5,903	5,903	-
Total Ohio Water Development Authority		$ 1,417,251	$ -
Ohio State University:			
U.S. Government Obligations	$137,013	$ -	$137,013
U.S. Agency Obligations	179,561	-	179,561
Common and Preferred Stock	221,761	-	221,761
Corporate Bonds and Notes	314,164	-	314,164
Repurchase Agreements	291,424	-	291,424
Municipal Obligations	6,432	-	6,432
International Investments:			
Foreign Stocks	114,762	-	114,762
Foreign Bonds	51,250	-	51,250
Total Ohio State University		$ -	$ 1,316,367
University of Cincinnati:			
U.S. Government Obligations	$4,981	$4,981	$ -
U.S. Government Obligations—Strips	1,515	1,515	-
U.S. Agency Obligations	79,676	79,676	-
Common and Preferred Stock	135,879	135,879	-
Corporate Bonds and Notes	183,621	183,621	-
Municipal Obligations	96,212	96,212	-
International Investments:			
Foreign Bonds	26,609	26,609	-
Total University of Cincinnati		$ 528,493	$ -

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

2. Credit Risk

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

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

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

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

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

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

Workers' Compensation Enterprise Fund

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

State Highway Patrol Retirement
System Pension Trust Fund

When purchased, bond investments must be rated within the four highest classifications of at least two rating agencies.

STAR Ohio Investment Trust Fund

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

Retirement Systems Agency Fund

For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 30 percent of the total Public Fixed Income portfolio assets. Limitations on the holdings of non-investment grade securities are included in the portfolio's guidelines.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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.

The School Facilities Commission Component Unit Fund participates in the State Treasurer's Cash and Investment Pool and does not hold investments separate from the pool. Risks associated with the School Facilities Commission's share of the pool are included in the disclosures for the Primary Government.

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2011
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 9,869,694	$ 148,041	$ 4,496,758	$ -	$ -	$ -
U.S. Agency Obligations—Strips	322,209	-	-	-	-	-
Corporate Bonds and Notes	2,064,759	1,504,831	5,372,863	4,283,007	1,472,341	2,050,961
Corporate Bonds and Notes—Strips	1,629	-	-	-	-	-
Foreign Bonds	1,494,970	422,896	849,691	1,489,404	228,923	245,202
Municipal Bonds	112,793	402,908	417,841	4,054	-	-
Commercial Paper	5,699,015	552,760	685,131	-	-	-
Repurchase Agreements	300,000	200,000	-	-	-	-
Mortgage and Asset-Backed Securities	5,147,706	204,340	150,573	88,251	74,711	185,591
High-Yield & Emerging Markets Fixed Income	264	1,644	25,210	143,819	264,566	489,198
Bond Mutual Funds	3,232,393	10,486	390,292	3,746	4,587	17,255
Investment Contracts	-	-	-	-	-	-
Securities Lending Collateral:						
Commercial Paper	-	-	487,334	-	-	-
Repurchase Agreements	-	270,000	703,824	-	-	-
Variable Rate Notes	-	-	38,430	-	-	-
Master Notes	-	-	85,300	-	-	-
Corporate Bonds	-	-	-	-	-	65,644
U.S. Agency Obligations	37,491	-	-	-	-	-
Total Primary Government	$ 28,282,923	$ 3,717,906	$ 13,703,247	$ 6,012,281	$ 2,045,128	$ 3,053,851

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 12,191	$14,526,684
U.S. Agency Obligations—Strips	-	-	-	-	-	322,209
Corporate Bonds and Notes	649,401	12,861	1,376	861	172,970	17,586,231
Corporate Bonds and Notes—Strips	-	-	-	-	71	1,700
Foreign Bonds	78,631	186	6,976	-	51,501	4,868,380
Municipal Bonds	-	-	-	-	200	937,796
Commercial Paper	-	-	-	-	-	6,936,906
Repurchase Agreements	-	-	-	-	3,411	503,411
Mortgage and Asset-Backed Securities	240,132	63,200	36,427	4,797	167,274	6,363,002
High-Yield & Emerging Markets Fixed Income	165,104	2,401	3,411	585	156,078	1,252,280
Bond Mutual Funds	2,884	5	-	-	565,770	4,227,418
Investment Contracts	-	-	-	-	6,019	6,019
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	487,334
Repurchase Agreements	-	-	-	-	-	973,824
Variable Rate Notes	-	-	-	-	-	38,430
Master Notes	-	-	-	-	-	85,300
Corporate Bonds	-	-	-	-	-	65,644
U.S. Agency Obligations	-	-	-	-	-	37,491
Total Primary Government	$ 1,136,152	$ 78,653	$ 48,190	$ 6,243	$ 1,135,485	$59,220,059

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Component Units
Investment Credit Ratings
As of June 30, 2011
(dollars in thousands)

Ohio Water Development Authority (12/31/10):	Credit Rating AAA/Aaa	Unrated	Total
U.S. Agency Obligations	$ 1,186,822	$ -	$ 1,186,822
Municipal Obligations	5,903	-	5,903
Bond Mutual Funds	158,936	-	158,936
Investment Contracts	-	24,122	24,122
Total Ohio Water Development Authority	$ 1,351,661	$ 24,122	$ 1,375,783

	Credit Rating					
Ohio State University:	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 177,656	$ -	$ -	$ 1,905	$ -	$ -
Corporate Bonds and Notes	80,513	36,851	115,286	65,730	6,469	1,017
Repurchase Agreements	291,424	-	-	-	-	-
Municipal Obligations	1,162	3,255	2,015	-	-	-
Bond Mutual Funds	75,968	12,212	10,082	5,562	33	97
Foreign Bonds	19,661	14,790	3,695	2,115	-	-
Total Ohio State University	$ 646,384	$ 67,108	$ 131,078	$ 75,312	$ 6,502	$ 1,114

	Credit Rating				
Ohio State University (continued):	CCC/Caa	CC/Ca	C	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 179,561
Corporate Bonds and Notes	379	-	-	7,919	314,164
Repurchase Agreements	-	-	-	-	291,424
Municipal Obligations	-	-	-	-	6,432
Bond Mutual Funds	543	73	180	383	105,133
Foreign Bonds	-	-	-	10,989	51,250
Total Ohio State University	$ 922	$ 73	$ 180	$ 19,291	$ 947,964

	Credit Rating					
University of Cincinnati:	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 79,676	$ -	$ -	$ -	$ -	$ -
Corporate Bonds and Notes	10,349	45,295	107,264	20,598	-	-
Mortgage and Asset-Backed Securities	-	-	-	-	-	-
Municipal Obligations	18,810	29,059	36,659	2,133	-	-
Bond Mutual Funds	-	46,218	40,530	2,033	16,758	524
Foreign Bonds	10,152	10,222	6,235	-	-	-
Other Investments	-	-	-	-	-	-
Total University of Cincinnati	$ 118,987	$ 130,794	$ 190,688	$ 24,764	$ 16,758	$ 524

University of Cincinnati (continued):	Unrated	Total
U.S. Agency Obligations	$ -	$ 79,676
Corporate Bonds and Notes	115	183,621
Mortgage and Asset-Backed Securities	52,211	52,211
Municipal Obligations	9,551	96,212
Bond Mutual Funds	12,306	118,369
Foreign Bonds	-	26,609
Other Investments	1,285	1,285
Total University of Cincinnati	$ 75,468	$ 557,983

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 10 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 of five percent or $250 million; and mutual funds, 10 percent maximum.

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

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2011, all investments meet the requirements of the State's law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
Governmental and Business-Type Activities:		
Federal National Mortgage Association	$2,164,849	7%
Federal Home Loan Bank	2,191,609	7%
Federal Home Loan Mortgage Corporation	1,816,601	6%
STAR Ohio Investment Trust Fund:		
Federal National Mortgage Association	812,319	19%
Federal Home Loan Bank	1,320,842	30%
Federal Home Loan Mortgage Corporation	689,553	16%
School Facilities Commission Component Unit Fund:		
Federal National Mortgage Association	26,362	19%
Federal Home Loan Bank	39,731	29%
Federal Home Loan Mortgage Corporation	24,221	17%
Federal Farm Credit Bank	7,324	5%
Ohio Water Development Authority Component Unit Fund (12/31/10):		
Federal National Mortgage Association	207,979	19%
Federal Home Loan Bank	792,534	8%
Federal Home Loan Mortgage Corporation	506,782	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 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 120 days. Fixed rate notes are required to have an average maturity of 1.3 years.

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, 2011, investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to the interest rate changes. The U.S. agency obligations investment type includes $921 million of investments with call dates during fiscal years 2012 and 2013. These investments have maturities between fiscal years 2013 and 2017 and are reported in the table on the following page as maturing in one to five years.

Several investments reported as "Collateral on Lent Securities" have terms that make them highly sensitive to interest rate changes as of June 30, 2011. Variable rate notes of $31.4 million have quarterly reset dates. U.S. agency and instrumentality obligations of $25 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 $7 million and U.S. agency and instrumentality obligations of $12.5 million have quarterly reset dates.

Also during fiscal year 2011, the Treasurer of State acted as the custodian of the Retirement Systems 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 retirement system's Comprehensive Annual Financial Report.

The following tables list the investment maturities of the investments for the primary government and its major discretely presented component units. All investments at June 30, 2011, meet the requirements of the State's laws and policies, when applicable. The School Facilities Commission Component Unit Fund participates in the State Treasurer's Cash and Investment Pool and does not hold investments separate from the pool. Risks associated with the School Facilities Commission's share of the pool are included in the disclosures for the Primary Government.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2011
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 1,782,892	$ 6,602,101	$ 2,714,344	$ 5,884,967	$ 16,984,304
U.S. Government Obligations—Strips	12,789	115,238	91,652	87,091	306,770
U.S. Agency Obligations	8,780,214	1,991,405	450,646	3,304,419	14,526,684
U.S. Agency Obligations—Strips	39,946	97,179	134,771	50,313	322,209
Corporate Bonds and Notes	940,453	5,072,972	4,820,847	6,751,959	17,586,231
Corporate Bonds and Notes—Strips	-	-	1,586	114	1,700
Municipal Bonds	200	4,811	10,388	922,397	937,796
Commercial Paper	6,936,906	-	-	-	6,936,906
Repurchase Agreements	503,411	-	-	-	503,411
Mortgage and Asset-Backed Securities	58,561	129,682	530,744	5,644,015	6,363,002
Foreign Bonds	140,701	1,419,260	981,242	2,327,177	4,868,380
High-Yield & Emerging Markets Fixed Income	26,668	247,752	727,839	250,021	1,252,280
Bond Mutual Funds	4,110,268	60,156	52,550	4,444	4,227,418
Investment Contracts	-	6,019	-	-	6,019
Securities Lending Collateral:					
Commercial Paper	487,334	-	-	-	487,334
Repurchase Agreements	973,824	-	-	-	973,824
Variable Rate Notes	38,430	-	-	-	38,430
Master Notes	85,300	-	-	-	85,300
Corporate Bonds	-	38,134	27,510	-	65,644
U.S. Agency Obligations	37,491	-	-	-	37,491
Total Primary Government	$ 24,955,388	$ 15,784,709	$ 10,544,119	$ 25,226,917	$ 76,511,133

Major Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2011
(dollars in thousands)

Ohio Water Development Authority (12/31/10):	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 41,301	$ 179,622	$ 2,253	$ 1,350	$ 224,526
U.S. Agency Obligations	957,714	229,108	-	-	1,186,822
Municipal Obligations	933	4,970	-	-	5,903
Bond Mutual Funds	158,936	-	-	-	158,936
Investment Contracts	-	-	-	24,122	24,122
Total Ohio Water Development Authority	$ 1,158,884	$ 413,700	$ 2,253	$ 25,472	$ 1,600,309

Ohio State University:	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 19,602	$ 111,093	$ 5,044	$ 1,274	$ 137,013
U.S. Agency Obligations	14,362	123,632	20,586	20,981	179,561
Corporate Bonds and Notes	25,843	220,360	45,142	22,819	314,164
Repurchase Agreements	291,424	-	-	-	291,424
Municipal Obligations	797	-	221	5,414	6,432
Bond Mutual Funds	11,337	55,295	26,093	12,408	105,133
Foreign Bonds	6,211	23,525	16,507	5,007	51,250
Total Ohio State University	$ 369,576	$ 533,905	$ 113,593	$ 67,903	$ 1,084,977

University of Cincinnati:	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 2,133	$ 70	$ 899	$ 1,879	$ 4,981
U.S. Government Obligations—Strips	861	654	-	-	1,515
U.S. Agency Obligations	41,305	28,219	23	10,129	79,676
Corporate Bonds and Notes	114,749	63,297	3,821	1,754	183,621
Mortgage and Asset-Backed Securities	2,975	155	9,206	39,875	52,211
Municipal Obligations	27,273	49,947	508	18,484	96,212
Bond Mutual Funds	-	83,400	18,135	16,834	118,369
Foreign Bonds	26,609	-	-	-	26,609
Other Investments	367	918	-	-	1,285
Total University of Cincinnati	$ 216,272	$ 226,660	$ 32,592	$ 88,955	$ 564,479

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 laws 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, 2011, investments denominated in the currency of foreign nations, as detailed in the tables appearing on the following pages for the primary government and the Ohio State University component unit, 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, 2011
(dollars in thousands)

	Fiduciary Activities			
Currency	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Total
Argentinean Peso	$ 559	$ 2,051	3,182	$ 5,792
Australian Dollar	821,683	14,764	-	836,447
Brazilian Real	540,499	83,732	6,479	630,710
British Pound	3,169,605	191,836	1,528	3,362,969
Bulgarian Lev	511	-	-	511
Canadian Dollar	655,348	169,165	-	824,513
Chilean Peso	43,356	874	-	44,230
Chinese Yuan	977	-	-	977
Colombian Peso	4,652	25,093	4,169	33,914
Czech Koruna	49,394	-	-	49,394
Danish Krone	204,954	-	-	204,954
Egyptian Pound	17,866	4,700	67	22,633
Euro	4,300,896	391,522	8,874	4,701,292
Ghana Cedi	-	-	2,484	2,484
Hong Kong Dollar	1,534,842	-	-	1,534,842
Hungarian Forint	37,677	7,231	-	44,908
Indian Rupee	284,268	6,203	646	291,117
Indonesian Rupiah	127,833	46,608	4,665	179,106
Israeli Shekel	92,201	1,012	-	93,213
Japanese Yen	3,235,254	475	126	3,235,855
Malaysian Ringgit	170,425	33,885	4,847	209,157
Mexican Peso	160,864	61,375	5,958	228,197
Moroccan Dirham	773	-	-	773
New Zealand Dollar	121,469	8,132	-	129,601
Norwegian Krone	284,851	-	668	285,519
Nigerian Naira	-	-	264	264
Pakistani Rupee	2,795	-	-	2,795
Peruvian New Sol	-	465	-	465
Philippines Peso	38,972	18,488	-	57,460
Polish Zloty	126,093	24,735	-	150,828
Renminbi Yuan	2,234	-	-	2,234
Russian Ruble	45,437	9,143	-	54,580
Singapore Dollar	263,794	-	-	263,794
South African Rand	405,444	22,692	5,998	434,134
South Korean Won	957,463	21,795	-	979,258
Swedish Krona	411,936	62,501	-	474,437
Swiss Franc	1,004,597	-	-	1,004,597
Taiwan Dollar	661,387	-	-	661,387
Thailand Baht	207,723	10,352	-	218,075
Turkish Lira	206,488	29,328	-	235,816
Uruguayan Peso	-	17,016	-	17,016
Investments Held in Foreign Currency	$20,195,120	$ 1,265,173	$ 49,955	21,510,248
Foreign Investments Held in U.S. Dollars				25,836,997
Total Foreign Investments-Primary Government, including Fiduciary Activities				$47,347,245

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Component Unit
International Investments—Foreign Currency Risk
As of June 30, 2011
(dollars in thousands)

Ohio State University: Currency	Included in the Balance Reported for Common & Preferred Stock	Included in the Balance Reported for Corporate & International Bonds	Total
Australian Dollar	$ 28,874	$ 1,011	$ 29,885
Brazilian Real	2,362	(64)	2,298
British Pound	9,214	5,227	14,441
Canadian Dollar	-	4,698	4,698
Czech Koruna	1,340	-	1,340
Egyptian Pound	837	-	837
Euro	27,338	23,319	50,657
Hong Kong Dollar	5,308	-	5,308
Indian Rupee	1,592	-	1,592
Israeli Shekel	-	7	7
Japanese Yen	1,064	8,689	9,753
Mexican Peso	1,479	2,369	3,848
Singapore Dollar	1,109	-	1,109
South African Rand	8,069	-	8,069
South Korean Won	10,153	-	10,153
Swiss Franc	7,509	-	7,509
Taiwan Dollar	6,602	-	6,602
Thailand Baht	467	-	467
Turkish Lira	1,445	-	1,445
Total Investments Held in Foreign Currency-Ohio State University	$ 114,762	$ 45,256	$ 160,018

D. Securities Lending Transactions

The Treasurer of State participates 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.

Consequently, as of June 30, 2011, 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 83 days or less while the weighted average maturity of securities loans is six days or less.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 2011, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2011, the Treasurer of State lent U.S. government and agency obligations in exchange for cash collateral.

E. Investment Derivatives
As of June 30, 2011, the State reports the following investment derivatives in its financial statements (dollars in thousands):

Investment Derivatives
As of June 30, 2011
(dollars in thousands)

		Fair Value at 6/30/2011		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$149,030	($16,412)	Other Noncurrent Liability	($3,398)	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Call options	4,200	(12)	Investments	22	Refund and Other Liabilities
Credit default swaps	31,326	-	Investments	2,004	Refund and Other Liabilities
Credit linked notes	14,582	14,582	Investments	6,206	Refund and Other Liabilities
Foreign currency contracts	164,444	(3,170)	Investments	(370,985)	Refund and Other Liabilities
Forward contracts	9,408,535	(11,649)	Investments	52,236	Refund and Other Liabilities
Futures contracts	347,330	(1,554)	Investments	(5,653)	Refund and Other Liabilities
Equity swaps	1,417,357	35,177	Investments	35,177	Refund and Other Liabilities
Interest rate swap	4,383	661	Investments	167	Refund and Other Liabilities
S&P 500 Exchange Traded Fund	6,714	6,714	Investments	6,714	Refund and Other Liabilities
Total return swaps	660,772	10,794	Investments	10,794	Refund and Other Liabilities
Warrants	566	566	Investments	566	Refund and Other Liabilities
Major Component Units:					
Investment Derivatives:					
Ohio State University:					
Pay-fixed interest rate swaps	15,927	(1,846)	Other Noncurrent Liability	66	Other Revenues
University of Cincinnati:					
Pay-fixed interest rate swap	24,075	(2,062)	Other Noncurrent Liability	709	Operating Restricted Investment Gain

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2011, and are reported as investment derivatives. The decreases in the fair values for fiscal year 2011 of $3.4 million are reported as operating restricted investment losses for the primary, secondary and other education function in the Statement of Activities.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The credit quality ratings of JPMorgan Chase, the counterparty, are Aa1/AA- as of June 30, 2011. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2011. 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 6 percent of the 1 month LIBOR rate plus 20 basis points. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The 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 increase in fair value for fiscal year 2011 of $66 thousand for the Ohio State University is reported as general other revenue in the Statement of Activities. The increase in fair value of $709 thousand for the University of Cincinnati is reported as an operating investment gain 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 2011B 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, 2011. 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, 2011, approximately $186.4 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately $655.7 million are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Assets and in the General Fund on the governmental funds' Balance Sheet.

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

	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Current-Due Within One Year:			
Income Taxes	$343,844	$ -	$343,844
Sales Taxes	386,550	-	386,550
Motor Vehicle Fuel Taxes	71,512	65,907	137,419
Commercial Activity Taxes	381,144	-	381,144
Public Utility Taxes	91,952	-	91,952
Severance Taxes	-	1,837	1,837
	1,275,002	67,744	1,342,746
Noncurrent-Due in More Than One Year:			
Income Taxes	54,095	-	54,095
Taxes Receivable, Net	$1,329,097	$ 67,744	$1,396,841

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, 2011 (dollars in thousands):

	From Nonexchange Programs		Services		
	Federal Government	Local Government	Other State Governments	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$643,999	$1,495	$ -	$12,693	$658,187
Job, Family and Other Human Services	254,559	71,160	-	-	325,719
Nonmajor Governmental Funds	474,663	127,460	-	18,742	620,865
Total Governmental Activities	1,373,221	200,115	-	31,435	1,604,771
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	95	-	95
Nonmajor Proprietary Funds	-	-	-	10,243	10,243
Total Business-Type Activities	-	-	95	10,243	10,338
Intergovernmental Receivable	$1,373,221	$200,115	$ 95	$41,678	$1,615,109

NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2011, are detailed in the following tables (dollars in thousands):

Primary Government - Loans Receivable

	Governmental Activities		
Loan Program	General	Nonmajor Governmental Funds	Total Primary Government
Economic Development			
Office of Financial Incentives	$ 453,317	$ -	$453,317
Local Infrastructure Improvements	394,638	-	394,638
Housing Finance	195,232	-	195,232
Highway, Transit,			
& Aviation Infrastructure Bank	-	98,638	98,638
School District Solvency Assistance	11,792	-	11,792
Brownfield Revolving Loan	-	3,641	3,641
Wayne Trace Local School District	3,378	-	3,378
Rail Development	-	3,016	3,016
Office of Minority Financial Incentives	1,609	-	1,609
Other Loans Receivable	1,286	-	1,286
Loans Receivable	1,061,252	105,295	1,166,547
Current-Due Within One Year	101,488	19,773	121,261
Noncurrent-Due in More Than One Year	959,764	85,522	1,045,286
Loans Receivable	$1,061,252	$105,295	$1,166,547

Major Component Units - Loans Receivable

Loan Program	Ohio Water Development Authority (12/31/10)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion)	$ 4,376,955	$ -	$ -
Student	-	92,042	35,111
Other	-	-	2,658
Loans Receivable, Gross	4,376,955	92,042	37,769
Estimated Uncollectible	-	(19,000)	(6,551)
Loans Receivable, Net	4,376,955	73,042	31,218
Current-Due Within One Year	2,591	16,014	6,500
Noncurrent-Due in More Than One Year	4,374,364	57,028	24,718
Loans Receivable, Net	$ 4,376,955	$ 73,042	$ 31,218

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, 2011, 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	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Govern-mental Funds	Total
Manufacturers' Rebates	$112,816	$257,201	$ -	$13,538	$383,555
Tobacco Settlement	-	-	283,059	73,863	356,922
Health Facility Bed Assessments	-	106,587	-	-	106,587
Interest	1,353	-	25	430	1,808
Accounts	10,580	17,314	-	2,141	30,035
Environmental Legal Settlements	-	-	-	778	778
Miscellaneous	9,091	615	-	2,482	12,188
Other Receivables, Net	133,840	381,717	283,084	93,232	891,873
Current-Due Within One Year	133,840	381,717	25	19,369	534,951
Noncurrent-Due in More Than One Year	-	-	283,059	73,863	356,922
Other Receivables, Net	$133,840	$381,717	$283,084	$93,232	$891,873

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$130,920	$ -	$130,964	$3,374	$265,258
Interest and Dividends (including restricted portion)	151,306	2,613	-	972	154,891
Lottery Sales Agents	-	44,352	-	-	44,352
Other Receivables, Gross	282,226	46,965	130,964	4,346	464,501
Estimated Uncollectible	(1,048)	(263)	(110,775)	-	(112,086)
Other Receivables, Net-Due Within One Year	$281,178	$ 46,702	$20,189	$4,346	$352,415
Total Primary Government					$1,244,288

NOTE 5 RECEIVABLES (Continued)

Major Component Units - Other Receivables

Types of Receivables	Ohio Water Development Authority (12/31/10)	Ohio State University	University of Cincinnati
Accounts	$ -	$1,052,584	$56,450
Interest	-	26,601	11,713
Investment Trade Receivable (Stock and Bonds Proceeds)	-	-	4
Pledges	-	59,879	65,609
Unbilled Charges	-	-	33,365
Grants	15,215	-	-
Arbitrage	4,167	-	-
Other Receivables, Gross	19,382	1,139,064	167,141
Estimated Uncollectible	-	(678,098)	(25,618)
Other Receivables, Net	19,382	460,966	141,523
Current-Due Within One Year	5	435,856	101,914
Noncurrent-Due Within More Than One Year	19,377	25,110	39,609
Other Receivables, Net	$ 19,382	$460,966	$141,523

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2011, is comprised of interest due of approximately $1.4 million, investment trade receivable of $5.9 million, and miscellaneous receivables of $1.5 million.

NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2011, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$113,718	$ -	$113,718
Job, Family and Other Human Services	16,491	-	16,491
Nonmajor Governmental Funds	60,362	-	60,362
	190,571	-	190,571
Reconciliation of fund level statements to government-wide statements due to basis differences	-	172,532	172,532
Total Governmental Activities	190,571	172,532	363,103
Business-Type Activities:			
Nonmajor Proprietary Funds	5,125	-	5,125
Total Primary Government	$195,696	$ 172,532	$368,228

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2010)	$ 21,542	$ 807	$ -	$ 22,349
Variable College Savings Plan Private-Purpose Trust	-	-	2,382	2,382
Total Fiduciary Activities	$ 21,542	$ 807	$ 2,382	$ 24,731

Major Component Units - Accrued Liabilities

	Wages and Employee Benefits	Self-Insurance	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University	$ 150,617	$ 32,607	$ 8,980	$ 35,607	$ 227,811
University of Cincinnati	39,152	-	5,040	42,458	86,650

NOTE 6 PAYABLES (Continued)

B. Intergovernmental Payable
The intergovernmental payable balances for the primary government, as of June 30, 2011, are comprised of the following (dollars in thousands).

Primary Government - Intergovernmental Payable

	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ 888,660	$ 113,228	$ 35,730	$ 1,536	$ 1,039,154
Job, Family and Other Human Services ...	-	99,107	-	-	99,107
Nonmajor Governmental Funds	-	302,600	-	-	302,600
Total Governmental Activities	888,660	514,935	35,730	1,536	1,440,861
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	35	2,611,475	-	2,611,510
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	-	35	297,288	-	297,323
Total Primary Government..					$ 1,738,184
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ -	$ 1,180	$ 15,924	$ 17,104
Payroll Withholding and Fringe Benefits Agency Fund	-	27,519	-	-	27,519
Other Agency Fund	122,450	7,366	-	-	129,816
Total Fiduciary Activities	$ 122,450	$ 34,885	$ 1,180	$ 15,924	$ 174,439

As of June 30, 2011, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately $748 million 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, 2011, 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	$ 657,591	$ -	$ 657,591
Job, Family and Other Human Services	-	4,364	4,364
Nonmajor Governmental Funds	-	39,404	39,404
	657,591	43,768	701,359
Reconciliation of balances included in the "Refund and Other Liabilities" and "Other Noncurrent Liabilities" balances in the government-wide financial statements	-	167	167
Total Governmental Activities	$ 657,591	$ 43,935	$ 701,526

	Reserve for Compensation Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$1,937,300	$87,664	$27,890	$ -	$32,197	$2,085,051
Lottery Commission	-	43,333	3,808	58,007	1,478	106,626
Unemployment Compensation	-	11,055	-	-	-	11,055
Nonmajor Proprietary Funds	-	3,089	11,489	-	555	15,133
	1,937,300	145,141	43,187	58,007	34,230	2,217,865
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(1,937,300)	(87,664)	(42,948)	(58,007)	(12,701)	(2,138,620)
Total Business-Type Activities	$ -	$ 57,477	$ 239	$ -	$ 21,529	$ 79,245
Total Primary Government						$ 780,771

NOTE 6 PAYABLES (Continued)

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement						
System Pension Trust (12/31/2010)....	$ -	$ -	$ -	$ -	$ 69	$ 69
Variable College Savings Plan						
Private-Purpose Trust........................	-	-	-	-	8,107	8,107
STAR Ohio Investment Trust	-	-	-	-	231	231
Agency Funds:						
Holding and Distribution	-	18,911	-	-	-	18,911
Centralized Child Support Collections.....	60,970	-	-	-	-	60,970
Retirement Systems	-	-	-	167,700,462	-	167,700,462
Payroll Withholding and						
Fringe Benefits	-	-	100,921	-	-	100,921
Other	-	411,896	-	19,595	140,431	571,922
Total Fiduciary Activities.....................	$ 60,970	$ 430,807	$ 100,921	$ 167,720,057	$ 148,838	$ 168,461,593

Major Component Units - Refund and Other Liabilities

	Refund and Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
Ohio State University.................	$ 51,022	$ 124,687	$ 11,209	$ 39,518	$ 146,980	$ 373,416
University of Cincinnati.............	32,308	60,894	106,500	-	8,731	208,433

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

A. Interfund Balances

Interfund balances, as of June 30, 2011, consist of the following (in thousands):

	Due To			
	Governmental Activities			
Due from	General	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Major Governmental Funds:				
General	$ 104,991	$ 872,671	$ 986	$ 978,648
Business-Type Activities:				
Nonmajor Proprietary Funds	3,255	-	-	3,255
Total Primary Government	$108,246	$872,671	$986	$981,903

	Business-Type Activities			
	Major Proprietary Fund			
Due from	Workers' Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:				
General	$507,441	$10,675	$518,116	$1,496,764
Job, Family, Other Human Services	13,798	-	13,798	13,798
Nonmajor Governmental Funds	186,911	2	186,913	186,913
Total Governmental Activities	708,150	10,677	718,827	1,697,475
Business-Type Activities:				
Major Proprietary Funds:				
Lottery Commission	2,891	-	2,891	2,891
Nonmajor Proprietary Funds	10,919	-	10,919	14,174
Total Business-Type Activities	13,810	-	13,810	17,065
Total Primary Government	$721,960	$10,677	$732,637	$1,714,540

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 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 $722 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 $715.6 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, 2011, consist of the following (dollars in thousands):

	Transferred to			
	Governmental Activities			
	Major Governmental Funds			
Transferred from	General	Job, Family & Other Human Services	Nonmajor Govern-mental Funds	Total
Major Governmental Funds:				
General	$ -	$ 16,773	$ 1,518,627	$1,535,400
Job, Family and Other Human Services	1,923	-	9	1,932
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	13,836	-	273	14,109
Nonmajor Governmental Funds	297,714	26	196,471	494,211
Total Governmental Activities	313,473	16,799	1,715,380	2,045,652
Major Proprietary Funds:				
Workers' Compensation	8,189	-	5,120	13,309
Lottery Commission	335	-	738,810	739,145
Unemployment Compensation	609	8,190	-	8,799
Nonmajor Proprietary Funds	154,812	-	68,379	223,191
Total Business-Type Activities	163,945	8,190	812,309	984,444
Total Primary Government	$477,418	$24,989	$2,527,689	$3,030,096

	Business-Type Activities			
	Major Proprietary Funds			
Transferred from	Unemployment Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:				
General	$8,000	$30,893	$38,893	$1,574,293
Job, Family and Other Human Services	-	-	-	1,932
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	-	14,109
Nonmajor Governmental Funds	-	-	-	494,211
Total Governmental Activities	8,000	30,893	$38,893	2,084,545
Major Proprietary Funds:				
Workers' Compensation	-	-	-	13,309
Lottery Commission	-	-	-	739,145
Unemployment Compensation	-	-	-	8,799
Nonmajor Proprietary Funds	-	-	-	223,191
Total Business-Type Activities	-	-	-	984,444
Total Primary Government	$8,000	$30,893	$38,893	$3,068,989

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 2011, the component units reported $1.96 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 $3.83 billion and is being amortized over the projected payment period of the future tobacco settlement receipts.

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

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	$ -	$30,779	$76,560	$1,654,758	$57,016	$1,788,334
Job, Family and Other Human Services	-	9,679	-	-	-	-
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	3,826,687	-	-	-	-	-
Nonmajor Governmental Funds	-	8,465	-	175,212	-	175,212
Total Governmental Activities	3,826,687	48,923	76,560	1,829,970	57,016	1,963,546

Component Units
(dollars in thousands)

	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistance from the Primary Government
Major Component Units:			
School Facilities Commission	$ -	$3,826,687	$60,671
Ohio State University	9,216	-	508,667
University of Cincinnati	4,877	-	204,925
Nonmajor Component Units	34,830	-	1,189,283
Total Component Units	$48,923	$3,826,687	$1,963,546

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2011, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$1,972,225	$139,751	($29,238)	$2,082,738
Buildings	60,998	-	-	60,998
Land Improvements	1,202	37	-	1,239
Construction-in-Progress	1,745,373	459,636	(550,522)	1,654,487
Infrastructure:				
Highway Network:				
General Subsystem	8,492,573	59,263	(7,102)	8,544,734
Priority Subsystem	7,654,329	241,282	(157)	7,895,454
Bridge Network	2,843,787	120,907	(26,782)	2,937,912
Total Capital Assets Not Being Depreciated	22,770,487	1,020,876	(613,801)	23,177,562
Other Capital Assets:				
Buildings	3,627,104	42,700	(42,961)	3,626,843
Land Improvements	411,719	11,070	(6,797)	415,992
Machinery and Equipment	714,419	172,382	(58,705)	828,096
Vehicles	282,360	31,688	(15,574)	298,474
Infrastructure:				
Parks, Recreation and Natural Resources Network	79,641	19,243	-	98,884
Total Other Capital Assets at Historical Cost	5,115,243	277,083	(124,037)	5,268,289
Less Accumulated Depreciation for:				
Buildings	1,820,165	109,209	(20,551)	1,908,823
Land Improvements	223,297	16,484	(3,754)	236,027
Machinery and Equipment	518,231	59,076	(23,683)	553,624
Vehicles	163,948	22,539	(13,940)	172,547
Infrastructure:				
Parks, Recreation and Natural Resources Network	12,035	3,117	-	15,152
Total Accumulated Depreciation	2,737,676	210,425	(61,928)	2,886,173
Other Capital Assets, Net	2,377,567	66,658	(62,109)	2,382,116
Governmental Activities-Capital Assets, Net	$25,148,054	$1,087,534	($675,910)	$25,559,678

For fiscal year 2011, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	***(in 000s)***
Primary, Secondary and Other Education	$1,568
Public Assistance and Medicaid	4,585
Health and Human Services	26,104
Justice and Public Protection	100,801
Environmental Protection and Natural Resources	45,377
Transportation	75,680
General Government	85,503
Community and Economic Development	6,990
Total Depreciation Expense for Governmental Activities	346,608
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(136,183)
Fiscal Year 2011 Increases to Accumulated Depreciation	$210,425

NOTE 8 CAPITAL ASSETS (Continued)

As of June 30, 2011, 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	$34,579
Land Improvements	230
Construction-In-Progress	2,280
Total	$37,089

	Primary Government (Continued)			
	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$11,994	$ -	$ -	$11,994
Total Capital Assets Not Being Depreciated	11,994	-	-	11,994
Other Capital Assets:				
Buildings	225,867	1,507	(295)	227,079
Land Improvements	66	-	-	66
Machinery and Equipment	141,417	8,721	(9,047)	141,091
Vehicles	4,649	542	(330)	4,861
Total Other Capital Assets at Historical Cost	371,999	10,770	(9,672)	373,097
Less Accumulated Depreciation for:				
Buildings	145,077	7,424	(461)	152,040
Land Improvements	55	1	-	56
Machinery and Equipment	53,893	24,823	(8,960)	69,756
Vehicles	2,522	657	(242)	2,937
Total Accumulated Depreciation	201,547	32,905	(9,663)	224,789
Other Capital Assets, Net	170,452	(22,135)	(9)	148,308
Business-Type Activities - Capital Assets, Net	$182,446	($22,135)	($9)	$160,302

For fiscal year 2011, the State charged depreciation expense to the following business-type functions:

Business-Type Activities	***(in 000s)***
Workers' Compensation	$11,179
Lottery Commission	20,088
Tuition Trust Authority	55
Liquor Control	383
Underground Parking Garage	442
Office of Auditor of State	563
Total Depreciation Expense for Business-Type Activities	32,710
Gains (Losses) on Capital Asset Disposals Included in Depreciation	195
Fiscal year 2011 Increase to Accumulated Depreciation	$32,905

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Component Units

Capital asset activity, for the year ended June 30, 2011, reported for discretely presented major component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Component Units			
	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$73,926	$87	$ -	$74,013
Construction-in-Progress	273,226	262,682	-	535,908
Total Capital Assets Not Being Depreciated	347,152	262,769	-	609,921
Other Capital Assets:				
Buildings	3,939,159	86,882	(5,453)	4,020,588
Land Improvements	281,996	27,301	-	309,297
Machinery, Equipment and Vehicles	922,719	96,928	(55,591)	964,056
Library Books and Publications	163,012	4,755	(8,226)	159,541
Total Other Capital Assets at Historical Cost	5,306,886	215,866	(69,270)	5,453,482
Less Accumulated Depreciation for:				
Buildings	1,517,655	132,094	(5,453)	1,644,296
Land Improvements	172,316	10,018	-	182,334
Machinery, Equipment and Vehicles	584,558	93,763	(50,182)	628,139
Library Books and Publications	148,375	3,476	(8,227)	143,624
Total Accumulated Depreciation	2,422,904	239,351	(63,862)	2,598,393
Other Capital Assets, Net	2,883,982	(23,485)	(5,408)	2,855,089
Total Capital Assets, Net	$3,231,134	$239,284	($5,408)	$3,465,010
University of Cincinnati:				
Capital Assets Not Being Depreciated:				
Land	$25,100	$4,788	$ -	$29,888
Construction-in-Progress	46,174	74,661	(18,025)	102,810
Collections of Works of Art and Historical Treasures	14,626	390	-	15,016
Total Capital Assets Not Being Depreciated	85,900	79,839	(18,025)	147,714
Other Capital Assets:				
Buildings	1,851,067	66,111	-	1,917,178
Land Improvements	99,979	8,627	-	108,606
Machinery, Equipment and Vehicles	247,395	24,040	(6,229)	265,206
Library Books and Publications	154,282	8,594	(2,389)	160,487
Infrastructure	115,855	753	-	116,608
Total Other Capital Assets at Historical Cost	2,468,578	108,125	(8,618)	2,568,085
Less Accumulated Depreciation for:				
Buildings	764,091	71,792	-	835,883
Land Improvements	31,221	5,207	-	36,428
Machinery, Equipment and Vehicles	167,620	18,877	(4,212)	182,285
Library Books and Publications	112,111	8,349	(1,720)	118,740
Infrastructure	60,822	4,531	-	65,353
Total Accumulated Depreciation	1,135,865	108,756	(5,932)	1,238,689
Other Capital Assets, Net	1,332,713	(631)	(2,686)	1,329,396
Total Capital Assets, Net	$1,418,613	$79,208	($20,711)	$1,477,110

For fiscal year 2011, Ohio State University and the University of Cincinnati reported approximately $239.4 million and $108.8 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 calculated on the basis of age, years of credited service, and the final average salary, which is the average of the member's three highest years of earnable salary. 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 calculated on the basis of age, years of credited service, and the final average salary, which is the average of the member's three highest years of earnable salary. 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 by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. 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. Contribution rates for fiscal year 2011, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2010 through June 30, 2011	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2010 through December 31, 2010	11.10%	17.87%
January 1, 2011 through June 30, 2011	11.60%	18.10%

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):

	2011	2010	2009
Primary Government:			
Regular Employees	$267,671	$241,734	$ 216,623
Law Enforcement Employees............................	4,235	3,889	3,708
Total	$271,906	$245,623	$ 220,331
Major Component Units:			
School Facilities Commission	$378	$345	$303
Ohio Water Development Authority........	101	155	80
Ohio State University..............	97,145	85,332	67,273
University of Cincinnati..........	14,767	13,814	11,950

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	2011	2010	2009
Primary Government:			
Employer Contributions	$6,037	$5,085	$4,762
Employee Contributions	12,825	11,114	10,672
Major Component Units:			
Ohio State University:			
Employer Contributions ..	2,942	2,427	2,139
Employee Contributions .	6,864	5,871	5,288
University of Cincinnati:			
Employer Contributions ..	420	372	335
Employee Contributions .	921	812	775

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 (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 healthcare coverage.

In order to qualify for post-employment healthcare coverage, age-and-service retirees under the defined benefit and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare 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 healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement healthcare benefits.

Employer contribution rates are expressed as a percentage of covered payroll of active members. For fiscal year 2011, state employers contributed at a rate of 14 percent of covered payroll and law enforcement employers contributed at 17.87 percent for the period July 1, 2010, through December 31, 2010, and at 18.1 percent for the period January 1, 2011, through June 30, 2011. 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. Active members do not make contributions to the OPEB plan.

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 healthcare benefits. The contribution rates for regular and law enforcement employees were as follows:

	Employer Share	
	Defined Benefit Plan	Combined Plan
July 1, 2010 through December 31, 2010	5.00%	4.23%
January 1, 2011 through June 30, 2011	4.00%	6.05%

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

	2011	2010	2009
Primary Government:			
Regular Employees	$128,257	$148,549	$196,410
Law Enforcement Employees...........................	1,426	1,694	2,288
Total	$129,683	$150,243	$198,698
Major Component Units:			
School Facilities Commission	$178	$212	$271
Ohio Water Development Authority........	58	65	72
Ohio State University.............	45,894	52,407	60,263
University of Cincinnati...........	6,977	8,486	10,709

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2011, employers paid 4.5 percent of their share into members' accounts. 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 credited service. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

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

	2011	2010	2009
Primary Government..............	$3,112	$2,621	$2,454
Major Component Units:			
Ohio State University..........	1,516	1,251	1,103
University of Cincinnati.......	216	192	172

The number of active contributing participants for the primary government was 55,043, as of June 30, 2011.

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 healthcare 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. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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. The amount of service credit offered cannot exceed five years.

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

As of June 30, 2011, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2011, the State incurred expenditures/expenses totaling $5.3 million for 154 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and ten percent, respectively, and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2011 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):

	2011	2010	2009
Primary Government........................	$6,571	$8,101	$7,498
Major Component Units:			
Ohio State University......................	41,446	39,969	38,355
University of Cincinnati..................	15,599	15,274	14,609

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):

	2011	2010	2009
Primary Government:			
Employer Contributions	$102	$106	$98
Employee Contributions	132	177	163
Major Component Units:			
Ohio State University:			
Employer Contributions	3,679	3,290	3,155
Employee Contributions	4,168	3,785	3,633
University of Cincinnati:			
Employer Contributions	993	926	885
Employee Contributions	1,222	1,158	1,107

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, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org .

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 2010 (the most recent information available), net assets available for future healthcare benefits were $2.8 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):

	2011	2010	2009
Primary Government.......................	$505	$623	$577
Major Component Units:			
Ohio State University...................	3,188	3,075	2,950
University of Cincinnati................	1,200	1,175	1,124

The number of eligible benefit recipients for STRS as a whole was 150,480, as of June 30, 2010 (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, 2011, 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 provide a post-employment healthcare plan, which is considered to be an other post-employment benefit.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. 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, 2010, were 26.5 percent and ten percent, respectively.

During calendar year 2010, all of the employees' contributions funded pension benefits while 23 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

The State's annual pension cost and net pension obligation to SHPRS for the current year were as follows (dollars in thousands):

Annual Required Contribution (ARC)	$22,872
Interest on Net Pension Obligation	206
Adjustment to ARC	(146)
Annual Pension Cost	22,932
Contributions Made	(21,212)
Increase (Decrease) in Net Pension Obligation	1,720
Net Pension Obligation, Beginning of Year	2,579
Net Pension Obligation, End of Year	$4,299

The State's annual pension cost, percentage of annual pension cost contributed, and net pension obligation for the last three calendar years, were as follows (dollars in thousands):

For the Year Ended December 31,	Annual Pension Cost	Percentage of Employer's Annual Pension Cost Contributed	Net Pension Obligation
2010	$22,932	92.5%	$4,298
2009	20,048	102.0%	2,578
2008	21,268	95.5%	2,985

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of December 31, 2010, the most recent actuarial valuation date, the plan was 62 percent funded. The actuarial accrued liability was $1.02 billion, and the actuarial value of assets was $631 million, resulting in an unfunded actuarial accrued liability (UAAL) of $386.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $94.8 million, and the ratio of the UAAL to the covered payroll was 408.2 percent.

The Schedule of Funding Progress for Pension Benefits, displayed in the following table, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

SHPRS Schedule of Funding Progress Last Three Calendar Years-Pension
(dollars in thousands)

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
2010	$1,017,770	$630,971	$386,799	62.0%	$94,768	408.2%
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%

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2010. 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 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.

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.

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 a historical pattern of cost-sharing between the plan and benefit recipients.

During calendar year 2010, 3.5 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 number of active contributing plan participants, as of December 31, 2010, was 1,537.

The State's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The components of the State's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the State's net OPEB obligation to SHPRS were as follows (dollars in thousands):

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual Required Contribution (ARC)	$16,365
Interest on Net OPEB Obligation	2,745
Adjustment to ARC	(3,718)
Annual OPEB Cost	15,392
Contributions Made	(3,700)
Increase (Decrease) in Net OPEB Obligation	11,692
Net OPEB Obligation, Beginning of Year	54,901
Net OPEB Obligation, End of Year	$66,593

The State's annual OPEB cost, percentage of annual OPEB cost contributed, and net OPEB obligation for the last three calendar years, were as follows (dollars in thousands):

For the Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$15,392	24.0%	$66,593
2009	19,081	24.8%	54,900
2008	18,872	25.1%	40,550

As of December 31, 2010, the most recent actuarial valuation, the plan was 25.7 percent funded. The actuarial accrued liability was $406.9 million, and the actuarial value of assets was $104.7 million, resulting in an unfunded actuarial liability (UAAL) of $302.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $94.8 million, and the ratio of the UAAL to the covered payroll was 318.8 percent.

The Schedule of Funding Progress for OPEB, displayed in the following table, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB
(dollars in thousands)

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
2010	$406,864	$104,738	$302,126	25.7%	$94,768	318.8%
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%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarial determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2010, for OPEB. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a five percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from .3 percent to 10 percent a year attributable to seniority and merit; and an annual healthcare cost trend rate of nine percent initially, reduced by decrements to an ultimate rate of four percent by 2021. 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.

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. These contribution rates are ten percent for OPERS and STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2011, each public institution of higher education was required to contribute .8 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, 2011, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2011, for the ARP follow (dollars in thousands):

	OPERS	STRS
Major Component Units:		
Ohio State University:		
Employer Contributions	$22,371	$18,463
Employee Contributions	16,910	17,584
University of Cincinnati:		
Employer Contributions	7,465	4,827
Employee Contributions	6,616	6,130

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 19 constitutional amendments (the last adopted May 2010 for research and development programs in support of Ohio industry, commerce, and business), 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, 2011, 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, 2011, the General Assembly had also authorized the issuance of $2.61 billion in Higher Education Capital Facilities Bonds, of which $2.3 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, 2011, the General Assembly has authorized the issuance of approximately $2.77 billion in Highway Capital Improvements Bonds, of which $2.29 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, 2011, the General Assembly had authorized $3.15 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $2.88 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, 2011, the General Assembly had authorized the issuance of $231 million in Coal Research and Development Bonds, of which $198 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $350 million, as of June 30, 2011, of which $325 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to $400 million. No more than $50 million may be issued during a fiscal year. As of June 30, 2011, the General Assembly had authorized the issuance of approximately $300 million in Conservation Projects Bonds of which all $300 million had been issued.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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, 2011, the General Assembly had authorized the issuance of $450 million in Third Frontier Research and Development Bonds, of which $381 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, beginning with fiscal year 2006, 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, 2011, of which $115 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, 2011, the General Assembly had authorized all $200 million in Veterans' Compensation Bonds, of which $50 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2011, 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, 2011. 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, 2011
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2002-11	1.8%-5.5%	2027	$2,669,081	$580,000
Higher Education Capital Facilities	2002-11	1.4%-5.5%	2031	1,825,394	313,000
Highw ay Capital Improvements	2003-11	2.0%-5.3%	2025	780,497	482,000
Infrastructure Improvements	1992-11	1.8%-6.1%	2031	1,724,859	270,014
Coal Research and Development	2002-10	2.0%-4.3%	2020	22,505	33,000
Natural Resources Capital Facilities	2002-10	2.0%-5.0%	2024	133,048	25,000
Conservation Projects	2002-11	2.0%-5.3%	2026	237,127	-
Third Frontier Research and Development	2007-11	.7%-5.5%	2021	326,696	69,300
Site Development	2007-11	2.0%-5.3%	2021	103,069	35,000
Veterans' Compensation	2011	1.0%-5.0%	2025	50,000	150,000
Total General Obligation Bonds				$7,872,276	$1,957,314

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2012	$538,770	$321,279	$860,049
2013	577,930	291,244	869,174
2014	583,150	265,416	848,566
2015	546,020	239,306	785,326
2016	523,330	215,013	738,343
2017-2021	2,439,255	745,821	3,185,076
2022-2026	1,483,825	246,177	1,730,002
2027-2031	324,425	36,513	360,938
Total Current Interest and Capital Appreciation Bonds	$7,016,705	$2,360,769	$9,377,474

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2012	$19,230	$11,048	$11,199	$41,477
2013	18,125	10,633	10,947	39,705
2014	36,045	10,122	10,688	56,855
2015	51,895	9,086	10,270	71,251
2016	62,410	7,767	9,682	79,859
2017-2021	283,155	20,773	36,330	340,258
2022-2026	179,855	5,403	9,041	194,299
Total Variable-Rate Bonds	$650,715	$74,832	$98,157	$823,704

Total General Obligation Bonds	$7,667,420
Unamortized Premium/(Discount), Net	323,301
Deferred Refunding Loss	(118,445)
Total	$7,872,276

For the year ended June 30, 2011, NOTE 15 summarizes changes in general obligation bonds.

Hedging Derivatives

As of June 30, 2011, approximately $345.9 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($36.7) 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 increased $6.1 million during fiscal year 2011. This increase 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.

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

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives
As of June 30, 2011
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2011	State's Swap Rate at 06/30/2011	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	$63,900	SIFMA Index	0.09%	4.63%	11/29/2001	8/1/2021
Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
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)	0.37%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: A2/A Morgan Stanley Capital Services							
Terms: 63% of LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate swap	$67,000	LIBOR (see terms below)	0.37%	3.41%	9/14/2007	3/15/2024
Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
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	$79,840	LIBOR (see terms below)	0.37%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: 50% Aa3/A+ UBS AG; 50% Aa1/AA- Royal Bank of Canada							
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate swap	$79,840	LIBOR (see terms below)	0.37%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: 50% Aa3/A+ UBS AG; 50% Aa1/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, 2011. 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.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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

The 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 between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch would increase or decrease the interest cost paid by the State.

For Infrastructure Improvement, Series 2001B, the SIFMA municipal swap index has proven to be an effective 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 may be liable to the counterparty for a payment. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No termination events have occurred.

Advance Refundings

During fiscal year 2011, there were five advance refundings of general obligations bonds. 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, 2011, the balances in these trusts for bonds defeased in prior years were $109.2 million for Infrastructure Improvement Bonds, $9.5 million for Natural Resources Bonds, $511 million for Common Schools Bonds, $39.9 million for Conservation Bonds, and $380.6 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, 2011
(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 2010C...	10/8/2010	$98,560	2.53%	$103,210	$114,143	$12,675/13 yrs	$10,789
Common Schools, Series 2010C...	10/8/2010	129,340	2.64%	141,335	150,986	16,658/13 yrs	14,474
Infrastructure, Series 2010D........	10/8/2010	14,950	2.23%	14,185	15,734	1,466/11 yrs	1,207
Conservation, Series 2010A.........	10/8/2010	26,120	2.08%	25,440	28,206	2,320/10 yrs	1,860
Highway Capital, Series P.............	10/20/2010	32,610	1.29%	32,000	35,639	428/ 4 yrs	422
Total		$301,580		$316,170	$344,708		$28,752

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 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 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 $929.6 million. During fiscal year 2011, pledged net revenues were $226 million. Principal and interest requirements for fiscal year 2011 totaled $56.4 million.

Since fiscal year 1998, the Treasurer of State has issued a total of $1.75 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2022 are estimated at approximately $1.28 billion. For fiscal year 2011, principal and interest payments on the revenue bonds was $154.5 million and pledged receipts was $147 million.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2011, the total principal and interest payments remaining to be paid on the bonds were $18.38 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2011 were $300 million and $292 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 $51.6 million. For fiscal year 2011, both the total lease rental payments and the principal and interest payments on the revenue bonds were $19 million.

Revenue bonds outstanding for the primary government, as of June 30, 2011, are presented below.

Primary Government
Summary of Revenue Bonds
As of June 30, 2011
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	2004-11	.4%-7.7%	2030	$476,788
Revitalization Project	2003-11	.4%-5.9%	2026	207,900
State Infrastructure Bank	2006-11	2.3%-6.0%	2022	1,008,026
Buckeye Tobacco Settlement Financing Authority	2008	4.4%-7.5%	2052	5,463,311
Total Governmental Activities				7,156,025
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	47,889
Total Business-Type Activities				47,889
Total Revenue Bonds				$7,203,914

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2011, are presented on the following page.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Primary Government
Future Funding Requirements for Revenue Bonds
As of June 30, 2011
(dollars in thousands)

	Governmental Activities			Business-Type Activities		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2012	$277,365	$356,823	$634,188	$15,890	$2,326	$18,216
2013	203,660	342,823	546,483	15,915	1,543	17,458
2014	213,695	333,061	546,756	15,200	751	15,951
2015	221,745	322,944	544,689	-	-	-
2016	222,865	312,004	534,869	-	-	-
2017-2021	1,106,170	1,395,108	2,501,278	-	-	-
2022-2026	769,350	1,135,612	1,904,962	-	-	-
2027-2031	613,370	943,887	1,557,257	-	-	-
2032-2036	391,165	771,038	1,162,203	-	-	-
2037-2041	1,104,853	691,899	1,796,752	-	-	-
2042-2046	1,308,830	346,402	1,655,232	-	-	-
2047-2051	559,661	2,979,086	3,538,747	-	-	-
2052	166,969	3,250,331	3,417,300	-	-	-
	7,159,698	13,181,018	20,340,716	47,005	4,620	51,625
Unamortized						
Premium/(Discount), Net	1,346	-	1,346	1,181	-	1,181
Deferred Refunding Loss	(5,019)	-	(5,019)	(297)	-	(297)
Total	$7,156,025	$13,181,018	$20,337,043	$47,889	$4,620	$52,509

	Total		
Year Ending June 30,	Principal	Interest	Total
2012	$293,255	$359,149	$652,404
2013	219,575	344,366	563,941
2014	228,895	333,812	562,707
2015	221,745	322,944	544,689
2016	222,865	312,004	534,869
2017-2021	1,106,170	1,395,108	2,501,278
2022-2026	769,350	1,135,612	1,904,962
2027-2031	613,370	943,887	1,557,257
2032-2036	391,165	771,038	1,162,203
2037-2041	1,104,853	691,899	1,796,752
2042-2046	1,308,830	346,402	1,655,232
2047-2051	559,661	2,979,086	3,538,747
2052	166,969	3,250,331	3,417,300
	7,206,703	13,185,638	20,392,341
Unamortized			
Premium/(Discount), Net	2,527	-	2,527
Deferred Refunding Loss	(5,316)	-	(5,316)
Total	$7,203,914	$13,185,638	$20,389,552

For the year ended June 30, 2011, NOTE 15 summarizes changes in revenue bonds.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2010, approximately $1.98 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, 2010, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2011	$115,210	$90,386	$205,596
2012	95,725	85,440	181,165
2013	101,935	80,974	182,909
2014	110,835	76,059	186,894
2015	114,835	70,814	185,649
2016-2020	611,885	269,524	881,409
2021-2025	390,745	145,221	535,966
2026-2030	296,550	51,704	348,254
2031-2035	77,070	7,197	84,267
	1,914,790	877,319	2,792,109
Unamortized			
Premium/(Discount), Net	107,859	-	107,859
Deferred Refunding Loss	(46,288)	-	(46,288)
Total	$1,976,361	$877,319	$2,853,680

Generally, bonds and notes issued by the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program Bonds, the State is not obligated in any manner for the debt of its component units.

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2011, are shown on the following page.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Major Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2011
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/2010) Principal	Interest	Total	Ohio State University Principal	Interest	Total
2011	$179,395	$139,142	$318,537			
2012	188,750	131,385	320,135	$537,671	$47,920	$585,591
2013	200,130	123,694	323,824	77,333	44,024	121,357
2014	197,490	115,552	313,042	57,649	41,938	99,587
2015	202,410	107,412	309,822	59,899	40,501	100,400
2016	-	-	-	60,029	39,132	99,161
2016-2020	923,330	410,326	1,333,656	-	-	-
2017-2021	-	-	-	245,064	179,981	425,045
2021-2025	585,350	225,194	810,544	-	-	-
2022-2026	-	-	-	147,604	147,901	295,505
2026-2030	418,875	93,493	512,368	-	-	-
2027-2031	-	-	-	91,265	118,617	209,882
2031-2035	137,475	25,380	162,855	-	-	-
2032-2036	-	-	-	17,200	105,633	122,833
2036-2040	34,660	4,709	39,369	-	-	-
2037-2041	-	-	-	665,160	83,590	748,750
2041-2045	3,175	135	3,310	-	-	-
	3,071,040	1,376,422	4,447,462	1,958,874	849,237	2,808,111
Unamortized Premium/(Discount), Net	148,843	-	148,843	59,830	-	59,830
Deferred Refunding Loss	(82,566)	-	(82,566)	-	-	-
Total	$3,137,317	$1,376,422	$4,513,739	$2,018,704	$849,237	$2,867,941

Year Ending December 31 or June 30,	University of Cincinnati Principal	Interest	Total
2011			
2012	$107,014	$50,638	$157,652
2013	41,293	48,194	89,487
2014	48,325	46,458	94,783
2015	57,600	44,271	101,871
2016	47,708	41,725	89,433
2016-2020	-	-	-
2017-2021	269,106	171,300	440,406
2021-2025	-	-	-
2022-2026	235,315	106,859	342,174
2026-2030	-	-	-
2027-2031	161,530	57,017	218,547
2031-2035	-	-	-
2032-2036	76,735	24,091	100,826
2036-2040	-	-	-
2037-2041	39,465	4,980	44,445
2041-2045	-	-	-
	1,084,091	595,533	1,679,624
Unamortized Premium/(Discount), Net	12,802	-	12,802
Deferred Refunding Loss	-	-	-
Total	$1,096,893	$595,533	$1,692,426

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, 2011, are presented in the following table.

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2011
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Ohio Building Authority	1999-11	2.0%-6.1%	2031	$1,607,696	$145,915
Treasurer of State Chapter 154 Bonds	2001-11	2.6%-4.8%	2026	653,157	160,225
Total Special Obligation Bonds				$2,260,853	$306,140

Future special obligation debt service requirements, as of June 30, 2011, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2012	$305,760	$97,972	$403,732
2013	260,945	84,294	345,239
2014	220,925	73,155	294,080
2015	212,205	63,323	275,528
2016	192,215	54,212	246,427
2017-2021	673,105	157,349	830,454
2022-2026	284,620	42,939	327,559
2027-2031	47,905	5,422	53,327
	2,197,680	578,666	2,776,346
Unamortized			
Premium/(Discount), Net	100,271	-	100,271
Deferred Refunding Loss	(37,098)	-	(37,098)
Total	$2,260,853	$578,666	$2,839,519

For the year ended June 30, 2011, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2011, OBA had three current/advance 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.

Details on the advanced refunding for fiscal year 2011 are presented in the table on the following page.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2011
(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
Ohio Building Authority:							
Administrative Building 2010 Series C.....	8/31/2010	$148,865	2.75%	$160,515	$170,923	(10,095)/15 yrs	$4,712
Adult Correctional 2010 Series A............	8/31/2010	79,325	2.84%	86,136	89,294	(15,022)/15 yrs	1,056
Juvenile Correctional 2010 Series B.......	8/31/2010	15,005	2.94%	16,018	16,297	(4,272)/15 yrs	(91)
Total		$243,195		$262,669	$276,514		$5,677

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, 2011, $126 million and $32 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, 2011, approximately $179.9 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of $8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. 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 the 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 System (STARS).

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund, the OAKS Certificates of Participation Debt Service Fund, the STARS Certificates of Participation Debt Service Fund and the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2011, are presented in the following table.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2011
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project	1992	6.5%	2012	$1,435
Department of Administrative Services:				
Ohio Administrative Knowledge System (OAKS)	2005-09	2.5%-5.3%	2019	144,746
State Taxation Accounting and Revenue System (STARS)	2008	3.5%-5.0%	2019	33,754
Total Certificates of Participation				$179,935

As of June 30, 2011, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending June	Principal	Interest	Total
2012	$22,180	$7,323	$29,503
2013	21,610	6,357	27,967
2014	22,530	5,431	27,961
2015	23,540	4,401	27,941
2016	24,645	3,289	27,934
2017-2019	61,370	3,642	65,012
	175,875	30,443	206,318
Unamortized Premium, Net	4,060	-	4,060
Total	$179,935	$30,443	$210,378

For the year ended June 30, 2011, NOTE 15 summarizes changes in COP obligations.

B. Component Units

For the State's component units, approximately $3.8 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, 2011, 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, 2011
(dollars in thousands)

	Ohio State University		
Year Ending	Principal	Interest	Total
2012	$465	$180	$645
2013	490	156	646
2014	515	131	646
2015	540	104	644
2016	570	76	646
2017-2021	1,220	62	1,282
Total	$3,800	$709	$4,509

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2011, 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	$464,077
Net Pension Obligation	4,299
Net OPEB Obligation	66,593
Capital Leases Payable	6,530
Derivatives	53,119
Pollution Remediation Liabilities	4,851
Estimated Claims Payable	10,385
Liability for Escheat Property	219,770
Total Governmental Activities	829,624
Business-Type Activities:	
Compensated Absences	42,948
Capital Leases Payable	58,007
Workers' Compensation:	
Benefits Payable	18,012,600
Other	2,037,665
Unemployment Compensation:	
Intergovernmental Payable	2,314,187
Deferred Prize Awards Payable	643,074
Tuition Benefits Payable	592,599
Total Business-Type Activities	23,701,080
Total Primary Government	$24,530,704

For the year ended June 30, 2011, 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, 2011, was $507 million, of which $464.1 million is allocable to governmental activities and $42.9 million is allocable to business-type activities.

As of June 30, 2011, discretely presented major component units reported a total of $186.7 million in compensated absences liabilities, as detailed by major component unit in NOTE 15.

B. Net Pension Obligation and Net OPEB Obligation

The State recognizes a net pension obligation and a net OPEB obligation in the amount of $4.3 million and $66.6 million, respectively, as of June 30, 2011. The net pension obligation represents the cumulative difference between the annual pension cost and the employer's contributions to the State Highway Patrol Retirement System (SHPRS). The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the employer's contributions to the SHPRS. The SHPRS is a blended component unit reported as a fiduciary pension trust fund. See NOTE 9 for further details.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

C. 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.

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 2011 were approximately $77.8 million. Fiscal year 2012 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2011, were $3.7 million.

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. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2011, are below (dollars in thousands):

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2012	$ 2,656	$ 18,814	$ 21,470
2013	2,432	18,813	21,245
2014	1,326	25,286	26,612
2015	537	-	537
2016	69	-	69
2017-2021	8	-	8
Total Minimum Lease Payments	7,028	62,913	69,941
Amount for Interest	(498)	(4,906)	(5,404)
Present Value of Net Minimum Lease Payments	$ 6,530	$ 58,007	$ 64,537

As of June 30, 2011, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	$16,380	$88,038	$104,418
Vehicles	2,649	-	$2,649
Total	$19,029	$88,038	$107,067

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.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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, 2011, are presented in the table below (dollars in thousands):

Major Component Units		
Capital Leases		
Year Ending June 30,	Ohio State University	University of Cincinnati
2012	$ 5,168	$ 11,657
2013	4,181	10,515
2014	2,062	10,687
2015	355	10,293
2016	158	10,952
2017-2021	-	41,241
2022-2026	-	36,037
2027-2031	-	23,652
2032-2036	-	6,959
Total Minimum Lease Payments	11,924	161,993
Amount for Interest	(715)	(55,493)
Present Value of Net Minimum Lease Payments	$ 11,209	$ 106,500
Equipment & Vehicles	$ 43,012	$ 3,226
Buildings	-	183,618
Total	$ 43,012	$ 186,844

D. Derivatives

For governmental activities, the State has reported ($53.1) million of investment and hedging derivatives as of June 30, 2011. Additional information regarding the State's derivatives is included in NOTE 4 and NOTE 10.

As of June 30, 2011, the discretely presented major component units reported a total of ($3.9) million of investment derivatives. Additional information regarding the major component units' derivatives is included in NOTE 4.

E. 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, 2011, no liabilities ultimately payable from various governmental funds have been recorded for this purpose. For information on the State's loss contingencies arising from pending litigation, see NOTE 19.

F. Pollution Remediation Liabilities

The State recognizes a liability for pollution remediation in the amount $4.9 million, as of June 30, 2011. 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.

G. Estimated Claims Payable

For governmental activities, the State recognized $7.1 million in estimated claims liabilities, as of June 30, 2011, for damaged state vehicles covered under the State's self-insured program, which was established in the General Fund for this purpose at the Department of Administrative Services.

Additionally, the State reported $3.3 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Department of Development, as of June 30, 2011. The program is included in governmental activities and is accounted for in the Community and Economic Development Special Revenue Fund.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

H. Liability for Escheat Property
The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2011, the liability totaled approximately $219.8 million.

I. 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, 2011, in the amount of approximately $18.01 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.

J. Unemployment Compensation
As of June 30, 2011, the State's Unemployment Compensation Fund is recognizing an intergovernmental payable liability for repayable advances from the Federal government of $2.31 billion. These advances were used for the payment of compensation benefits.

K. 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 three to nine percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. The State reduces prize liabilities by an estimate of the amount of the prize that will ultimately be unclaimed. As of June 30, 2011, this payable totals $643.1 million.

Future payments of prize awards, stated at present value, as of June 30, 2011, follow (dollars in thousands):

Year Ending June 30,	
2012	$ 78,102
2013	77,017
2014	76,926
2015	76,789
2016	76,765
2017-2021	277,587
2022-2026	129,778
2027-2031	65,682
2032-2036	21,857
2037-2041	1,493
	881,996
Unamortized Discount	(238,922)
Net Prize Liability	$643,074

L. Tuition Benefits Payable
The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $592.6 million, as of June 30, 2011. 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.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

The following assumptions were used in the actuarial determination of tuition benefits payable: 5.5 percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of 3.5 percent in the first year and seven percent thereafter, as well as a 2.5 percent Consumer Price Index inflation rate. The effect of changes due to experience and actuarial assumption changes follow (dollars in millions):

Actuarial Deficit, as of June 30, 2010	$	(70.8)
Adjustment to Beginning of Year's Assets		1.7
Interest on the Deficit at 6.5 Percent		(4.5)
Investment Gain		52.3
Lower actual 2011-2012 tuition than assumed		20.3
Change in Assumption for Future Tuition Growth		16.3
Interest Gain on Late Tuition Payouts		0.6
Change in the investment return assumption		(26.8)
Actuarial Deficit, as of June 30, 2011	$	(10.9)

As of June 30, 2011, the market value of actuarial net assets available for the payment of the tuition benefits payable was $581.7 million.

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $2.04 billion in other noncurrent liabilities, as of June 30, 2011, of which 1.) $1.94 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.) $87.7 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) $12.7 million consists of other miscellaneous liabilities.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2011, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

Governmental Activities:	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$7,343,289	$1,252,246	$723,259	$7,872,276	$557,443
Revenue Bonds (NOTE 11)	6,891,331	435,418	170,724	7,156,025	278,816
Special Obligation Bonds (NOTE 12)	2,338,094	407,046	484,287	2,260,853	313,244
Total Bonds and Notes Payable	16,572,714	2,094,710	1,378,270	17,289,154	1,149,503
Certificates of Participation (NOTE 13)	200,428	7	20,500	179,935	22,255
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	444,775	348,171	328,869	464,077	72,299
Net Pension Obligation	-	25,511	21,212	4,299	-
Net OPEB Obligation	-	70,293	3,700	66,593	-
Capital Leases Payable	8,624	914	3,008	6,530	2,400
Derivatives..	55,784	3,397	6,062	53,119	-
Litigation Liabilities	6,628	-	6,628	-	-
Pollution Remediation Liabilities	5,902	1,818	2,869	4,851	516
Estimated Claims Payable	10,071	2,030	1,716	10,385	2,476
Liability for Escheat Property	194,585	76,817	51,632	219,770	68,094
Total Other Noncurrent Liabilities	726,369	528,951	425,696	829,624	145,785
Total Noncurrent Liabilities	$17,499,511	$2,623,668	$1,824,466	$18,298,713	$1,317,543
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	$64,200	$246	$16,557	$47,889	$15,890
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	42,169	28,009	27,230	42,948	4,796
Capital Leases Payable	66,757	6,944	15,694	58,007	17,590
Workers' Compensation:					
Benefits Payable	17,878,400	2,067,955	1,933,755	18,012,600	1,915,283
Other:					
Adjustment Expenses Liability	1,926,200	171,045	159,945	1,937,300	384,441
Premium Payment Security Deposits ..	87,974	1,093	1,403	87,664	-
Miscellaneous	21,850	22,660	31,809	12,701	12,701
Unemployment Compensation:					
Intergovernmental Payable	2,314,187	-	-	2,314,187	-
Deferred Prize Awards Payable	672,615	48,292	77,833	643,074	45,451
Tuition Benefits Payable	632,900	-	40,301	592,599	81,936
Total Other Noncurrent Liabilities	23,643,052	2,345,998	2,287,970	23,701,080	2,462,198
Total Noncurrent Liabilities	$23,707,252	$2,346,244	$2,304,527	$23,748,969	$2,478,088

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 fund will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

For fiscal year 2011, 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.

	(in 000s)
Governmental Activities:	
Primary, Secondary and Other Education	$577,929
Higher Education Support	264,582
Environmental Protection and Natural Resources	3,058
Transportation	40,529
Community and Economic Development	352,689
Total Interest Expense Charged to Governmental Functions	$1,238,787

B. Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2011 (December 31, 2010 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, 2011
(dollars in thousands)

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
School Facilities Commission:					
Intergovernmental Payable	$1,336,182	$231,769	$820,254	$747,697	$552,999
Compensated Absences*	824	590	501	913	140
Total	$1,337,006	$232,359	$820,755	$748,610	$553,139
Ohio Water Development Authority (12/31/10):					
Revenue Bonds & Notes Payable (NOTE 11)	$2,294,811	$1,341,992	$499,486	$3,137,317	$179,395
Compensated Absences*	202	116	111	207	-
Total	$2,295,013	$1,342,108	$499,597	$3,137,524	$179,395
Ohio State University:					
Compensated Absences*	$108,988	$23,986	$8,287	$124,687	$8,287
Capital Leases Payable* (NOTE 14)	17,419	422	6,632	11,209	4,767
Derivatives*	1,912	-	66	1,846	-
Other Liabilities*	96,983	116,556	-	213,539	3,978
Revenue Bonds & Notes Payable (NOTE 11)	1,382,421	911,699	275,416	2,018,704	537,671
Certificates of Participation (NOTE 13)	4,245	-	445	3,800	465
Total	$1,611,968	$1,052,663	$290,846	$2,373,785	$555,168
University of Cincinnati:					
Compensated Absences*	$58,649	$3,196	$951	$60,894	$38,036
Capital Leases Payable* (NOTE 14)	140,529	-	34,029	106,500	6,322
Derivatives*	2,771	-	709	2,062	-
Other Liabilities*	41,471	86,052	88,546	38,977	1,088
Revenue Bonds & Notes Payable (NOTE 11)	1,032,114	401,490	336,711	1,096,893	109,267
Total	$1,275,534	$490,738	$460,946	$1,305,326	$154,713

*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, 2011 (December 31, 2010 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Ohio Department of Development:	
Ohio Enterprise Bond Program	$218,995
Hospital Facilities Bonds	6,745
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program	20,680
Total Primary Government	$246,420
Component Units (12/31/10):	
Ohio Water Development Authority	$2,217,275
Ohio Air Quality Development Authority	2,400,000
Total Component Units	$4,617,275

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING

A. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2011 (dollars in thousands):

Primary Government:	
Major Proprietary Funds:	
Unemployment Compensation	($1,926,737)
Component Units:	
Major Component Units:	
School Facilities Commission Fund	($4,170,889)
Nonmajor Component Units:	
Ohio Capital Fund	(43,715)
Total Component Units	($4,214,604)

The Unemployment Compensation Fund deficit disclosed above is due to an unusually high level of benefit claims and a reduction in State revenues as a result of current economic conditions. Federal loans have been required to maintain current benefit levels.

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.

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

B. Fund Balance Reporting-Constraints by Purpose

Fund balance constraints reported in the governmental funds, as of June 30, 2011, are presented by purpose in the following table:

Primary Government
Fund Balance Constraints by Purpose
(dollars in thousands)

	Major Funds				
	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Fund Balance:					
Nonspendable					
Inventories	$ 32,886	$ -	$ -	$ 57,972	$ 90,858
Noncurrent Portion of Loans Receivable	3,338	-	-	-	3,338
Prepaids	16,163	2,270	-	8,960	27,393
Advances to Local Government	12,693	30,604	-	-	43,297
Total nonspendable	65,080	32,874	-	66,932	164,886
Restricted					
Primary, Secondary and Other Education	1,043	60	-	71,562	72,665
Public Assistance and Medicaid	-	283,437	-	-	283,437
Health and Human Services	-	2,537	-	87,953	90,490
Justice and Public Protection	889	763	-	108,770	110,422
Environmental Protection and Natural Resources	12,721	-	-	90,533	103,254
Transportation	-	-	-	1,163,645	1,163,645
General Government	8,633	28,823	-	14,348	51,804
Community and Economic Development	1,055,366	59	-	238,646	1,294,071
Capital Outlay	-	-	-	490,807	490,807
Debt Service	-	-	5,218,413	77,522	5,295,935
Total Restricted	1,078,652	315,679	5,218,413	2,343,786	8,956,530
Committed					
Primary, Secondary and Other Education	-	-	-	20,497	20,497
Higher Education Support	-	-	-	29	29
Public Assistance and Medicaid	-	52,719	-	-	52,719
Health and Human Services	4,434	6,635	-	14,354	25,423
Justice and Public Protection	817	5,063	-	118,612	124,492
Environmental Protection and Natural Resources	-	-	-	174,892	174,892
Transportation	-	-	-	988	988
General Government	10,211	7,509	-	55,442	73,162
Community and Economic Development	655,748	-	-	65,175	720,923
Total Committed	671,210	71,926	-	449,989	1,193,125
Assigned					
Primary, Secondary and Other Education	55,455	-	-	-	55,455
Public Assistance and Medicaid	289,172	-	-	-	289,172
Health and Human Services	61,304	-	-	-	61,304
Justice and Public Protection	113,665	-	-	-	113,665
Environmental Protection and Natural Resources	13,860	-	-	-	13,860
General Government	1,003,259	-	-	-	1,003,259
Community and Economic Development	79,980	-	-	-	79,980
Total Assigned	1,616,695	-	-	-	1,616,695
Unassigned	(1,208,029)	-	-	(25)	(1,208,054)
Total Fund Balance	$ 2,223,608	$ 420,479	$ 5,218,413	$ 2,860,682	$10,723,182

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately $187 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2010 (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, 2010, was as follows (dollars in thousands):

Cash and Investments	$113,310
Other Assets	269
Total Assets	$113,579
Total Liabilities	$1,644
Total Net Assets	111,935
Total Liabilities and Net Assets	$113,579
Total Revenues and Other Additions......	$11,403
Total Expenditures	(4,299)
Net Increase in Net Assets	$7,104

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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 which 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 the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2011 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	$61,610	$16,049	$77,659
Eastern	5,176	1,076	6,252
Lakeland	20,037	1,225	21,262
Lorain County	27,224	409	27,633
Rio Grande	5,533	200	5,733
Sinclair	52,803	780	53,583
Total Local Community Colleges	172,383	19,739	192,122
Technical Colleges:			
Belmont	6,442	42	6,484
Central Ohio	11,318	860	12,178
Hocking	15,952	2,217	18,169
James A. Rhodes	10,791	1,438	12,229
Marion	6,364	1,928	8,292
Zane	6,689	83	6,772
North Central	8,049	1,703	9,752
Stark	25,278	4,843	30,121
Total Technical Colleges	90,883	13,114	103,997
Total	$263,266	$32,853	$296,119

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.

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

B. Related Organizations
Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the 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 2011, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $195.2 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 General 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, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.

- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately $4.4 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 Commerce, the Department of Transportation, and the Bureau of Workers' Compensation is discussed below.

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 was appealed to the Tenth District Court of Appeals, which reversed the decision in part. The plaintiff-class unsuccessfully sought a discretionary appeal in the Ohio Supreme Court. The trial court ordered Commerce to calculate its liability and share that information with the plaintiff-class counsel. A trial is scheduled for December 22, 2011. 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.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Department of Transportation

In litigation between plaintiff Ohio Department of Transportation and Norfolk Southern Railway, the plaintiff sought partial acquisition of property from a larger parcel owned by Norfolk Southern Railway in connection with construction of a new bridge on Interstate 90 in Cleveland. An agreement for the plaintiff to purchase the entire parcel of land for a total of $29.8 million was reached on June 6, 2011. All money had been paid either through the Cuyahoga County Probate Court or directly to the defendant by September 30, 2011, and the final settlement entry was journalized on October 6, 2011.

At June 30, 2011, $26.8 million remains payable to the defendant as a result of this case. A liability of $26.8 million has been included as "Refund and Other Liabilities" for the nonmajor governmental funds in the governmental funds Balance Sheet and for governmental activities in the government-wide Statement of Net Assets.

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 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. Oral arguments on BWC's appeal of the class certification were held on February 16, 2011. On April 7, 2011, the court issued its written decision affirming the trial court's decision to grant class certification and remanding the case to trial court. The parties will litigate the merits and the question of damages in the trial court. There is a second case with virtually identical claims that was consolidated with this case but was recently voluntarily dismissed by plaintiff. The ultimate outcome of the litigation cannot presently be determined.

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 2010 State of Ohio Single Audit (issued in March 2011), $105 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. The State has requested a consideration for reversal of the questioned costs from the federal government. 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, 2011.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

C. Loan Commitments

As of June 30, 2011, commitments to finance program loans from the primary government's budgeted General Fund are detailed below (dollars in thousands):

General Fund	
Ohio Public Works Commission:	
State Capital Improvements Loans	$73,201
Revolving Loans	65,161
Total	$138,362

As of December 31, 2010, loan commitments for the Ohio Water Development Authority, a discretely presented major component unit, were as follows (dollars in thousands):

Water Pollution Control Loan ...	$749,455
Fresh Water	128,448
Drinking Water Assistance	46,423
Community Assistance	8,066
Rural Utility Services	10,373
Other Projects	11,947
Total	$954,712

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, 2011, the Ohio Department of Transportation had total contractual commitments of approximately $2.5 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 $1.69 billion, $344.8 million, $411 million and $58.4 million, respectively.

As of June 30, 2011, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

Primary Government	
Mental Health/Developmental Disabilities	
Facilities Improvements	$37,579
Parks and Recreation Improvements	10,767
Administrative Services	
Building Improvements	15,313
Youth Services Building Improvements	12,644
Adult Correctional Building Improvements	19,938
Highway Safety Building Improvements	180
Ohio Parks and Natural Resources	9,417
Total	$105,838
Major Component Units	
Ohio State University	$884,160
University of Cincinnati	283,651

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

E. Tobacco Settlement

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state healthcare expenses attributed to smoking–related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

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

While BTSFA's share of the total base payments to the states through 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 2011, Ohio received $289.3 million, which is approximately $89.7 million or 23.7 percent less than the pre-adjusted base payment for the year.

As of June 30, 2011, the estimated tobacco settlement receivable in the amount of $356.9 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $105.7 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, BTFSA may not have adequate financial resources to make payment on the bonds.

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

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments from the Strategic Contribution Fund	Total
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...............	376,306	24,791	401,097
2017-2021.......	2,136,348	25,096	2,161,444
2022-2026.......	2,316,649	—	2,316,649
2027-2031.......	2,472,971	—	2,472,971
2032-2036.......	2,640,790	—	2,640,790
2037-2041.......	2,812,833	—	2,812,833
2042-2046.......	2,993,720	—	2,993,720
2047-2051.......	3,187,256	—	3,187,256
2052...............	662,283	—	662,283
Total	$21,062,064	$146,263	$21,208,327

F. Pollution Remediation Activities

During fiscal year 2011, the State was 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 $1.1 million. Cost was estimated by the EPA site coordinator using actual invoices to date.
- As a result of the imminent danger to public health, EPA's director agreed to a cleanup order of the contaminated groundwater for the Village of McConnelsville. The State was also named as an actual or potential responsible party in a lawsuit. At the conclusion of the investigation, the State has obligated itself in some fashion to perform or assist in the remediation. The limit of the State's liability is equal to the $812 thousand that the State collected from a bankruptcy settlement.
- 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 these landfill sites across the State. As of June 30, 2011, the estimated cost of remediation activities currently in progress and additional planned activities is approximately $165 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 pollution monitoring and maintenance activities at the closed Cowan Lake S. P. Wood Treatment Plant at an estimated cost of $326 thousand. DNR estimated the cost using previous invoices to date and projecting the costs over the remaining 19 year commitment to test the site for contamination.

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

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 five of the sites is the result of underground storage tank leaks.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Another two sites have 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 $2.6 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liabilities described above are reported as “Refund and Other Liabilities,” “Other Noncurrent Liabilities-Due in One Year,” and “Other Noncurrent Liabilities-Due in More Than One Year” for governmental activities in the government-wide Statement of Net Assets. The reported liabilities for 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, 2011, no capital assets were created nor reported as a result of any pollution remediation process.

G. Encumbrances
At June 30, 2011, the State has significant encumbrances of $241.7 million in the General Fund, $1.21 billion in the Job, Family and Other Human Services Special Revenue Fund, and $4.1 billion in the nonmajor governmental funds.

NOTE 20 RISK FINANCING

A. Workers’ Compensation Benefits
The Ohio Workers’ Compensation System, which the Ohio Bureau of Workers’ Compensation and the Industrial Commission of Ohio 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.

“Benefits Payable” of $18.01 billion is reported in the Workers’ Compensation Enterprise Fund (Fund) as of June 30, 2011. This amount represents 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 $1.94 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 Bureau of Workers’ Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at four 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 $32.5 billion, as of June 30, 2011, and $32.2 billion, as of June 30, 2010. For additional information, refer to the Fund’s separate audited financial report, for the fiscal year ended June 30, 2011.

NOTE 20 RISK FINANCING (Continued)

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

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

	Fiscal Year 2011	Fiscal Year 2010
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$19,804	$19,246
Incurred Compensation and Compensation Adjustment Benefits.......................	2,239	2,737
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(2,093)	(2,179)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$19,950	$19,804

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

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

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

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

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plans' actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

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

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

NOTE 20 RISK FINANCING (Continued)

As of June 30, 2011, approximately $124.8 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 2011	Fiscal Year 2010
Claims Liabilities, as of July 1	$ 33,046	$ 31,214
Incurred Claims	258,766	243,438
Claims Payments	(257,206)	(241,606)
Claims Liabilities, as of June 30	$ 34,606	$ 33,046

As of June 30, 2011, the resources on deposit in the Agency Fund for the Ohio Med Health Plan exceeded the estimated claims liability by approximately $90.2 million, thereby resulting in a funding surplus. Eighty-five percent or $76.7 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, 2011, 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 two fiscal years were as follows (dollars in thousands):

United Healthcare Plan	Fiscal Year 2011	Fiscal Year 2010
Claims Liabilities, as of July 1	$ 8,582	$ 7,887
Incurred Claims	68,521	69,200
Claims Payments	(68,680)	(68,505)
Claims Liabilities, as of June 30	$ 8,423	$ 8,582

As of June 30, 2011, the estimated claims liability exceeded resources on deposit in the Agency Fund for the United Healthcare Plan by approximately $63.5 million, thereby resulting in a funding deficit. Eighty-five percent or $54 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, 2011, approximately $27.6 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 two fiscal years were as follows (dollars in thousands):

Aetna Plan	Fiscal Year 2011	Fiscal Year 2010
Claims Liabilities, as of July 1	$ 10,129	$ 12,729
Incurred Claims	71,777	75,350
Claims Payments	(73,482)	(77,950)
Claims Liabilities, as of June 30	$ 8,424	$ 10,129

NOTE 20 RISK FINANCING (Continued)

As of June 30, 2011, the resources on deposit in the Agency Fund for the Aetna Plan exceeded the estimated claims liability by approximately $19.1 million, thereby resulting in a funding surplus. Eighty-five percent or $16.3 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, 2011 (December 31, 2010, for the Ohio Water Development Authority), the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2011
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission-General Obligation Bonds:			
Common Schools Capital Facilities, Refunding Series 2011A	07/19/11	2.79%	$211,530
Higher Education Capital Facilities, Refunding Series 2011A	07/19/11	2.97%	127,765
Infrastructure Improvements, Refunding Series 2011B	07/19/11	2.92%	114,285
Natural Resources, Refunding Series P	07/19/11	2.50%	35,195
Veterans Compensation-Taxable, Series 2011	08/09/11	2.78%	15,910
Common Schools Capital Facilities, Series 2011B	09/21/11	3.32%	300,000
Common Schools Capital Facilities, Refunding Series 2011C	11/14/11	2.82%	63,000
Higher Education Capital Facilities, Refunding Series 2011B	11/14/11	2.83%	28,765
Infrastructure Improvements, Refunding Series 2011C	11/14/11	2.87%	18,320
Third Frontier, Series 2012A	01/10/12	1.64%	80,000
Coal Development, Series L	01/10/12	1.81%	12,000
Common Schools Capital Facilities, Refunding Series 2012A	01/10/12	1.90%	117,420
Total General Obligation Bonds			1,124,190
Ohio Building Authority-Special Obligation Bonds			
State Facilities (Administrative Building), Series 2011A	08/24/11	3.03%	38,595
State Facilities (Adult Correctional Facility), Refunding Series 2011B	08/24/11	2.69%	101,530
Juvenile Correctional Facility, Series 2011B	08/24/11	2.91%	9,215
Total Special Obligation Bonds			149,340
Total Primary Government			$1,273,530
Major Component Units:			
Ohio Water Development Authority Debt:			
Community Assistance Revenue Bonds, Refunding Series 2011	06/02/11	3.00% - 5.00%	$25,730
WPCLF Revenue Bonds, Refunding Water Quality Series 2011A	08/23/11	4.00% - 5.00%	101,210
WPCLF Revenue Bonds-Tax Exempt, Refunding WQ Series 2011B-1	12/21/11	3.00% - 5.00%	76,860
WPCLF Revenue Bonds-Taxable, Refunding WQ Series 2011B-2	12/21/11	0.15% - 1.33%	65,575
Total Ohio Water Development Authority			$269,375
The Ohio State University Debt:			
General Receipts Bonds-Taxable, Series 2011A	10/26/11	4.80%	$500,000
Total The Ohio State University			$500,000
University of Cincinnati Debt:			
Bond Anticipation Notes (BANs):			
Bond Anticipation Notes, Series 2011D	07/21/11	2.00%	$15,990
Bond Anticipation Notes, Series 2011F	12/16/11	2.00%	44,110
Total Bond Anticipation Notes			60,100
General Receipts Bonds:			
General Receipts Bonds-Taxable, Refunding Series 2011E	10/06/11	3.00% - 5.00%	29,125
Total General Receipts Bonds			29,125
Total University of Cincinnati			$89,225

NOTE 21 SUBSEQUENT EVENTS (Continued)

B. Department of Natural Resources

In the *Doner v. Zody* case, approximately 84 landowners seek a writ of mandamus ordering the Ohio Department of Natural Resources (DNR) to appropriate their lands which are alleged to have been "taken" as a result of a 1997 change to the spillway at Grand Lake St. Marys in Mercer County. On August 10, 2009, a Motion to Dismiss based on statute of limitations arguments was filed on behalf of defendant, which was denied on September 30, 2009, by the Ohio Supreme Court. At that time, a schedule was set for the submission of briefs and evidence. Oral argument was held on September 20, 2011. On December 1, 2011, the Ohio Supreme Court ruled unanimously in favor of the plaintiffs, holding that the actions of DNR to modify the spillway and to cease adjusting water levels at Grand Lake St. Marys constituted a taking of the plaintiffs' property since those decisions caused intermittent, recurrent flooding on their properties. The Court did not specify how much property was taken or what the dollar value of the impact to the property was. Those amounts will be determined by subsequent litigation filed in Mercer County Common Pleas Court. Defendant plans to enter into settlement negotiations, but 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.