

**Ohio Office of Budget
and Management**

State of Ohio
John Kasich
Governor



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2011

INTRODUCTORY SECTION



Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

January 20, 2012

To the Honorable John R. Kasich, Governor;
Members of the Ohio General Assembly; and
Citizens of Ohio:

It is my privilege to present the State of Ohio's *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2011, prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Office of Budget and Management (OBM) prepared this report pursuant to Section 126.21, Ohio Revised Code. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including all disclosures, rests with OBM.

To the best of our knowledge and belief, the information presented is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary for a reasonable understanding of the State's financial activities have been included.

This letter of transmittal is intended to complement management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A provides an overview of the State's financial activities, addressing both governmental and business-type activities reported in the government-wide financial statements.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund (GRF). The General Fund also includes other funds, such as the reimbursement-supported funds used for activities administered by state agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate.

The State's management is responsible for establishing and maintaining internal control designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

INDEPENDENT AUDIT RESULTS

In compliance with Ohio Revised Code, an annual financial audit has been performed by the Office of the Auditor of State. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. The auditor's unqualified opinion is included in the Financial Section of this report. This opinion indicates there was no limitation on the scope of the auditors' examination and the financial statements were presented fairly, in all material respects, in conformity with GAAP.

Additionally, the State's *Single Audit* report is audited by the Office of the Auditor of State to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget (OMB) Circular A-133. The *Single Audit* report will be issued separately from the State's CAFR.

PROFILE OF THE GOVERNMENT

History

Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional

convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government – executive, legislative, and judicial.

Governmental Structure

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. The State Board of Education is also part of the executive branch. Approximately 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages x and xi.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term-limits; senators are restricted to serving two four-year terms, and representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Within the judicial system, the Supreme Court is the court of last resort in Ohio. Most of its cases are appeals from the twelve district courts of appeal. The chief justice and six justices are elected to six-year terms on a nonpartisan ballot.

Reporting Entity and Its Services

For financial reporting purposes, the State's reporting entity consists of 1) the primary government, 2) component units for which the primary government is financially accountable (blended component units), and 3) other component units for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, are used to determine the organizations for which the State is financially accountable. NOTE 1A to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, liquor control, and other business-type activities.

Retirement Systems

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the State Highway Patrol Retirement System, or the Alternative Retirement Plan. Further information on the State's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

Risk Management

As discussed in NOTE 1P to the financial statements, the State's primary government is self-insured for claims under the Ohio Med Health, United Healthcare, and Aetna plans, as well as for vehicle liability. Public official fidelity bonding is placed 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. Also, the State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

Budgetary Control and Accounting System

Ohio's Constitution requires the State to have a balanced budget. The State's biennium budget begins on July 1 of odd-numbered years and ends 24 months later on June 30. The State maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the General Assembly. Budgets are entered on the statewide accounting system once the appropriations bill becomes law. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure that expenditures do not exceed authorized limits.

The State's non-GAAP budgetary financial statements are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an

appropriated annual budget has been adopted. For the General Fund and the Jobs, Family and Other Human Services Special Revenue Fund, these comparisons are presented as part of the basic financial statements. For other budgeted governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the non-major governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The accounting system maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the accounting system for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. A reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in NOTE 3 to the financial statements.

ECONOMIC OVERVIEW AND OUTLOOK

The economic expansion continued throughout 2011, extending the string of positive quarterly change in real GDP to ten. Real GDP growth averaged less than 1 percent in the first half and picked up to approximately 2.5 percent in the second half, according to the January 2012 *Blue Chip Economic Indicators* consensus. Real GDP finally surpassed the all-time peak established in the second quarter of 2008 in the third quarter of 2011. The 2011 gain followed a 3.0 percent increase in 2010 and a 3.5 percent decrease in 2009.

Despite having clearly turned upward in the past year, economic growth continues to fall well short of that experienced in past recoveries. Real GDP has expanded at an estimated annual rate of 2.4 percent during the first ten quarters of this expansion, compared with the historical average of 5.7 percent. The pace is comparable to the growth rates following the most recent two recessions. Growth in real final sales, however, has been the second weakest on

record, only slightly exceeding the pace following the mild 2001 recession.

The substantial decrease in aggregate demand has suppressed consumer price inflation. After decreasing by 0.3 percent on average in 2009 for the first annual decline since 1955, the Consumer Price Index (CPI) increased only 1.6 percent in 2010 and an estimated 2.1 percent in 2011, according to the Blue Chip consensus. Inflation was last this low for a three-year period in the mid-1950s.

The Federal Reserve responded to continued weak economic growth and lingering financial stresses by retaining the federal funds rate target range at 0 percent to 0.25 percent and by making additional bond purchases to support capital markets. Interest rates remained at long-time lows, and in the case of 30-year fixed rate mortgages decreased to the lowest level on record. Monetary policy makers have indicated ongoing concern with the pace of expansion and expressed the intention of responding to any new shocks to the economy with additional measures.

Fiscal policy continued to add to aggregate demand in 2011. Federal government spending remained elevated and tax revenues remained depressed again in federal fiscal year 2011, resulting in one of the largest budget deficits on record for the third year in a row. Total receipts increased 6.5 percent, but were still 10.3 percent below the 2007 level. Total outlays increased 4.1 percent to a new record high in fiscal year 2011. At nearly 9 percent, the resulting budget deficit was the largest since 1945, other than the deficits in 2009 and 2010.

Extensive slack characterized labor markets throughout 2011, as the number of unemployed and under-employed people remained high. The hiring and layoffs of government census workers distorted the monthly pattern, but private-sector payrolls expanded in each month of the year. Growth in total nonfarm payrolls averaged 160,000 jobs per month in 2011 and the unemployment rate declined from 9.4 percent at the end of 2010 to 8.5 percent in December 2011. Despite the positive trends in labor markets, the pace of hiring has been weak and the severity of unemployment remains extreme by a variety of measures, including the length of time out of work.

Ohio employment also turned upward in 2011, rising by 79,300 jobs for the year through November compared with an increase of 31,000 jobs in all of 2010. Ohio employment fell by 450,300 jobs from its peak in March 2006 to its low point in December 2009. All major sectors of the economy contributed to job growth in 2011 with the exception of government, where employment fell by 8,700 jobs. Growth was concentrated in educational and health services (+22,200), trade, transportation and utilities (+19,200), manufacturing (+17,200) and professional and business services (+15,300).

The strengthening in labor markets translated into faster growth in U.S. personal income in 2011. After decreasing 5.1 percent from the third quarter of 2008 to the third quarter of 2009, personal income increased 4.9 percent in the year ending in the third quarter of 2010 and 4.2 percent in the year ending in the third quarter of 2011.

Ohio personal income followed a similar pattern, swinging from a 3.8 percent decline during the year ending in the third quarter of 2009 to a 4.0 percent increase during the year ending in the third quarter of 2010 and 3.7 percent in the year ending in the third quarter of 2011. Wage and salary disbursements have trailed total personal income in Ohio, falling 5.3 percent in 2009 and rising 3.0 percent and 2.6 percent in 2010 and 2011, respectively.

The economy is likely to continue expanding in 2012. Growth is projected to be about the same or stronger than in 2011 and remain below the pace experienced in previous recoveries. Real GDP is projected by the January *Blue Chip Economic Indicators* consensus to expand by 2.2 percent in 2012. Recent patterns in key economic measures, such as retail sales and industrial production, suggest that growth could be somewhat stronger early in the year. In response, a number of forecasters have raised their projections for 2012.

The Ohio economy is also expected to grow in 2012, as measured by employment, personal income, and real gross state product, according to the December IHS Global Insight forecast.

Ohio employment is projected to increase for the third year in a row in 2012 on a fourth quarter-to-fourth quarter basis. After decreasing for four years in a row and culminating with a 5.3 percent decline in 2009, Ohio employment increased by 0.6 percent in 2010 and by an estimated 1.5 percent in 2011. IHS Global Insight projects gains of 1.4 percent in 2012 and 1.3 percent in 2013.

Driven by rising employment and earnings per worker, Ohio personal income is projected to increase approximately 3 percent in both 2012 and 2013, following a decrease of 3.3 percent in 2009, an increase of 3.0 percent in 2010 and an estimated gain of 4.2 percent in 2010.

Real Ohio gross state product is estimated to have gained 2.4 percent in 2011 after a decrease of 2.4 percent in 2009 and an increase of 2.1 percent in 2010. Growth is projected to continue at a slower pace of 1.5 percent and 1.7 percent in 2012 and 2013, respectively.

Overall economic growth during the next several years is anticipated to fall short of the 3.25 percent rate during 1947-2009 for several reasons:

- The paying down of debt by households and businesses will subtract from growth instead of adding to growth as the accumulation of debt did during the expansion of the 2000s;
- The tremendous decrease in wealth from the decline in financial markets and housing prices will reduce consumption, although this factor has been somewhat offset by recent and substantial increases in prices of financial assets; and
- Housing construction will remain relatively subdued due to the large supply of unoccupied houses and low expectations for price appreciation.

The future economic situation is uncertain. In the near term, U.S. economic growth could be stronger than previously anticipated for a time before ultimately giving way to more moderate growth longer term. The economy could benefit more than is widely anticipated in the near term from the following:

- Extraordinarily accommodative monetary policy, which is pegging short-term interest rates at generational lows and engaging in policies designed to lower longer-term interest rates and support asset prices;
- Rapid growth in corporate profits and strong corporate balance sheets; and
- Improvements in consumer confidence and household balance sheets.

However, risks to the economic outlook include:

- Increases in the price of oil beyond the current level;
- Financial stress among European nations and U.S. state and local governments;
- Another wave of residential mortgage defaults could lead to foreclosures and renewed downward pressure on home prices;
- The extremely large projected federal budget deficits, which could undermine the foreign exchange value of the dollar and push inflation and interest rates up;
- Large direct and indirect costs of new regulations in health care, energy and financial services; and
- Over the longer term, the scheduled expiration of the 2003 federal income tax cuts at the end of 2012 and the imposition of other tax increases and costly regulations.

MAJOR INITIATIVES AND PROJECTS

The “Jobs Budget” for Fiscal Years 2012 and 2013

Upon assuming office in January 2011, Governor John Kasich faced the aftermath of a deep, lingering recession and the prospect of an historic shortfall in the State’s next biennial budget. In response, he introduced a series of bold initiatives to renew fiscal stability, reform outdated government programs and

revive Ohio's economy as an engine for jobs creation and prosperity.

The State's fiscal year 2010-2011 biennial budget, had been based upon an underlying fiscal framework that depended heavily on the use of one-time resources, an approach that presented significant challenges for planning the succeeding State budget. Foremost of these challenges was a projected \$7.7 billion budget shortfall for fiscal years 2012 and 2013, due to the reliance on federal stimulus dollars and other significant one-time resources in fiscal years 2010 and 2011 as well as the projected continued growth in existing state programs such as Medicaid.

On March 15, 2011, Governor Kasich introduced his executive budget and then worked with legislative leaders toward passage of H.B. 153 – the main budget bill for fiscal years 2012-2013. Signed by the governor on June 30, 2011, "The Jobs Budget" erased the projected shortfall and returned the state budget to structural balance. This was accomplished without raising additional taxes and while implementing a \$400 million annual income tax reduction that took effect in January 2011 – the final step of phased-in tax cuts that began in 2006. Total GRF appropriations in H.B. 153 are \$27.1 billion in fiscal year 2012 and \$28.7 billion in fiscal year 2013; appropriations across all funds are \$55.8 in fiscal year 2012 and \$56.4 billion in fiscal year 2013.

H.B. 153 restored structural balance to the operating budget through a number of fundamental changes and reforms, including:

- **Renewing Fiscal Stability and Reining-in Spending:** H.B. 153 closed an historic \$7.7 billion budget gap that had been projected for fiscal years 2012-2013 by asking every state agency to tighten its belt – and asking the same of local governments as well. In the wake of a budget that relied heavily on one-time resources and budgeting strategies that made GRF spending appear artificially lower, the fiscal year 2012-2013 budget virtually eliminates reliance on one-time funds by the second year and returns Ohio to more transparent and standard budgeting practices. The fiscal year 2012-2013 budget reduces non-Medicaid appropriations in the GRF by nearly \$700 million compared to actual spending in the previous biennium. Through this and other cost-reduction strategies in H.B. 153, government spending is restrained and aligned with ongoing resources.
- **Making Ohio Jobs Friendly:** In January 2011, H.B. 1 created JobsOhio, a private, nonprofit corporation designed to lead Ohio's job-creation efforts. Provisions in H.B. 153 authorized a stable revenue stream for JobsOhio, a source of funding not subject to the vagaries of a budget bill. These efforts were further supported in H.B. 153 with

several jobs-friendly initiatives. Through its InvestOhio initiative, the budget bill provides a 10 percent tax credit for long-term investments of up to \$10 million in an Ohio small business. Elimination of Ohio's estate tax provides more than \$300 million in tax relief annually, helping farmers and small-business owners keep enterprises in the family from generation to generation. In addition, the existing refundable Job Retention Tax Credit (JRTC) was expanded by H.B. 153, allowing the State to issue up to \$25 million of new refundable tax credits between 2011 and 2013 and from 2014 to 2028, up to \$25 million per fiscal year. The budget provides \$60 million for incumbent worker training to help prevent layoffs created by a skills deficit and to help ensure that Ohio businesses have the workforce they need to be globally competitive.

- **Transforming State Healthcare Programs to Achieve Cost Savings and Improve Their Operation:** Governor Kasich created the Office of Health Transformation (OHT) in January 2011 in order to immediately address Medicaid spending issues, plan for the long-term, efficient administration of Ohio's Medicaid program and improve overall healthcare system performance in Ohio. H.B. 153 focused on three primary strategies:
 - Improving care coordination will promote better health for Ohioans, while achieving cost savings. H.B. 153 lays the groundwork to create a single point of care coordination, using a new Integrated Care Delivery System (ICDS) that will provide comprehensive, person-centered care that addresses the physical health, behavioral health, long-term care and social needs of seniors and people with disabilities.
 - Integration of behavioral and physical healthcare fosters the treatment of the whole person and their healthcare needs. H.B. 153 also takes several important steps to treat physical health conditions and behavioral health conditions in a comprehensive, coordinated manner. During fiscal years 2012-2013, Ohio will integrate the Medicaid alcohol and drug treatment and mental health carve-out benefits, currently administered by the Department of Mental Health (ODMH) and the Department of Alcohol and Drug Addiction Services (ODADAS), into the overall Medicaid program administered by the Department of Job and Family Services (ODJFS), thereby improving coordination of these services.
 - Rebalancing long-term care enables seniors and people with disabilities to live with dignity in settings they prefer. H.B. 153 creates a unified budget for long-term care services for

seniors and people with physical disabilities, allowing individuals' choices, instead of political decisions, to drive spending decisions. The budget will also consolidate the five home and community based waivers that serve individuals with a nursing-facility-level of care into a single, seamless waiver. These changes will improve access into and within the service delivery system, provide consistent opportunity for individual choice, and achieve greater transparency in price and quality for individuals who need long-term care services.

- **Improving Educational Opportunities for Ohio Students:** H.B. 153 expands education choices by more than doubling the number of EdChoice scholarships (from 14,000 to 30,000 in fiscal year 2012 and to 60,000 in fiscal year 2013) and lifting the cap on the number of charter schools. The budget requires failing schools to implement practices that will turn the school around by replacing staff, hiring an independent organization to run the school or by closing it. A new teacher evaluation system, based on multiple measures, gives students the opportunity to learn from the best, when seniority is no longer the primary focus of teacher employment and compensation. Instead, high-quality educators will receive better recognition and lower-performing teachers will be able to improve or be removed. A 3.5 percent tuition cap enacted in the budget bill helps make higher education affordable. Additionally, the budget works to keep students in Ohio by extending the in-state resident tuition break to ten years if an Ohio high school graduate leaves the state and wants to return.
- **Maximizing the Value of Existing State Assets:** As part of the Kasich Administration's budget-balancing strategy, H.B. 153 authorized the sale or lease of existing state assets in order to maximize their value for Ohio citizens. The budget bill authorized the State to enter into a long-term lease of its liquor enterprise to JobsOhio – the new, private-sector jobs-creation entity – a transaction that, at a minimum, will generate an estimated \$500 million in GRF revenues in fiscal year 2012. This lease of the State's liquor enterprise not only has helped address the projected budget shortfall, but also provides an ongoing source of funding for JobsOhio and its economic development efforts. H.B. 153 also authorized the privatization of a number of the State's adult correctional facilities to private operators, resulting in both an estimated up-front payment of \$75 million in fiscal year 2012 and long-term operational savings as a result of reducing the number of inmates and facilities under the direct control of the Department of Rehabilitation and Correction. In addition, the budget prepares for projected shortfalls in federal

and state highway funding, which threaten the future of Ohio's transportation system as a fundamental generator of jobs and commerce. Possible leveraging of the Ohio Turnpike, authorized in H.B. 153, could provide needed support for new transportation projects and required maintenance that will keep Ohio's job-creating infrastructure moving.

Tax Reform

The State's operating budget for fiscal years 2012 and 2013 contained a number of significant and far-reaching changes in tax policy, as discussed above. In addition, fiscal year 2011 marked implementation of the final phase of an aggressive tax reform package authorized in June 2005 by Amended Substitute House Bill 66 (H.B. 66), the biennial budget bill for fiscal years 2006-2007. As described extensively in prior financial reports, this tax reform was a significant overhaul of Ohio's state and local tax structure. The reforms were initially scheduled to be phased in between fiscal years 2006 and 2010; however, H.B. 318, which was signed into law in December 2009, suspended the final, planned 4.25 percent reduction in state income tax rates that had been scheduled to occur for 2009. The previously delayed income tax rate reduction has now been implemented, taking effect at the beginning of tax year 2011. As a result, the final impact of H.B. 66 included:

- A 21 percent reduction in the income tax from 2005 levels;
- Elimination of the tangible personal property tax for general businesses and for telecommunications companies;
- Elimination of the corporate franchise tax (except for financial institutions and their affiliates); and
- Enactment of a commercial activity tax (CAT).

Improved Financial Systems Management

Ohio has continued deployment and enhancement of a comprehensive enterprise information system throughout state government. The Ohio Administrative Knowledge System, known as OAKS, implemented a new human resource system for state agencies to manage payroll and personnel; an accounting and financial management and reporting system; and enhanced budget decision and management tools. More recent enhancements to OAKS have greatly streamlined security management activities, providing greater control and documentation of the security function. In addition to these tools, the deployment of OAKS has required the State to upgrade skills and invest in human capital development in the workforce across agencies. OAKS continues to increase its value for the state by leveraging an effective Business Intelligence reporting methodology, upgrading and improving its human resource system, and implementing the eBid procurement module, which permits vendors to receive information about the types

of business the State is engaging in and permits them to electronically place bids on posted contracts.

To improve the efficiency of agency fiscal operations, OBM used the foundation of OAKS to launch a shared services organization in October 2009. Ohio Shared Services (OSS) consolidates back-office finance functions for selected agencies into a central service provider using paperless processes and a call center to support vendor management, invoice processing, and all travel and expense transactions for the State. Accounts payable services were provided for eight Cabinet agencies by the end of 2010. OBM completed a reassessment of Ohio Shared Services in early 2011, and decided to move forward with implementation of accounts payable processing for the remaining 17 Cabinet agencies by September 2012.

To enhance collections and revenue management, the Department of Taxation is currently in the process of developing and deploying the State Taxation Accounting and Revenue System (STARS). When implemented, STARS will provide an integrated tax collection and audit system, and replace the State's existing separate tax software and administration systems for the 24 different taxes collected by the State. STARS will make it possible for the Department of Taxation to provide an improved quality of taxpayer service and enhance the compliance activities of the department.

Respectfully submitted,



Timothy S. Keen
Director

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

In conclusion, I wish to express my appreciation to the staffs of the various state agencies whose time and dedicated efforts made this report possible. I encourage you to access Ohio's *Comprehensive Annual Financial Report* at <http://www.obm.ohio.gov>.

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STATE OF OHIO OFFICIALS

As of June 30, 2011

EXECUTIVE

John Kasich
Governor

Mary Taylor
Lieutenant Governor

Mike Dewine
Attorney General

Dave Yost
Auditor of State

Josh Mandel
Treasurer of State

Jon Husted
Secretary of State

LEGISLATIVE

Thomas E. Niehaus
President of the Senate

William G. Batchelder
Speaker of the House

JUDICIAL

Maureen O'Connor
Chief Justice
Supreme Court

STATE OF OHIO ORGANIZATION CHART

FINANCIAL REPORTING ENTITY		
PRIMARY GOVERNMENT		
LEGISLATIVE	EXECUTIVE	JUDICIAL
<p>Senate (33 Members)</p> <p>House of Representatives (99 Members)</p>	<p>Governor</p> <p>Lieutenant Governor</p> <p>Attorney General</p> <p>Auditor of State</p> <p>Secretary of State</p> <p>Treasurer of State</p> <p>State Board of Education (11 Elected Members, and 6 At-Large Members)</p>	<p>Supreme Court Chief Justice and 6 Justices</p>
<p>Governmental Activities: <i>General Government:</i> Senate House of Representatives Legislative Service Commission Legislative Committees</p>	<p>Governmental Activities: <i>Primary, Secondary and Other Education:</i> Arts Council Department of Education Educational Telecommunications School for the Blind School for the Deaf State Library Board</p> <p><i>Higher Education Support:</i> Board of Regents Career Colleges and Schools Board</p> <p><i>Public Assistance and Medicaid:</i> Department of Job and Family Services</p> <p><i>Health and Human Services:</i> Department of Aging Department of Alcohol and Drug Addiction Services Department of Health Department of Mental Health Department of Developmental Disabilities Department of Veteran Services Hispanic-Latino Affairs Commission Legal Rights Service Minority Health Commission Rehabilitation Services Commission</p> <p><i>Justice and Public Protection:</i> Adjutant General Board of Tax Appeals Civil Rights Commission Department of Public Safety Department of Rehabilitation and Correction Department of Youth Services Ethics Commission Office of the Attorney General Public Defender Commission</p> <p><i>Environmental Protection and Natural Resources:</i> Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Lake Erie Commission</p> <p><i>Transportation:</i> Department of Transportation</p>	<p>Governmental Activities: <i>Justice and Public Protection:</i> Supreme Court Judicial Conference Judiciary Court of Claims</p>

PRIMARY GOVERNMENT (Continued)

	<p><i>General Government:</i> Capitol Square Review & Advisory Board Consumers' Counsel Department of Administrative Services Department of Commerce Department of Insurance Department of Taxation Office of Budget and Management Office of the Governor Office of the Inspector General Office of the Lieutenant Governor Office of the Secretary of State Office of the Treasurer of State Public Utilities Commission Racing Commission Sinking Fund Commission Other Boards and Commissions</p> <p><i>Community and Economic Development:</i> Department of Agriculture Department of Development Expositions Commission Public Works Commission Southern Ohio Agricultural & Community Development Foundation</p> <p>Business-Type Activities: Bureau of Workers' Compensation and Industrial Commission Capitol Square Review & Advisory Board —Underground Parking Garage Department of Commerce— Liquor Control Division Department of Job and Family Services— Unemployment Compensation Program Lottery Commission Office of the Auditor of State Tuition Trust Authority</p>	
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COMPONENT UNITS

<p>Blended Component Units: Ohio Building Authority (included in Governmental and Business-Type Activities) State Highway Patrol Retirement System (included as Fiduciary Activities) Buckeye Tobacco Settlement Financing Authority (included as Governmental Activities)</p> <p>Discretely Presented Component Units: <i>Financing Authorities:</i> Ohio Air Quality Development Authority Ohio Water Development Authority Ohio Capital Fund</p> <p><i>Commissions:</i> Cultural Facilities Commission School Facilities Commission eTech Ohio Commission</p>	<p>Discretely Presented Component Units (continued): <i>State Universities:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Bowling Green State University</td> <td style="width: 50%;">Central State University</td> </tr> <tr> <td>Cleveland State University</td> <td>Kent State University</td> </tr> <tr> <td>Miami University</td> <td>Ohio State University</td> </tr> <tr> <td>Ohio University</td> <td>Shawnee State University</td> </tr> <tr> <td>University of Akron</td> <td>University of Cincinnati</td> </tr> <tr> <td>University of Toledo</td> <td>Wright State University</td> </tr> <tr> <td>Youngstown State University</td> <td></td> </tr> </table> <p><i>State Community Colleges:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Cincinnati State</td> <td style="width: 50%;">Clark State</td> </tr> <tr> <td>Columbus State</td> <td>Edison State</td> </tr> <tr> <td>Northwest State</td> <td>Owens State</td> </tr> <tr> <td>Southern State</td> <td>Terra State</td> </tr> <tr> <td>Washington State</td> <td></td> </tr> </table>	Bowling Green State University	Central State University	Cleveland State University	Kent State University	Miami University	Ohio State University	Ohio University	Shawnee State University	University of Akron	University of Cincinnati	University of Toledo	Wright State University	Youngstown State University		Cincinnati State	Clark State	Columbus State	Edison State	Northwest State	Owens State	Southern State	Terra State	Washington State	
Bowling Green State University	Central State University																								
Cleveland State University	Kent State University																								
Miami University	Ohio State University																								
Ohio University	Shawnee State University																								
University of Akron	University of Cincinnati																								
University of Toledo	Wright State University																								
Youngstown State University																									
Cincinnati State	Clark State																								
Columbus State	Edison State																								
Northwest State	Owens State																								
Southern State	Terra State																								
Washington State																									

JOINT VENTURES	RELATED ORGANIZATIONS
Great Lakes Protection Fund Local Community Colleges Technical Colleges	Higher Education Facility Commission Ohio Housing Finance Agency Ohio Legal Assistance Foundation Ohio Turnpike Commission Petroleum Underground Storage Tank Release Compensation Board

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Linda C. Danison

President

Jeffrey R. Emer

Executive Director