

**Ohio Office of Budget
and Management**

State of Ohio
Ted Strickland
Governor



OHIO

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

FOR THE FISCAL YEAR
ENDED JUNE 30, 2008

ACKNOWLEDGMENTS

Report prepared by the
Ohio Office of Budget and Management,
State Accounting Division, Financial Reporting Section:

*Aaron Erickson,
Deputy Director, Accounting Administration*
Tom Holsinger, CPA (Inactive)
Deputy Director, Accounting Administration
Amy D. Hall, CPA
Financial Reporting Manager
Bradley J. Beaver
Amy K. Hammel
Timothy L. Herriott
Andrea E. Joffe, CPA (Inactive)
James V. Liddle
Randall E. Miller, CPA
Daniel P. Mullin, CPA
Andrea Nance
Lori L. Ramsey
Linda K. Shook, CPA
Melvin Striblin
Dan Sutton

Special appreciation is given to all fiscal and accounting personnel throughout the State whose extra efforts to contribute accurate, timely financial data for their agencies made this report possible.

**TED
STRICKLAND
GOVERNOR**

J. Pari Sabety
Director
Office of Budget
and Management

Aaron L. Erickson
Deputy Director
Division of State Accounting

Tom Holsinger, CPA (Inactive)
Deputy Director
Division of State Accounting

Prepared by Division of
State Accounting



OHIO

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

FOR THE FISCAL YEAR
ENDED JUNE 30, 2008

STATE OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
TABLE OF CONTENTS

INTRODUCTORY SECTION

| | Page |
|---------------------------------------|-------------|
| Letter of Transmittal..... | i |
| State of Ohio Officials..... | ix |
| State of Ohio Organization Chart..... | x |
| Certificate of Achievement..... | xii |

FINANCIAL SECTION

| | |
|---|------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements | 25 |
| Government-wide Financial Statements: | |
| Statement of Net Assets..... | 26 |
| Statement of Activities..... | 28 |
| Fund Financial Statements: | |
| Balance Sheet — Governmental Funds..... | 30 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets..... | 33 |
| Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds..... | 34 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 36 |
| Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds..... | 38 |
| Statement of Net Assets — Proprietary Funds — Enterprise..... | 42 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets — Proprietary Funds — Enterprise..... | 44 |
| Statement of Cash Flows — Proprietary Funds — Enterprise..... | 46 |
| Statement of Fiduciary Net Assets — Fiduciary Funds..... | 50 |
| Statement of Changes in Fiduciary Net Assets — Fiduciary Funds..... | 53 |
| Discretely Presented Component Unit Financial Statements: | |
| Combining Statement of Net Assets..... | 54 |
| Combining Statement of Activities..... | 56 |
| Notes to the Financial Statements..... | 58 |
| Required Supplementary Information | |
| on Infrastructure Assets Accounted for Using the Modified Approach | 141 |
| Combining Financial Statements and Schedules | 145 |
| Nonmajor Governmental Funds: | |
| Descriptions of the Nonmajor Governmental Funds..... | 147 |
| Combining Balance Sheet — Nonmajor Governmental Funds..... | 148 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Governmental Funds..... | 150 |

| | Page |
|--|-------------|
| Nonmajor Special Revenue Funds: | |
| Descriptions of the Nonmajor Special Revenue Funds | 153 |
| Combining Balance Sheet..... | 154 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 158 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) | 162 |
| Nonmajor Debt Service Funds: | |
| Descriptions of the Nonmajor Debt Service Funds | 170 |
| Combining Balance Sheet..... | 172 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 178 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) | 184 |
| Nonmajor Capital Projects Funds: | |
| Descriptions of the Nonmajor Capital Projects Funds | 191 |
| Combining Balance Sheet..... | 192 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 196 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) | 200 |
| Nonmajor Enterprise Funds: | |
| Descriptions of the Nonmajor Enterprise Funds | 207 |
| Combining Statement of Net Assets | 208 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Assets | 210 |
| Combining Statement of Cash Flows..... | 212 |
| Fiduciary Funds: | |
| Descriptions of the Agency Funds | 217 |
| Combining Statement of Assets and Liabilities — Agency Funds | 218 |
| Combining Statement of Changes in Assets and Liabilities — Agency Funds..... | 220 |
| Nonmajor Discretely Presented Component Unit Funds: | |
| Descriptions of the Nonmajor Discretely Presented Component Unit Funds | 222 |
| Combining Statement of Net Assets — Nonmajor Discretely Presented Component Units | 224 |
| Combining Statement of Activities — Nonmajor Discretely Presented Component Units | 230 |
| Combining Balance Sheet — School Facilities Commission..... | 236 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets — School Facilities Commission | 239 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances — School Facilities Commission | 240 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — School Facilities Commission | 243 |
| Combining Balance Sheet — Cultural Facilities Commission | 244 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets — Cultural Facilities Commission..... | 247 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Cultural Facilities Commission..... | 248 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — Cultural Facilities Commission..... | 250 |
| Balance Sheet — eTech Ohio Commission..... | 251 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets — eTech Ohio Commission..... | 252 |
| Statement of Revenues, Expenditures and Changes in Fund Balances — eTech Ohio Commission | 253 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — eTech Ohio Commission..... | 254 |

STATISTICAL SECTION

| | Page |
|--|-------------|
| Statistical Section Overview | 255 |
| Net Assets by Component..... | 256 |
| Changes in Net Assets | 258 |
| Changes in Fund Balances for Governmental Funds | 262 |
| Fund Balances of Governmental Funds..... | 266 |
| Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund..... | 268 |
| Tax Revenues of Governmental Funds by Major Source | 270 |
| Personal Income by Industry and Direct State Income Tax Rates | 272 |
| Sales Tax Revenue by Type | 274 |
| Rates for State Individual Income Tax and Sales Tax | 276 |
| State Individual Income Tax Rates..... | 278 |
| State Individual Income Tax Returns and Liability by Income Level..... | 280 |
| Workers' Compensation Enterprise Fund — Active Employers, Premium and Assessment Income and Actual Average Collected Premium Rate | 282 |
| Lottery Commission Enterprise Fund — Ticket Sales by Major Game Type..... | 284 |
| Ratios of Outstanding Debt by Type | 286 |
| Ratios of General and Special Obligation Bonded Debt Outstanding | 288 |
| Annual Limitation on Debt Service Expenditures (Budgetary Basis) | 290 |
| Revenue Bond Coverage | 293 |
| Demographic and Economic Statistics..... | 296 |
| Principal Employers..... | 298 |
| Full-Time and Part-Time Permanent State Employees During the Month of June by Function/Program . | 300 |
| Operating Indicators by Function/Program | 302 |
| Capital Assets Statistics by Function/Program | 306 |

INTRODUCTORY SECTION



October 5, 2009

To the Honorable Ted Strickland, 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, 2008, 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 ix and x.

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 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. 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 major special revenue funds, 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 nonmajor 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 economy entered the eleventh business cycle recession of the post-war period in December 2007. The contraction continued throughout 2008 and well into 2009, resulting in the most severe drop-off in real GDP since World War II. Real GDP decreased by 3.9 percent from its peak in the second quarter of 2008 to the second quarter of 2009. The decline was similar in degree to the 3.7 percent peak-to-trough drop during the 1957-58 recession and the 3.2 percent drop during the 1973-75 recession.

For all of 2008 compared with 2007, real GDP increased by 0.4 percent — the weakest calendar year change since the recession year of 1991. Real GDP decreased 6.4 percent and one percent in the first two quarters of 2009, respectively.

Substantial increases in energy costs caused consumer prices to accelerate through most of 2008. The Consumer Price Index (CPI) increased 3.8 percent for the year, up from 2.9 percent in 2008, reflecting a 13.5 percent rise in consumer energy prices. The downturn in energy prices and the abrupt fall-off in economic activity in the second half of 2008 reversed the course of consumer prices, causing the CPI to decrease from the third quarter of 2008 to the second quarter of 2009.

The Federal Reserve implemented an unprecedented series of actions to stabilize financial markets and the economy, including doubling the size of its balance sheet through new lending programs and reducing the target for the federal funds rate to approximately zero by mid-December 2008. Policymakers expect to keep the target interest rate near zero for an "extended period," which most analysts expect to mean at least until early 2010.

U.S. employment decreased by 6.7 million jobs, or 4.8 percent, from its peak in December 2007 through July 2009 — the largest percentage drop in employment during a recession since the downturn of 1947-48. Approximately one-half of the decline in employment occurred in construction and manufacturing (3.3 million). Job losses in trade, transportation and utilities (1.5 million) and professional and business services (1.5 million) accounted for most of the remainder. The unemployment rate increased to a 26-year high of 9.4 percent in July 2009 from five percent in December 2007.

Ohio employment decreased by 296 thousand jobs during the December 2007 to July 2009 period. The pattern of job losses across industries was similar to the pattern at the national level. Ohio manufacturing employment declined by 149 thousand jobs, followed by professional and business services (61 thousand), trade, transportation and utilities (53 thousand) and construction (40 thousand). The Ohio unemployment rate increased to a 26-year high of 11.2 percent in July 2009 from 5.8 percent in December 2007.

The weakness in labor markets affected earnings to an increasing degree through 2008 and into 2009. Despite expanded federal income support programs, U.S. personal income fell 2.5 percent from the second quarter of 2008 to the second quarter of 2009. The drop included a steep decline at a rate of 8.9 percent in the first quarter of 2009. The decline in income reflected decreases in employment levels and hours worked and weaker growth in average hourly earnings.

After growing at a rate of four percent to 4.5 percent during the two years ending in mid-2008, Ohio personal income decreased one percent from the second quarter of 2008 through the first quarter of 2009. Recent trends in employment and earnings indicate that Ohio incomes continued to fall through at least mid-2009.

The 2007-09 recession was precipitated by years of speculation in housing and risk-taking in financial markets that were facilitated by what many consider to be excessively low interest rates in the early and mid-2000s. The sharp rise in the price of oil starting in 2007, the rise in mortgage loan delinquencies and the subsequent failure or near failure of major

financial institutions created a panic in September 2008 that caused households and businesses to curtail spending significantly.

The most recent economic data indicate that the recession, which officially began in December 2007, ended in the spring or summer of 2009. The smoothed growth rate of the Weekly Leading Index compiled by the Economic Cycle Research Institute, for example, increased from its record low in early December 2009 to near the highest level on record in mid-August 2009. The Composite Leading Economic Index compiled by the Conference Board also indicates that the recession has ended or will end in the summer of 2009.

Industrial production reached its trough for the cycle within one month of the end of past recessions. Production increased in July, strongly suggesting that the recession ended in the May-July period. In addition, purchasing managers in manufacturing issued the most upbeat report since June 2007 for August, indicating that the manufacturing sector expanded for a second straight month.

The likelihood that the economy is transitioning from recession to recovery (the period during which activity regains the previous peak) is high. According to *Blue Chip Economic Indicators*, the consensus among forecasters is that the recovery from the 2007-09 recession will be slow compared with past recoveries. In early August, the strong consensus among the panel of approximately fifty forecasters was that the economy would begin to recover before the end of the third quarter.

The strength and duration of the recovery and subsequent expansion (the period during which activity rises above the previous peak), however, remain in question. The Blue Chip panel projected in early August that real GDP will expand by 2.4 percent during the first year of recovery. That would be weaker than the first-year recovery from every one of the ten previous recessions, during which growth averaged almost seven percent. The economy expanded only 2.3 percent following the 2001 recession and only 2.7 percent following the 1990-91 recession – the two most recent recessions. The panel foresees growth remaining below three percent in the second half of 2010.

The Blue Chip panel expects that the unemployment rate will rise to a peak of 10.2 percent in the first quarter of 2010, and a majority expect the rate to remain above seven percent until mid-2012. Most do not expect a permanent uptrend in home prices before the end of 2010.

In Ohio, IHS Global Insight projects the unemployment rate to peak at 11.8 percent in the first quarter of 2010 and remain at eleven percent at the end of 2011. Ohio employment is projected to

continue decreasing through the third quarter of 2010, with little growth projected through 2011.

The pace of U.S. economic growth during the next several years is anticipated to fall well 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;
- Weakness in overseas economies will restrain growth in U.S. exports; and
- Housing construction will remain subdued even after the steep decrease ends.

In Ohio, economic activity is expected to be restrained by:

- The downsizing in the domestic motor vehicle industry;
- Weak export markets; and
- Unfavorable demographics.

In the near term, U.S. economic growth could rebound temporarily by more than previously anticipated before ultimately giving way to disappointing growth longer term. In April, the Blue Chip consensus was that real GDP would grow at an annual rate of one percent in the second half of 2009. In light of more-positive-than-expected trends in employment and production since then, the consensus for second-half growth was revised up to 2.25 percent in early August. The economy could benefit more than is widely anticipated in the near term from:

- The ramping up of federal spending authorized by the American Recovery and Reinvestment Act;
- Extraordinarily accommodative monetary policy, which is pegging short-term interest rates at generational lows and ensuring the availability of credit to key segments of the money and capital markets; and
- The typically powerful effect on real GDP growth for a few quarters when businesses shift from cutting to building inventories.

Threats to the economic outlook include:

- The scheduled expiration of the 2003 federal income tax cuts at the end of 2010;
- The extremely large projected federal budget deficits, which could undermine the foreign exchange value of the dollar and push inflation and interest rates up;

- A major wave of residential mortgage rate resets beginning in late 2009 and extending through 2011 that could lead to defaults, foreclosures and renewed downward pressure on home prices; and
- A continuation of the trend toward rising delinquencies on commercial real estate loans could lead to further deterioration of banks' balance sheets and force property prices lower.

Following a severe recession, the U.S. economy appears to be expanding in the third quarter of 2009, judging by leading indicators. The end of the recession is a turning point that designates the beginning of the process of reclaiming losses experienced during the previous recession. With unemployment above nine percent and possibly headed to more than ten percent and with employment down by nearly seven million jobs, the economy has a long way to go to return to the peak prior to the recession.

The panic that engulfed financial markets in the late summer of 2008 has been arrested and the steep drop-off in economic activity that followed appears to have run its course. Leading indicators point to recovery as soon as the second half of 2009, and a growing list of coincident economic indicators shows that various sectors of the economy are beginning to improve. Extraordinary monetary policy measures and large planned increases in federal government outlays will support activity during the balance of 2009 and in 2010. Economic growth could exceed previous expectations in the near term, but a variety of factors are expected to keep growth well below the average in past expansions.

MAJOR INITIATIVES – Living Within Our Means and Investing in What is Most Important

State Operating Budget

With enactment of Amended Substitute House Bill 119 (HB 119), the State's main operating budget, Ohio's general revenue fund (GRF) appropriations for fiscal years 2008-2009 represented the slowest growth biennial budget in more than 40 years; in part reflecting the continued implementation of comprehensive tax reform (discussed below). As a result of difficult choices to limit overall spending, Ohio focused available funding on its most important priorities of primary and secondary education, higher education, and providing health care eligibility to those most in need. Appropriated spending increases for major programs over fiscal years 2006-2007 actual expenditures were 13.2 percent for higher education; 5.3 percent for elementary and secondary education; 4.9 percent for corrections and youth services; 4.7 percent for mental health and mental disabilities; and 2.2 percent for Medicaid (HB 119 also included a number of Medicaid reform and

cost containment initiatives). Similar to the fiscal years 2006-2007 budget, the fiscal years 2008-2009 budget reduced or held flat many of the State's GRF-funded agencies and consolidated functions or activities of several state agencies.

As signals warned of the financial crisis in September 2008, the State's major revenue sources and spending patterns were closely monitored and projections reduced for both fiscal years 2008 and 2009. The Governor restored budgetary balance by, among other actions, issuing a comprehensive executive order in January 2008 directing expenditure reductions and spending controls, as well as by placing limitations on major purchases, hiring, and travel. Understanding the importance of investments in education for Ohio's economy, the Governor expressly excluded from cutback those appropriations for higher education instructional support, primary and secondary education foundation formula support, Medicaid programs, and property tax relief payments.

As a result of the national recession induced by the September 2008 financial crisis and contraction in credit markets, revenue receipts and projections steadily declined over fiscal years 2008 and 2009, culminating in a year over year loss of 12 percent in personal income tax revenues, even more severe than anticipated. The State's original revenue projections had already anticipated an unprecedented eight percent loss. A total of \$1.5 billion was reduced in agency spending from HB 119 levels in a series of continuous actions taken to offset the steady decline in revenue. The Administration's approach was to take aggressive actions to reduce expenditures to end the fiscal year in balance, while maintaining key investments. Under the Governor's Executive Order, a series of budget directives were issued to tightly control spending, including:

- In September 2008, further reduction actions were announced and implemented, including an additional 4.75 percent reduction in most agency appropriations.
- Agency appropriations were reduced by an additional 5.75 percent in December 2008. Reductions in total Medicaid program spending were also implemented.
- In April 2009, the Governor ordered additional expenditure controls.
- Additional savings were secured by restructuring fiscal year 2009 GRF debt service, in accordance with the State's debt management policy.
- In June 2009, the Governor received General Assembly approval for and subsequently used the remaining balance of the Budget Stabilization Fund.

Stimulating Ohio's Economy

In addition to key investments made by HB 119 and in response to the national economic downturn, the Governor proposed an economic stimulus plan in March 2008 to stimulate Ohio's economy through investments in logistics and distribution, bio-products and bio-medical research, advanced and renewable energy, local government infrastructure, conservation projects, and brownfield revitalization projects. In June, the Governor signed a \$1.57 billion bipartisan economic stimulus package, passed by the Ohio General Assembly, that mirrored the Governor's proposals and added funding for higher education workforce programs and expanded the State's historic preservation tax credits.

Continued Implementation of Comprehensive Tax Reform

The State's fiscal years 2008-2009 operating budget continued implementation of Ohio's comprehensive tax reform, undertaken in calendar year 2005. As described extensively in prior financial reports, this tax reform was a significant overhaul of Ohio's state and local tax structure and designed to spur strong business development and new jobs. Over time the reform is expected to result in a stable and predictable tax base for all taxpayers with annualized tax relief of over \$2 billion. Being phased-in between fiscal years 2006 and 2010, major components of the reform include:

- A 21 percent reduction in the income tax, phased in over five years;
- Elimination of the tangible personal property tax for general businesses and for telecommunications companies, phased in over four- and five-year periods, respectively;
- Elimination of the corporate franchise tax (except for financial institutions and their affiliates) over a five-year period; and
- Enactment of a commercial activity tax (CAT), phased in over five years.

By fiscal year 2010, the estimated reductions in revenues to the State's general revenue fund will reach over \$2 billion. However, state taxes are not the only taxes reduced in this reform. Elimination of the local general business tangible personal property tax increases the size of the overall tax cut.

Improved Financial Management

In response to profound changes in Ohio's tax structure, the State continues to fundamentally change the way in which it manages scarce resources to reflect pending budget constraints. Over the coming years, state spending reforms will include a focus on performance and accountability, improved financial systems management, improved cash management, and targeted investment of scarce resources.

Accountability and Performance

Ohio continues to manage financial resources using a variety of accountability and performance measures to improve efficiency, accountability, and results of government programs. It will focus on clear goal setting in the budget process, identifying increased efficiency in the State's regulatory process, improved inter-agency collaborations, performance contracts for state agencies, and enhanced performance reporting.

Improved Financial Systems Management

Ohio continued to improve its financial management and decision making when it completed deployment of a comprehensive enterprise information system throughout state government. The enterprise installation will be the most comprehensive enterprise IT system operating at a state level in the nation. Three primary stages of the Ohio Administrative Knowledge System (OAKS) have been deployed. The initial stage of OAKS, which went live in December 2006, implemented a new human resource system for state agencies to manage payroll and personnel. The second stage of OAKS implementation, which went live in July 2007, provided the Office of Budget and Management with new, enhanced financial management and reporting tools. The third stage of OAKS implementation, which went live in July 2008, deployed new, enhanced budget decision and management tools. In addition to providing new decision and management tools to public managers, OAKS implementation required that the State work to upgrade skills and invest in human capital development in the workforce across agencies.

Cash Management

The Treasurer of State and the Office of Budget and Management are working cooperatively to update the State's cash flow models and procedures to maximize resources available. The offices will examine seasonal revenue collections in the State's various funds and the unique spending patterns of each state agency to develop an updated cash flow model. The updated cash flow model will enable the Treasurer of State and the Office of Budget and Management to revise their investment strategies for improved return on investment of state resources.

Investment in Strategic Priorities

Ohio's investments in strategic priorities are focused on two overarching goals critical to the long term stability and growth of the economy: (1) to boost personal income and (2) to increase the education attainment level of Ohioans. These two strategies will begin to turnaround Ohio's economy and propel the State into the 21st century. To do so, Ohio will invest in Ohio's traditional economic strengths, such as energy production and entrepreneurship, and programs that ensure Ohio has the most educated workforce possible. Targeted investment priorities include access to high-quality early care and

education, schools that work for every child, expanded access to Ohio's colleges and universities, Ohio's regional economies and globally competitive industries, and access to affordable health care.

Investment in Primary and Secondary Education

Through HB 119 the Strickland Administration sought to enhance equity and reduce disparities between Ohio school districts by focusing more resources to Poverty Based Assistance and Parity Aid. In addition, all school districts benefited from the policies within HB 119 as the per pupil basic aid amount increased by three percent, the largest such increase in five years. As a result of the funding contained in HB 119, the Foundation Funding formula increases the state share percentage from 44.8 percent to 48 percent over the biennium, with individual districts seeing a more dramatic increase in their respective state share percentage as a result of the formula changes.

In addition to increasing per pupil basic aid and reducing disparities, the budget also provided a hold harmless guarantee to prevent any district from receiving less state aid than what was received in the previous fiscal year regardless of whether their enrollment declined. This guarantee is intended to provide stability and reduce potential adverse impacts from both extensive formula changes and House Bill 66 tax reform policies.

In HB 119, school reliance on property tax revenues was reduced and the State expanded its overall role in supporting education through a new Homestead Tax Exemption for Ohio's seniors and Ohioans with disabilities. Tax relief through the Homestead Tax Exemption is reimbursed by the State to schools and local governments, ensuring no local entity loses property tax revenue as a result of the program expansion.

Tobacco Securitization: Meeting Educational Facility Needs and Expanding Property Tax Relief

HB 119 also authorized the State to securitize 100 percent of the future payments to Ohio under the Tobacco Master Settlement Agreement (MSA) over the next 40 or more years. Securitization of the tobacco settlement receipts (TSRs) in October 2007 generated more than \$5 billion in net proceeds, with their use limited to the twin priorities of funding the capital needs of Ohio's elementary, secondary, and higher education facilities. By generating savings on debt service as a result of replacing general obligation debt as the funding source for primary, secondary, and higher education facilities, HB 119 provides the additional property tax relief through the expansion of the homestead tax exemption, detailed above.

Increased Investment in Higher Education

To supplement the general operations of the State's 13 four-year universities, 24 regional branch campuses, one free standing medical college, 15 community colleges, and eight technical colleges, HB 119 appropriated over \$3.5 billion in the fiscal years 2008-2009 biennium for unrestricted operating subsidies through the State Share of Instruction (SSI) line item. Specifically, the budget appropriated \$1.68 billion in fiscal year 2008 (an increase of 5.6 percent over fiscal year 2007) and \$1.84 billion in fiscal year 2009 (an increase of 9.8 percent over fiscal year 2008). Of these amounts, the budget earmarked \$58 million in fiscal year 2008 and \$60 million in fiscal year 2009 to be distributed based on each campus's proportional share of the total in-state undergraduate tuition in fiscal year 2007. The remaining funds are first used to guarantee that all campuses receive the same amount of SSI (excluding the earmarked funding) they received in the prior year. They are then used to provide uniform increases (two percent in fiscal year 2008 and ten percent in fiscal year 2009) for the four-year universities and their branch campuses and varying increases for two-year community and technical colleges based on a formula developed by the Board of Regents that takes into account the enrollment growth at community and technical colleges. To receive these SSI subsidy increases, each campus must demonstrate, through increasing internal efficiencies, a one percent savings in fiscal year 2008 and a three percent savings in fiscal year 2009 as certified by the Chancellor of the Board of Regents.

In addition to increasing the state share of instruction, HB 119 froze in-state undergraduate tuition in both fiscal years 2008 and 2009. As a result, the in-state undergraduate tuition for each campus will remain at the fiscal year 2007 level over the biennium. In fiscal year 2007, four-year campuses charged an average of \$8,246 for a full-time Ohio resident undergraduate student and two-year campuses charged an average of \$3,565 per full-time student. For all campuses, the average in-state undergraduate tuition was \$6,224 per full-time student in fiscal year 2007. The freeze in tuition represents a tremendous relief to students and their families who have experienced double-digit percentage increases in tuition in recent years.

Expansion of Medicaid Coverage

In the first major expansion of eligibility since fiscal year 2000, HB 119 expanded Medicaid coverage to children whose parents earn up to 300 percent of the federal poverty limit (FPL), to foster children who have been emancipated up to age 21, and to pregnant women with incomes up to 200 percent of the FPL. In addition, parents who have an income over 300 percent of the poverty level now have the opportunity to participate in a Medicaid buy-in option

for their uninsured children. Also, disabled adults can buy their own health care coverage through the Medicaid program. These expansions will ensure that Ohioans will no longer have to choose between work and affordable health care.

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, 2007. 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.

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>.

Respectfully submitted,



J. Pari Sabety
Director

STATE OF OHIO OFFICIALS

As of June 30, 2008

EXECUTIVE

Ted Strickland
Governor

Lee Fisher
Lieutenant Governor

Nancy Rogers
Attorney General

Mary Taylor, CPA
Auditor of State

Richard Cordray
Treasurer of State

Jennifer Brunner
Secretary of State

LEGISLATIVE

Bill Harris
President of the Senate

Jon Husted
Speaker of the House

JUDICIAL

Thomas J. Moyer
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 Mental Retardation Hispanic-Latino Affairs Commission Legal Rights Service Minority Health Commission Rehabilitation Services Commission Tobacco Use Prevention and Control Foundation Veterans' Home</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> | |
|--|--|--|

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> 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</p> <p><i>State Community Colleges:</i> Cincinnati State Clark State Columbus State Edison State Northwest State Owens State Southern State Terra State Washington State</p> |
|---|---|

| | |
|---|---|
| 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 |

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Ted Strickland, Governor
State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following organizations:

Primary Government: Office of the Auditor of State; Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio; Office of Financial Incentives; State Treasury Asset Reserve of Ohio; Treasurer of State Lease Revenue Bonds; and Tuition Trust Authority.

Blended Component Units: Ohio Building Authority and State Highway Patrol Retirement System.

Discretely Presented Component Units: 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 Community College; Clark State Community College; Columbus State Community College; Edison State Community College; Northwest State Community College; Owens State Community College; Southern State Community College; Terra State Community College; Washington State Community College; and Ohio Water Development Authority.

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Fire Pension Fund, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's Aggregate Remaining Fund Information.

These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

| Opinion Unit | Percent of Opinion Unit's Total Assets | Percent of Opinion Unit's Total Revenues / Additions |
|--|--|--|
| Governmental Activities | 2% | 1% |
| Business-Type Activities | 93% | 41% |
| Aggregate Discretely Presented Component Units | 84% | 97% |
| Aggregate Remaining Fund Information | 97% | 32% |
| Workers' Compensation | 100% | 100% |

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these independently audited organizations is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio as of June 30, 2008, and respective changes in financial position and cash flows, where applicable, and respective budgetary comparisons for the general and major special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue our report dated October 2, 2009 under separate cover with the State of Ohio Single Audit report, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and Infrastructure Assets Accounted for Using the Modified Approach, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America require. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining fund statements, individual fund schedules and statistical section are presented for additional analysis and are not a required part of the basic financial statements. We and the other auditors subjected the combining fund statements and individual fund schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, based on our audit and the reports of the other auditors, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We and the other auditors did not subject the introductory section and statistical section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Mary Taylor, CPA
Auditor of State

October 2, 2009

State of Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

(Unaudited)

Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2008. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

Financial Highlights

Government-wide Financial Statements

Net assets of the State's primary government reported in the amount of \$23.72 billion, as of June 30, 2008, increased \$1.07 billion since the previous year. Net assets of the State's component units reported in the amount of \$13.79 billion, as of June 30, 2008, decreased \$329.3 million since the end of last fiscal year. Additional discussion of the State's government-wide balances and activities, as of and for the year ended June 30, 2008, can be found beginning on page 7.

Fund Financial Statements

Governmental funds reported combined ending fund balances of \$12.2 billion that was comprised of \$5.89 billion reserved for specific purposes, such as for debt service, state and local highway construction, and federal programs; \$6.09 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans receivable, loan commitments, and inventories; \$1.01 billion in designations for budget stabilization and other purposes; and a \$799.3 million deficit. The balances and activities of the State's governmental funds are discussed further beginning on page 12.

As of June 30, 2008, the General Fund's fund balance was approximately \$2.6 billion, including \$81.7 million reserved for "other" specific purposes, as detailed in NOTE 17; \$662.7 million reserved for nonappropriable items; and \$1.01 billion in designations for budget stabilization and other purposes. The General Fund's fund balance increased by \$342.7 million (exclusive of a \$2.6 million increase in inventories) or 15.2 percent during fiscal year 2008. The balances and activities of the General Fund are discussed further beginning on page 12.

Proprietary funds reported net assets of \$3.14 billion, as of June 30, 2008, an increase of \$11 million since June 30, 2007. The largest net increase was \$197.7 million reported for the Workers' Compensation Enterprise Fund, while the largest net decrease was \$156.3 million in the Unemployment Compensation Fund. The balances and activities of the proprietary funds are discussed further beginning on page 17.

Capital Assets

The carrying amount of capital assets for the State's primary government increased to \$24.76 billion at June 30, 2008. The majority of the increase of \$368.6 million or 1.5 percent during fiscal year 2008 was for acquisition of land and highway network infrastructure, and for the construction of buildings, land improvements, and the Ohio Administrative Knowledge System (OAKS). Further discussion of the State's capital assets can be found beginning on page 18.

Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations

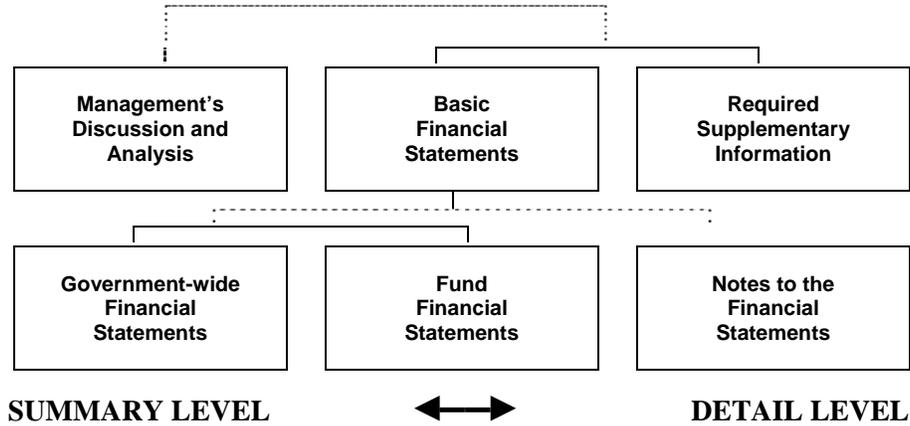
Overall, the carrying amount of total long-term debt for the State's primary government increased \$5 billion or 43.1 percent during fiscal year 2008 and reported an ending balance of \$16.59 billion. During the year, the State issued at par \$268 million in general obligation bonds, \$5.79 billion in revenue bonds, \$80 million in special obligation bonds, and \$75.1 million in certificates of participation. The State issued no refunding debt during the fiscal year. Additional discussion of the State's bonds and certificates of participation can be found beginning on page 19.

Overview of the Financial Statements

This annual report consists of management’s discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, required supplementary information, and combining statements for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds. The basic financial statements are comprised of the government-wide financial statements and fund financial statements.

Figure 1 below illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, as explained later, this report includes an optional section that contains combining statements that provide details about the State’s nonmajor governmental and proprietary funds and discretely presented component units.

**Figure 1
Required Components of the
State of Ohio’s Annual Financial Report**



The *Government-wide Financial Statements* provide financial information about the State as a whole, including its component units.

The *Fund Financial Statements* focus on the State’s operations in more detail than the government-wide financial statements. The financial statements presented for governmental funds report on the State’s general government services. Proprietary fund statements report on the activities that the State operates like private-sector businesses. Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others outside of the government, to whom the resources belong.

Following the fund financial statements, the State includes financial statements for its major component units within the basic financial statements section. Nonmajor component units are also presented in aggregation under a single column in the component unit financial statements.

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages 58 through 140 of this report.

In addition to the basic financial statements and accompanying notes, a section of required supplementary information further discusses the assessed condition and estimated and actual maintenance and preservation costs of the state’s highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government’s infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Required supplementary information can be found on pages 141 through 144 of this report.

Figure 2 on the following page summarizes the major features of the State’s financial statements.

**Figure 2
Major Features of the State of Ohio's Government-wide and Fund Financial Statements**

| | Government-wide Statements | Fund Statements | | |
|---|--|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire State government (except fiduciary funds) and the State's component units | The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc. | Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program | Instances in which the State is the trustee or agent for someone else's resources |
| Required Financial Statements | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All revenues and expenses during the year, regardless of when cash is received or paid |

Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. For these statements, the State applies accounting methods similar to those used by private-sector companies; that is, the State follows the accrual basis of accounting and the economic resources focus when preparing the government-wide financial statements. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of the timing of related cash inflows or outflows.

The two government-wide financial statements report the State's net assets and how they have changed. Net assets — the difference between the State's assets and liabilities — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net assets indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors such as changes in the State's economic indicators and the condition of the State's highway system when assessing the State's overall financial status.

The State's government-wide financial statements, which can be found on pages 26 through 29 of this report, are divided into three categories as follows.

Governmental Activities — Most of the State's basic services are reported under this category, such as 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, and community and economic development. Taxes, federal grants, charges for services, including license, permit, and other fee income, fines, and forfeitures, and restricted investment income finance most of these activities.

Business-type Activities — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insur-

ance program, lottery operations, unemployment compensation program, the leasing and maintenance operations of the Ohio Building Authority, guaranteed college tuition credit program, liquor control operations, underground parking garage operations at the statehouse, and the Auditor of State's governmental auditing and accounting services.

Component Units — The State presents the financial activities of the School Facilities Commission, Cultural Facilities Commission, eTech Ohio Commission, Ohio Water Development Authority, Ohio Air Quality Development Authority, the Ohio Capital Fund, and 22 state-assisted colleges and universities as discretely presented component units under a separate column in the government-wide financial statements. The Ohio Building Authority is presented as a blended component unit with its activities blended and included under governmental and business-type activities. Although legally separate, the State is financially accountable for its component units, as is further explained in NOTE 1A. to the financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds — not the State as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State has three kinds of funds — governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds — Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements applying the modified accrual basis of accounting and a current financial resources focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State's governmental funds include the General Fund and 15 special revenue funds, 25 debt service funds, and 11 capital projects funds. Under separate columns, information is presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Job, Family and Other Human Services, Education, Highway Operating, and Revenue Distribution special revenue funds, all of which are considered major funds. Data from the other 47 governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State's budgetary process is explained further in NOTE 1D. to the financial statements.

The basic governmental fund financial statements can be found on pages 30 through 41 of this report while the combining fund statements and schedules can be found on pages 147 through 206.

Proprietary Funds — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information. Like the government-wide financial statements, the State prepares the proprietary fund financial statements for its eight enterprise funds applying the accrual basis of accounting and an economic resources focus.

Under separate columns, information is presented in the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the Workers' Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other five enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows. The basic proprietary fund financial statements can be found on pages 42 through 49 of this report while the combining fund statements can be found on pages 207 through 215.

Fiduciary Funds — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The State excludes the State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds from its government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 50 through 53 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets. During fiscal year 2008, as shown in the table below, the combined net assets of the State's primary government increased \$1.07 billion or 4.7 percent. Net assets reported for governmental activities increased \$1.06 billion or 5.4 percent and business-type activities increased \$11 million, or 0.4 percent. Condensed financial information derived from the Statement of Net Assets for the primary government follows.

**Primary Government
Statement of Net Assets
As of June 30, 2008
With Comparatives as of June 30, 2007
(dollars in thousands)**

| | As of June 30, 2008 | | | As of June 30, 2007 (as restated) | | |
|--|-------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Assets: | | | | | | |
| Current and Other Noncurrent Assets | \$22,105,754 | \$24,073,397 | \$46,179,151 | \$17,230,308 | \$24,089,153 | \$41,319,461 |
| Capital Assets | 24,629,764 | 128,243 | 24,758,007 | 24,258,279 | 131,092 | 24,389,371 |
| Total Assets | 46,735,518 | 24,201,640 | 70,937,158 | 41,488,587 | 24,220,245 | 65,708,832 |
| Liabilities: | | | | | | |
| Current and Other Liabilities | 8,971,924 | (188,199) | 8,783,725 | 9,684,926 | 4,220 | 9,689,146 |
| Noncurrent Liabilities | 17,177,435 | 21,253,740 | 38,431,175 | 12,273,207 | 21,090,876 | 33,364,083 |
| Total Liabilities | 26,149,359 | 21,065,541 | 47,214,900 | 21,958,133 | 21,095,096 | 43,053,229 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 21,983,900 | 32,068 | 22,015,968 | 21,477,381 | 19,322 | 21,496,703 |
| Restricted | 2,601,580 | 521,766 | 3,123,346 | 2,360,396 | 682,126 | 3,042,522 |
| Unrestricted | (3,999,321) | 2,582,265 | (1,417,056) | (4,307,323) | 2,423,701 | (1,883,622) |
| Total Net Assets | 20,586,159 | 3,136,099 | 23,722,258 | \$19,530,454 | \$3,125,149 | 22,655,603 |

As of June 30, 2008, the primary government's investment in capital assets (i.e., land, buildings, land improvements, machinery and equipment, vehicles, infrastructure, and construction-in-progress), less related outstanding debt, was \$22.02 billion. Restricted net assets were approximately \$3.12 billion, resulting in a \$1.42 billion deficit. Net assets are restricted when constraints on their use are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) legally imposed through constitutional or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide Statement of Net Assets reflects a \$4 billion deficit for unrestricted governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$9.9 billion of outstanding general obligation and special obligation debt at June 30, 2008, \$6.98 billion is attributable to debt issued for state assistance to component units (School Facilities Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net As-

sets as restricted net assets. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

Additionally, as of June 30, 2008, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of \$398.8 million (see NOTE 14A.) and a \$815.5 million interfund payable due to the workers' compensation component of business-type activities for the State's workers' compensation liability (see NOTE 7A.). These unfunded liabilities also contribute to the reported deficit for governmental activities.

Condensed financial information derived from the Statement of Activities, which reports how the net assets of the State's primary government changed during fiscal years 2008 and 2007, follows.

**Primary Government
Statement of Activities
For the Fiscal Year Ended June 30, 2008
With Comparatives for the Fiscal Year Ended June 30, 2007**
(dollars in thousands)

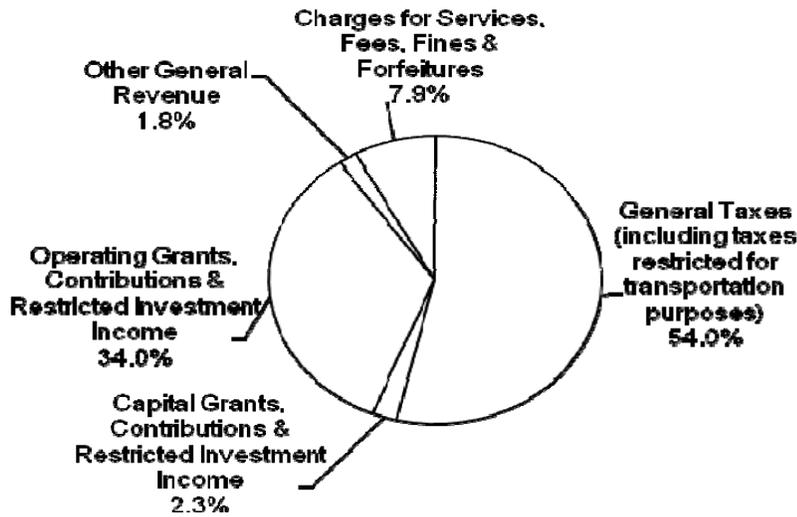
| | Fiscal Year 2008 | | | Fiscal Year 2007 (as restated) | | |
|---|-------------------------|--------------------------|--------------------------|--------------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Program Revenues: | | | | | | |
| Charges for Services, Fees, Fines and Forfeitures..... | \$3,539,963 | \$6,418,651 | \$9,958,614 | \$ 3,101,007 | \$8,389,550 | \$11,490,557 |
| Operating Grants, Contributions and Restricted Investment Income/(Loss)..... | 15,123,481 | 877,482 | 16,000,963 | 14,964,098 | 1,339,887 | 16,303,985 |
| Capital Grants, Contributions and Restricted Investment Income/(Loss)..... | 1,070,309 | — | 1,070,309 | 1,286,426 | — | 1,286,426 |
| Total Program Revenues..... | 19,733,753 | 7,296,133 | 27,029,886 | 19,351,531 | 9,729,437 | 29,080,968 |
| General Revenues: | | | | | | |
| General Taxes | 22,044,780 | — | 22,044,780 | 21,661,379 | — | 21,661,379 |
| Taxes Restricted for Transportation | 1,820,336 | — | 1,820,336 | 1,835,478 | — | 1,835,478 |
| Tobacco Settlement..... | 362,897 | — | 362,897 | 361,552 | — | 361,552 |
| Escheat Property | 185,016 | — | 185,016 | 31,009 | — | 31,009 |
| Unrestricted Investment Income | 250,293 | — | 250,293 | 206,414 | — | 206,414 |
| Federal | 2 | — | 2 | — | — | — |
| Other..... | 200 | 19 | 219 | 383 | 372 | 755 |
| Total General Revenues..... | 24,663,524 | 19 | 24,663,543 | 24,096,215 | 372 | 24,096,587 |
| Total Revenues | 44,397,277 | 7,296,152 | 51,693,429 | 43,447,746 | 9,729,809 | 53,177,555 |
| Expenses: | | | | | | |
| Primary, Secondary and Other Education | 11,304,014 | — | 11,304,014 | 11,467,076 | — | 11,467,076 |
| Higher Education Support..... | 2,729,423 | — | 2,729,423 | 2,546,530 | — | 2,546,530 |
| Public Assistance and Medicaid | 16,003,345 | — | 16,003,345 | 15,782,074 | — | 15,782,074 |
| Health and Human Services | 3,651,313 | — | 3,651,313 | 3,538,858 | — | 3,538,858 |
| Justice and Public Protection..... | 3,127,726 | — | 3,127,726 | 3,102,172 | — | 3,102,172 |
| Environmental Protection and Natural Resources..... | 394,459 | — | 394,459 | 435,235 | — | 435,235 |
| Transportation..... | 2,078,872 | — | 2,078,872 | 1,998,166 | — | 1,998,166 |
| General Government | 746,490 | — | 746,490 | 884,590 | — | 884,590 |
| Community and Economic Development..... | 4,017,838 | — | 4,017,838 | 3,789,404 | — | 3,789,404 |
| Interest on Long-Term Debt (excludes interest charged as program expense) | 173,934 | — | 173,934 | 169,776 | — | 169,776 |
| Workers' Compensation | — | 2,675,254 | 2,675,254 | — | 2,760,313 | 2,760,313 |
| Lottery Commission | — | 1,704,848 | 1,704,848 | — | 1,696,881 | 1,696,881 |
| Unemployment Compensation | — | 1,333,180 | 1,333,180 | — | 1,175,682 | 1,175,682 |
| Ohio Building Authority | — | 28,117 | 28,117 | — | 28,188 | 28,188 |
| Tuition Trust Authority..... | — | 121,673 | 121,673 | — | 92,798 | 92,798 |
| Liquor Control | — | 460,398 | 460,398 | — | 444,119 | 444,119 |
| Underground Parking Garage..... | — | 2,665 | 2,665 | — | 2,519 | 2,519 |
| Office of Auditor of State..... | — | 73,225 | 73,225 | — | 74,487 | 74,487 |
| Total Expenses..... | 44,227,414 | 6,399,360 | 50,626,774 | 43,713,881 | 6,274,987 | 49,988,868 |
| Surplus/(Deficiency) Before Transfers..... | 169,863 | 896,792 | 1,066,655 | (266,135) | 3,454,822 | 3,188,687 |
| Transfers-Internal Activities | 885,842 | (885,842) | — | 853,171 | (853,171) | — |
| Change in Net Assets | 1,055,705 | 10,950 | 1,066,655 | 587,036 | 2,601,651 | 3,188,687 |
| Net Assets, July 1 (as restated)..... | 19,530,454 | 3,125,149 | 22,655,603 | 18,943,418 | 523,498 | 19,466,916 |
| Net Assets, June 30..... | \$20,586,159 | \$3,136,099 | \$23,722,258 | \$19,530,454 | \$3,125,149 | \$22,655,603 |

Governmental Activities

Revenues were slightly over expenditures during fiscal year 2008, and when combined with transfers from the State's business-type activities, net assets for governmental activities increased from \$19.53 billion, at July 1, 2007, to \$20.59 billion, at June 30, 2008, or \$1.06 billion. Revenues for fiscal year 2008 in the amount of \$44.4 billion were 2.2 percent higher than those reported for fiscal year 2007. This increase in revenues can be attributed to stronger income and sales taxes, increased charges for services, fees, fines, and forfeitures, the large transfer of escheat property to the general fund, and increased collections of the Commercial Activity Tax which offset decreases in the Corporate and Public Utility taxes. Net transfers for fiscal year 2008 also increased to \$885.8 million, or by 3.8 percent, when compared to fiscal year 2007. Expenses also increased as the reported \$44.23 billion in spending represented a 1.1 percent increase over fiscal year 2007.

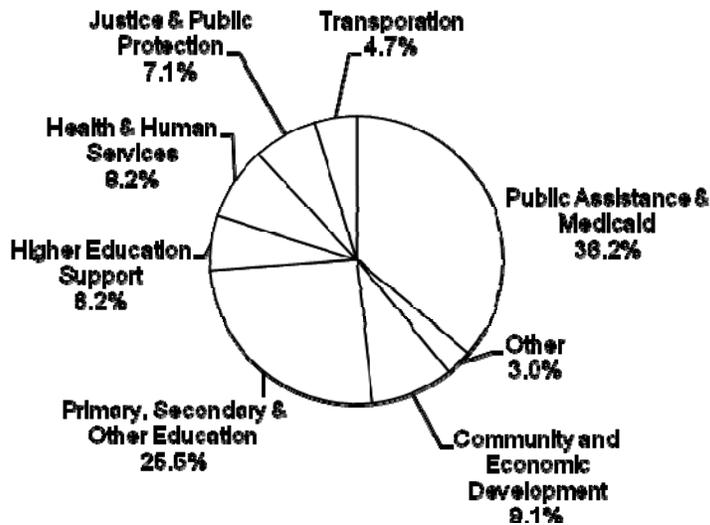
The following charts illustrate revenue by sources and expenses by program of governmental activities as percentages of total revenues and program expenses, respectively, reported for the fiscal year ended June 30, 2008.

**Governmental Activities-Sources of Revenue
Fiscal Year 2008**



Total FY 08 Revenue for Governmental Activities = \$44.4 Billion

**Governmental Activities — Expenses by Program
Fiscal Year 2008**



FY 08 Program Expenses for Governmental Activities = \$44.23 Billion

The following tables present the total expenses and net cost of each of the State's governmental programs for the fiscal years ended June 30, 2008 and 2007. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs; costs not covered by program revenues are essentially funded with the State's general revenues, which are primarily comprised of taxes, tobacco settlement revenue, escheat property, and unrestricted investment income.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Year Ended June 30, 2008
With Comparatives for the Fiscal Year Ended June 30, 2007
(dollars in thousands)

| For the Fiscal Year Ended June 30, 2008 | | | | |
|--|---------------------|---------------------|--|---|
| Program | Program Expenses | Net Cost of Program | Net Cost as Percentage of Total Expenses for Program | Net Cost as Percentage of Total Expenses — All Programs |
| Primary, Secondary and Other Education | \$11,304,014 | \$9,569,754 | 84.7% | 21.6% |
| Higher Education Support | 2,729,423 | 2,677,003 | 98.1 | 6.1 |
| Public Assistance and Medicaid | 16,003,345 | 4,630,440 | 28.9 | 10.5 |
| Health and Human Services | 3,651,313 | 1,311,422 | 35.9 | 3.0 |
| Justice and Public Protection | 3,127,726 | 2,006,652 | 64.2 | 4.5 |
| Environmental Protection and Natural Resources | 394,459 | 109,908 | 27.9 | 0.2 |
| Transportation | 2,078,872 | 864,434 | 41.6 | 2.0 |
| General Government | 746,490 | (130,201) | (17.4) | (0.3) |
| Community and Economic Development | 4,017,838 | 3,280,315 | 81.6 | 7.4 |
| Interest on Long-Term Debt | 173,934 | 173,934 | 100.0 | 0.4 |
| Total Governmental Activities | \$44,227,414 | \$24,493,661 | 55.4 | 55.4% |

| For the Fiscal Year Ended June 30, 2007 | | | | |
|--|---------------------|---------------------|--|---|
| Program | Program Expenses | Net Cost of Program | Net Cost as Percentage of Total Expenses for Program | Net Cost as Percentage of Total Expenses — All Programs |
| Primary, Secondary and Other Education | \$11,467,076 | \$ 9,763,763 | 85.1% | 22.3% |
| Higher Education Support | 2,546,530 | 2,514,811 | 98.8 | 5.8 |
| Public Assistance and Medicaid | 15,782,074 | 4,816,467 | 30.5 | 11.0 |
| Health and Human Services | 3,538,858 | 1,236,630 | 34.9 | 2.8 |
| Justice and Public Protection | 3,102,172 | 1,930,614 | 62.2 | 4.4 |
| Environmental Protection and Natural Resources | 435,235 | 126,699 | 29.1 | .3 |
| Transportation | 1,998,166 | 587,908 | 29.4 | 1.4 |
| General Government | 884,590 | 187,799 | 21.2 | .4 |
| Community and Economic Development | 3,789,404 | 3,027,883 | 79.9 | 6.9 |
| Interest on Long-Term Debt | 169,776 | 169,776 | 100.0 | .4 |
| Total Governmental Activities | \$43,713,881 | \$24,362,350 | 55.7 | 55.7% |

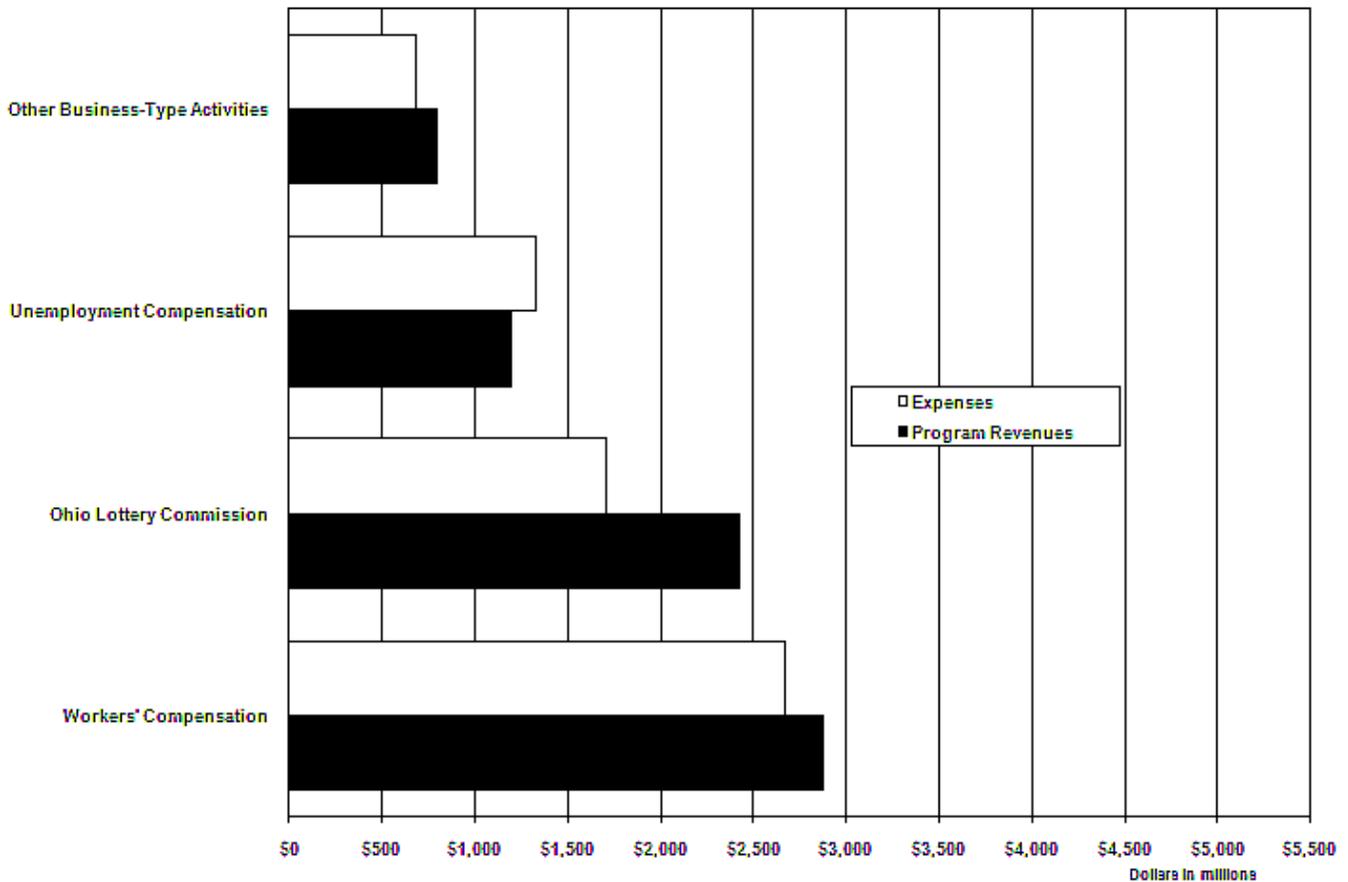
Business-Type Activities

The State’s enterprise funds reported net assets of \$3.14 billion, as of June 30, 2008, as compared to \$3.13 billion in net assets, as of June 30, 2007, an increase of 0.3 percent. The primary increase in net assets for the business-type activities was the Workers’ Compensation Fund, which reported net assets of \$2.5 billion, as of June 30, 2008, as compared to \$2.31 billion, as of June 30, 2007, a \$197.7 million increase. The Lottery Commission Fund reported net assets of \$133.9 million, as of June 30, 2008, compared to \$90.4 million in net assets, as of June 30, 2007, an increase of \$43.5 million, or 48.1 percent. The Office of the Auditor of State Fund reported net assets of \$16.2 million for June 30, 2008, an increase of \$4 million, or 33.3 percent, over June 30, 2007. On the other hand, a number of funds showed decreases of net assets for the fiscal year. The Unemployment Compensation Fund posted a \$156.3 million or 25.7 percent decrease in net assets during fiscal year 2008 when the fund reported net assets of \$452.1 million, as of June 30, 2008, compared to \$608.4 million in net assets as of June 30, 2007. The Tuition Trust Authority Fund lost \$62.2 million in fiscal year 2008, giving it net assets at June 30, 2008 of \$(31.2), as compared to net assets of \$31 million at June 30, 2007. The Liquor Control fund showed net assets of \$30.3 million in fiscal year 2008, as compared to \$42.6 million for fiscal year 2007, a decrease of \$12.4 million, or 29 percent.

For the Workers’ Compensation Fund, the increase in net assets is mainly due premium and assessment income and investment income growing more rapidly than benefits and compensation income. For the Lottery Commission Fund, the increase in net assets resulted from increased investment income combined with lower interest expense. In the Office of Auditor of State Fund, increased charges for audit services combined with lower operational costs to produce the increase in net assets. For funds that suffered a decrease in net assets, the Unemployment Compensation Fund had benefits and claims expenses that grew more rapidly than premium and assessment income. In the case of the Tuition Trust Authority Fund, the decrease in net assets resulted from decreased investment income combined with increased actuarial tuition benefits expense, while the Liquor Control Enterprise Fund experienced an increase in operating income but transferred much more to the governmental funds.

The chart below compares program expenses and program revenues for business-type activities.

**Business-Type Activities — Expenses and Program Revenues
Fiscal Year 2008**



Additional analysis of the Business-Type Activities revenues and expenses is included with the discussion of the Proprietary Funds beginning on page 17.

FINANCIAL ANALYSIS OF THE STATE’S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2008 and June 30, 2007 (dollars in thousands).

| As of and for the Fiscal Year Ended June 30, 2008 | | | | |
|---|--------------|-------------------|-----------------------------|--------------------------|
| | General Fund | Other Major Funds | Nonmajor Governmental Funds | Total Governmental Funds |
| Unreserved/Undesignated Fund Balance..... | \$844,713 | \$(1,557,432) | \$(86,554) | \$(799,273) |
| Designated Fund Balance..... | 1,012,288 | — | — | 1,012,288 |
| Total Fund Balance | 2,601,372 | 6,677,810 | 2,915,903 | 12,195,085 |
| Total Revenues | 26,384,411 | 14,079,990 | 3,667,901 | 44,132,302 |
| Total Expenditures | 25,122,540 | 14,225,795 | 6,390,859 | 45,739,194 |

| As of and for the Fiscal Year Ended June 30, 2007 | | | | |
|---|--------------|-------------------|-----------------------------|--------------------------|
| | General Fund | Other Major Funds | Nonmajor Governmental Funds | Total Governmental Funds |
| Unreserved/Undesignated Fund Balance..... | \$ 556,106 | \$ (1,433,297) | \$ 503,879 | \$ (373,312) |
| Designated Fund Balance..... | 1,012,289 | — | — | 1,012,289 |
| Total Fund Balance | 2,255,526 | 1,193,373 | 3,269,178 | 6,718,077 |
| Total Revenues | 25,931,299 | 13,484,622 | 3,928,792 | 43,344,713 |
| Total Expenditures | 25,144,305 | 13,540,720 | 6,427,904 | 45,112,929 |

General Fund

The main operating fund of the State is the General Fund. During fiscal year 2008, General Fund revenue increased by \$453.1 million while expenditures decreased by \$21.8 million. Other sources and uses, however, showed a large decline of \$478 million when compared with fiscal year 2007. As a result, the fund balance increased by \$342.7 million (exclusive of a \$2.6 million increase in inventories) or 15.2 percent.

General Fund Budgetary Highlights

The State ended the first year of its biennial budget period on June 30, 2008, with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$2.23 billion. Total budgetary sources for the General Fund (including \$1.4 billion in transfers from other funds) in the amount of \$28.12 billion were below final estimates by \$220.9 million or 0.8 percent during fiscal year 2008, while total tax receipts were below final estimates by \$107.8 million or 0.6 percent. Total budgetary uses for the General Fund (including \$786.2 million in transfers to other funds) in the amount of \$28.87 billion were below final estimates by \$712.9 million or 2.4 percent for fiscal year 2008. During fiscal year 2008, it was not necessary to use any of the \$1.01 billion that had been designated for budget stabilization purposes at June 30, 2007.

The General Revenue Fund (GRF) is the largest, non-GAAP, budgetary-basis operating fund included in the State’s General Fund. The following discussion of the revenue and expenditure variances relates specifically to the GRF.

For fiscal year 2008, revenues in the GRF were \$81.8 million, or 0.3 percent, below estimates. Negative variances in the GRF tax receipts include: personal income tax, \$34.5 million or 0.4 percent; non-auto sales and use tax, \$26.5 million, or 0.4 percent; and cigarette tax, \$19.1 million, or 2.0 percent.

The personal income tax, after adjusting for the change in allocation for the local government funds, grew 1.5 percent compared with fiscal year 2007 after the effects of the third of the five annual 4.2 percent income tax rate cuts was factored in. Employer withholdings and quarterly estimated payments both fell behind estimates as the year progressed, due to unemployment which has increased for the last six straight months. Employer withholdings were \$20.6 million below estimate by fiscal year end, while quarterly estimated payments were \$39.2 million below estimate. Quarterly estimated payments increased 1.3 percent compared to fiscal year 2007, well below

the estimated increase of 3.7 percent. Annual returns exceeded estimates by \$76 million, but this was offset by income tax refunds which also exceeded estimates by \$74.7 million.

Non-auto sales and use tax generated higher than expected revenues in five of the first seven months of the fiscal year, but the negative variances of the last five months erased what had been a year-to-date surplus. This is reflective of weakening consumer confidence and sharply higher fuel and food prices, which has the effect of shifting spending from taxable goods and services to those that are exempt from the sales tax. The Department of Taxation estimates that food and fuel price increases have reduced non-auto sales and use tax collections by \$8 million to \$12 million per month for the last six months of fiscal year 2008. During fiscal year 2008, non-auto sales and use tax receipts grew 2.1 percent over fiscal year 2007, after adjusting for the changes in the allocation for the local government funds. However, all of that growth came in the first seven months of the fiscal year. In the last five months, collections have dropped 0.8 percent from fiscal year 2007, despite the positive impact in June from the federal stimulus payments.

Cigarette tax receipts fell 3.6 percent from fiscal year 2007. This larger-than-expected drop is likely the result of a combination of factors, including the combined efforts of the smoking ban, and high fuel and food prices, which reduced disposable income.

Transfers into the GRF were \$90.1 million in fiscal year 2008. They were above estimates by \$87.1 million, or 7.6 percent. This variance was due to changes in the law that took effect in fiscal year 2008 that provides for the transfer to the GRF of excess money remaining in the fund used to reimburse local schools for tax revenues they lost due to the phase-out of the tangible personal property tax.

Disbursements for fiscal year 2008 in the GRF were below estimates by \$716.9 million, or 2.7 percent. Primary, Secondary, and Other Education function disbursements were below estimates by \$175.4 million, or 2.5 percent, primarily due to student enrollment in fiscal year 2008 being lower than anticipated.

Spending for the Higher Education function was below estimates by \$96.6 million, or 3.7 percent. This is largely due to the delay in implementing the Choose Ohio First scholarships, the Ohio Research Scholars, and the James A. Rhodes scholarship programs until fiscal year 2009, as part of the budget recalibration plan adopted by the Ohio Board of Regents in response to the State's budget directives.

Spending for the Public Assistance and Medicaid function was lower than budgeted by \$419 million, or 3.9 percent. Most of this was due to the timing of the last Medicaid payments for fiscal year 2008, which were delayed until July 1, 2008, and expended during fiscal year 2009. Expenditures for Medicaid have been rising and caseloads have been increasing since June 2007 and continuing to exceed the estimate. At the end of fiscal year 2008, Medicaid had an average of 24,000 additional enrollees in the program.

Expenditures for the Health and Human Services function were below estimate by \$44.9 million, or 3.4 percent. This was primarily attributable to the recalibration plans of three agencies which resulted in their lower-than-expected spending: \$7.1 million at the Department of Mental Health, \$4.3 million at the Department of Mental Retardation and Developmental Disabilities, and \$17.6 million at the Department of Aging.

Debt Service expenditures were less than expected for fiscal year 2008. This is largely the result of the October 2007 issuance of \$5.53 billion Buckeye Tobacco Settlement Asset-Backed Bonds. The proceeds of these tobacco bonds are being used in place of General Obligation debt (the debt service on which is paid from the GRF) to fund the State's share of rebuilding elementary and secondary school buildings across the State and for higher education facilities.

Consistent with state law, the Governor's Executive Budget for the 2008-09 biennium was released in March 2007 and introduced in the General Assembly. After extended hearings and review, the appropriations act (Act) for the 2008-09 biennium for the GRF was passed by the General Assembly and signed (with selective vetoes) by the then Governor on June 30, 2007.

The continued implementation of the restructuring of State taxes was commenced in 2006-07. The Act was based upon then estimated total GRF biennial revenues of approximately \$53.5 billion, a 3.9 percent increase over the 2006-07 biennial revenue, and total GRF biennial appropriations of approximately \$52.4 billion, a 2.1 percent increase over the 2006-07 biennial expenditures. Spending increases for major program categories over the 2006-07 actual expenditures were: 2.2 percent for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 13.2 percent for higher education; 5.3 percent for elementary and secondary education; 4.9 percent for corrections and youth services; and 4.7 percent for mental health and mental retardation. The Executive Budget and the GRF appropriations Act complied with legislation signed into law on

June 5, 2006 that limits most GRF appropriations commencing with the 2008-09 biennium. This statutory limitation initially uses fiscal year 2007 GRF appropriations as a baseline and then applies an annual growth factor of the greater of 3.5 percent or the sum of the inflation rates and rate of State population change. Every fourth fiscal year thereafter becomes a new base year. GRF appropriations for debt service payments are expressly excepted from this statutory limitation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The original GRF expenditure authorizations for the 2008-09 biennium reflected and were supported by tax law changes contained in the Act, including:

- Restructuring nonresident tax exemption for Ohio motor vehicle purchases projected to produce approximately \$54 million for the biennium.
- Restoring local government fund support by committing a set percent of all tax revenues deposited into the GRF. Local governments will receive 3.7 percent of total GRF tax revenues annually and local libraries will receive 2.2 percent of total GRF tax revenues annually.
- Eliminating the \$300 per month cigarette and tobacco product importation exemption projected to produce approximately \$25 million annually.

The GRF appropriations Act also created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the State under the November 1998 national tobacco settlement. On October 29, 2007, the Authority issued its \$5.53 billion Tobacco Asset-Backed Bonds to fund capital expenditures for higher education (\$938 million) and common school (\$4.11 billion) purposes over the next three years in lieu of the State issuing GRF-backed general obligation bonds to fund those capital expenditures. The resulting debt service savings to the GRF is funding the expansion of the homestead exemption property tax relief program in the Act. The Act reprograms all prior General Assembly allocations of anticipated tobacco settlement receipts to enable the pledge of 100 percent of those receipts to the payment of debt service on the Authority's obligations. The State had previously enacted legislation allocating its anticipated share of those receipts through fiscal year 2012 and making a partial allocation thereafter through fiscal year 2025. Except for fiscal years 2002 through 2004, none of the receipts were applied to existing operating programs of the State. Under those previously enacted allocations, the largest amount was to be applied to elementary and secondary school capital expenditures, with other amounts allocated for smoking cessation and other health-related purposes, biomedical research and technology transfer, and assistance to the tobacco growing areas in the State.

With the Ohio economy expected to be negatively affected by the national economic downturn, OBM in January 2008 reduced its original GRF revenue projections by \$172.6 million for fiscal year 2008 and \$385.1 million for fiscal year 2009. Based on those lower GRF revenue estimates and increased costs associated with Medicaid caseloads, OBM projected a budgetary shortfall for the current biennium of \$733 million. The following executive and legislative actions were taken in response:

- The Governor on January 31, 2008, issued an executive order directing expenditure reductions and spending controls totaling approximately \$509.1 million for the biennium as well as limitations on major purchases, hiring and travel. Allocation of those reductions is determined by the OBM Director in consultation with the affected agencies and departments, with annual expenditure reductions ranging up to 10 percent. An employee reduction plan was also announced aimed at reducing the State's workforce by up to 2,700 employees through attrition, unfilled vacancies and an early retirement incentive program. Expressly excluded from the cutbacks are appropriations for or relating to debt service on State obligations, State higher education instructional support, foundation formula support for primary and secondary education, Medicaid entitlement programs, and ad valorem property tax relief payments.
- Unspent agency appropriations totaling \$120.2 million in fiscal year 2008 and \$78 million in fiscal year 2009 were transferred to the GRF.
- Authorizing expansion of the State-run lottery system to include "keno" games projected to generate \$65 million in fiscal year 2009, although actual revenues are below estimates.

In March 2008, in response to the national economic downturn, the Governor proposed a \$1.7 billion economic stimulus plan to help the Ohio economy through investments in logistics and distribution, bio-products and biomedical research, advanced and renewable energy, local government infrastructure, conservation projects and brownfield revitalization projects. These investments were to be funded primarily through new GRF bond-backed capital appropriations. After extensive hearings and review, the General Assembly in June passed a \$1.57 billion

economic stimulus package that mirrored the purposes proposed by the Governor and added funding for higher education workforce programs and expanded the State's historic preservation tax credits. The sources of funding for the stimulus plan include, in addition to the GRF-backed bonds, \$230 million from the Ohio Tobacco Prevention Foundation (this transfer is subject to a pending legal challenge), \$370 million in GRF operating appropriations to be made over the next five fiscal years, \$184 million in bonds backed by net profit from the State's liquor enterprise, and \$200 million in bonds backed by highway user receipts.

In June 2008, the General Assembly also passed legislation that provides for, among other things, transfers to the GRF, after a selective line-item veto, of up to \$63.3 million from the Budget Stabilization Fund for the State's share of increased Medicaid costs, \$55 million from rotary funds and \$25 million in uncommitted interest earnings from proceeds of the State's Tobacco Settlement Asset-Backed bonds.

With the Ohio economy continuing to be negatively affected by the national economic downturn, OBM on September 10, 2008 announced a \$540 million reduction in its GRF revenue projections for fiscal year 2009 and a projected fiscal year budgetary shortfall of the same amount. Executive actions announced to offset the projected shortfall include:

- Use of additional planned fiscal year-end lapses and GRF carry-forward totaling \$126.4 million.
- Use of balances in various non-GRF rotary funds totaling \$112 million.
- Transfer to the GRF an additional \$40 million of interest earnings on the proceeds of the tobacco securitization referred to above.
- As authorized by June 2008 legislation referred to above, a transfer to the GRF of \$63.3 million to pay for previously authorized Medicaid cost expenditures.

The \$198.3 million balance of the reduction is being offset by a 4.75 percent reduction in most agency appropriations, which does not apply to appropriations for debt service or tax relief, Medicaid and disability financial assistance, aid to local school districts, or the Department of Rehabilitation and Corrections, the Department of Youth Services, and selected others.

On December 1, 2008, OBM announced a further \$640.4 million reduction in GRF revenue projections for fiscal year 2009 expected to result in a projected fiscal year budgetary shortfall of the same amount. Executive actions announced to offset much of that projected shortfall include:

- Reducing total GRF Medicaid spending by \$311.1 million by using cash from non-GRF Medicaid accounts and the corresponding federal share previously planned for use in fiscal year 2010.
- Reducing total Medicaid program spending by \$21.3 million by enhanced focus on use of other third party liability sources and other program savings exceeding original estimates.
- Reducing other GRF expenditures by \$180.5 million through a further 5.75 percent reduction in most agency appropriations, which does not apply to appropriations for debt service or tax relief, Medicaid and disability financial assistance, aid to local school districts, or the Department of Rehabilitation and Corrections, the Department of Youth Services, and selected others. These reductions are in addition to the approximately \$1.27 billion of reductions in the 2008-09 biennium budget already undertaken.

The remaining \$131.9 million of the shortfall will be offset by additional Federal Medical Assistance Payments to be received under the American Recovery and Reinvestment Act of 2009, which will increase federal Medicaid match to the GRF by that amount, after taking into account the loss of federal match from the two Medicaid related actions outlined above.

On May 7, 2009, OBM reported that April State income tax receipts were \$321.6 million below December 2008's revised projections. In response, OBM is considering additional fiscal year 2009 expenditure reductions currently estimated to exceed \$98 million, transferring money from the Budget Stabilization fund, and restructuring \$52.8 million of GRF fiscal year 2009 debt service into fiscal years 2012 through 2021.

The State ended fiscal year 2008 with a GRF cash balance of \$1.68 billion and a GRF budgetary fund balance of \$807.5 million. The State did not designate any cash in the GRF for transfer to the budget stabilization fund for fiscal year 2008, as of June 30, 2008.

Other Major Governmental Funds

The *Job, Family and Other Human Services Fund*, had a fund balance of \$140 million at June 30, 2008, a decrease of \$59.1 million, or 29.7 percent, compared to fiscal year 2007. Expenditures exceeded revenues by \$83 million, but net transfers-in totaled \$23.9 million.

Public Assistance and Medicaid expenditures increased \$103.8 million, or 1.9 percent, compared to the previous fiscal year. This increase in expenditures was partially offset by a \$30.7 million, or 0.6 percent, increase in federal government revenue compared to the previous fiscal year. The increase in expenditures was due to the costs for the Medicaid, TANF, Food Stamps, Unemployment Insurance, and the federally funded day-care programs all increasing due to increased enrollments largely attributable to increased unemployment and increased costs of providing medical care due to inflation. Transfers-in to the *Job, Family and Other Human Services Fund* decreased by \$81.9 million, or 73.9 percent, compared to fiscal year 2007. This is largely due to certain revenues previously recorded as transfers-in now being reported as Other Revenues. This also accounts for the increase of Other Revenue in the fund by \$55.8 million, or 36.9 percent, when compared to fiscal year 2007.

The *Education Fund*, as of June 30, 2008, had a fund balance of \$115.1 million, an increase of \$13.3 million since June 30, 2007. Expenditures decreased by \$8.2 million, or 0.3 percent, compared to fiscal year 2007. Revenues in the Education Fund increased by \$7.8 million, or 0.5 percent, in fiscal year 2008. Fiscal year 2008 net transfers-in for the fund in the amount of \$674.2 million declined by 39.6 million, or 5.6 percent, compared to fiscal year 2007. This decline is primarily due to the fact that, in accordance with the Ohio Revised Code, the Revenue Distribution Fund (see below) was not required to make transfers of excess funds to the Education Fund, based on the cash balances in the respective funds. In fiscal year 2007, the amount of such transfers totaled \$50.1 million.

The fund balance for the *Highway Operating Fund*, as of June 30, 2008, totaled approximately one billion dollars, an increase of \$115.4 million (including a \$1.7 million increase in inventories) or 13 percent since June 30, 2007. The increase was due to net transfers which totaled \$264 million and more than offset the excess of expenditures over revenues of \$150.3 million. The net transfers increased by \$79.4 million, or 43 percent, when compared to fiscal year 2007. This increase in net transfers is attributable to a decrease in transfers-out of \$95.9 million compared to fiscal year 2007, and \$92 million of this decrease is due to the replacement of the transfers-out with other sources of revenue in the fund that previously recorded the corresponding transfers-in.

Total revenues in the fund totaled \$1.91 billion in fiscal year 2008, a decrease of \$209.9 million, or 9.9 percent, from fiscal year 2007. Federal revenues of \$1.1 billion represented a \$221.1 million, or 16.7 percent, decline from fiscal year 2007. Part of this decline relates to federal reimbursement for debt service costs relating to certain construction bonds that the State received 100 percent reimbursement for in fiscal year 2007, but that is reimbursed at 80 percent beginning in fiscal year 2008. The rest of the decline is attributable to various factors, including weather-related decreased construction expenditures which reduced the State's eligibility to receive federal reimbursement, and timing differences in the receipt of the federal reimbursement. Partially offsetting this decline in federal revenues, Other revenues totaled \$45.6 million for fiscal year 2008, which was an increase of \$22.9 million, or 101.2 percent, over fiscal year 2007. There were several reasons for this increase: the State sold major highway right of ways for \$2.9 million; several large construction projects that receive local government reimbursement were completed; and the fund received \$22.8 million in reimbursement for bridge painting settlements.

Total expenditures in the fund totaled \$2.06 billion in fiscal year 2008, a decrease of \$106.1 million, or 4.9 percent, from fiscal year 2007. The reason for this decrease relates to the decreased construction expenditures referred to previously above.

For the *Revenue Distribution Fund*, as of June 30, 2008, the fund balance totaled (\$45.4) million, a decrease of \$49.7 million since June 30, 2007. Fiscal year 2008 net transfers of (\$773.3) million were greater than the \$723.6 million excess of revenues over expenditures, thus causing the decrease in fund balance.

Expenditures in the Primary, Secondary and Other Education function increased by \$239.7 million, or 43.5 percent, compared to fiscal year 2007. This increase was almost entirely attributable to the fund's increased collections of the commercial activities tax. The taxes are subsequently distributed to local school districts to serve as a replacement for revenues lost by the local school districts due to the expiration of the tangible property tax, which previously provided funding to local school districts.

Expenditures in the Community and Economic Development function of the Revenue Distribution Fund increased by \$149.9 million, or 7.2 percent, compared to fiscal year 2007. This increase was almost entirely attributable to the fund's increased collections of the commercial activities tax. The taxes are subsequently distributed to local governments to serve as a replacement for revenues lost by the local governments due to the expiration of the tangible property tax, which previously provided funding to local governments.

Corporate and public utility tax revenues increased by \$449.8 million, or 43.7 percent, compared to fiscal year 2007. The fund's increased share of collections of the commercial activities tax, which continued to be phased in during fiscal year 2008, accounted for the majority of the increase.

The *Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund* ended fiscal year 2008 with a \$5.5 million fund balance. This fund was established during fiscal year 2008 due to the issuance of \$5.5 million in revenue bonds used 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. Its revenue includes tobacco settlement revenue and investment income of \$348 million during fiscal year 2008. Expenditures include payments for principal and interest on the revenue bonds totaling \$323.3 million during fiscal year 2008.

Major Proprietary Funds

The State's proprietary fund financial statements report the same type of information found in the business-type activities portion of the government-wide financial statements, but in a slightly different format.

For the *Workers' Compensation Fund*, the \$197.7 million increase in net assets was primarily due to premium and assessment income of \$2.14 billion which, when combined with \$719.9 million in investment income, more than offset benefits and compensation adjustment expenses of \$2.59 billion. This increase in net assets represents a 91.6 percent decrease compared to the \$2.44 billion increase in net assets that occurred in fiscal year 2007. The fiscal year 2007 increase, however, was primarily due to a \$1.9 billion one-time adjustment in premium and assessment income which was a result of the passage of Ohio House Bill 100 in June 2007, which granted the Bureau the authority to assess employers in future periods for amounts needed to fund the Disabled Workers' Relief Fund, resulting in the recording of an unbilled receivable equal to the discounted reserve for compensation and compensation adjustment expenses in the fund.

Workers' compensation benefits and claims expenses totaled \$2.59 billion in fiscal year 2008, compared to \$2.67 billion in fiscal year 2007, a decrease of \$79.7 million or 3.0 percent. This decrease is primarily due to lower than expected levels of medical inflation, leading to favorable reserve development. Medical reserves for claims occurring on or before June 30, 2007 declined by \$701 million in fiscal year 2008. By comparison, in fiscal year 2007, medical reserves for claims occurring on or before June 30, 2006 declined by \$995 million.

Investment income of \$719.9 million in fiscal year 2008 represents a decrease of \$191.6 million, or 21 percent, compared to fiscal year 2007. At June 30, 2006, approximately 96 percent of BWC's investments were held in a passively managed bond index fund. As of September 2007, the bond index fund units were liquidated and assets were transitioned to long-duration fixed income securities, treasury inflation protected securities, and domestic equity securities that are managed by three external money managers. Another contributing factor in the decrease of investment income in fiscal year 2008 was the sale of 66 private equity partnerships for a net loss of \$51.2 million.

For fiscal year 2008, the *Lottery Commission Fund* reported \$716 million in net income before transfers of \$672.5 million and \$335 thousand to the Education and General funds, respectively, posting a \$43.5 million, or 48.1 percent, increase in the fund's net assets. The fiscal year 2008 increase in the Lottery Commission Fund's net assets is partially due to increases in unrealized investment income of \$27.6 million, or 45.8 percent, which in turn were due to an increase in the fair market value of the Lottery Commission's investments, while interest expense in the form of borrower rebates associated with securities lending transactions decreased by \$8.7 million, or 36.3 percent, compared to fiscal year 2007. Increased ticket sales of \$65.7 million, or 2.9 percent, were approximately offset by increased prize expenses, which are directly proportional to ticket sales, of \$58.7 million, or 4.4 percent. Other nonoperating expenses, which primarily reflect the amortization of prize liabilities, also declined by \$46.7 million, or 54.6 percent, when compared to fiscal year 2007.

For the *Unemployment Compensation Fund*, unemployment benefits and claims expenses of \$1.33 billion were \$157.5 million, or 13.4 percent more than in fiscal year 2007, while premium and assessment income of \$1.11 billion increased only \$50.7 million, or 4.8 percent from that of fiscal year 2007. This resulted in a net loss of \$156.3 million, which was an increase of \$89 million, or 132.2 percent, over the loss in fiscal year 2007. For calendar years 2007 and 2008, Ohio's annualized average unemployment rate was 5.6 percent and 6.5 percent, respectively, according to the U.S. Department of Labor.

Nonmajor Proprietary Funds

For fiscal year 2008, the *Tuition Trust Authority Fund* posted a \$31.2 million deficit at June 30, 2008, due to a net loss of \$62.2 million incurred in fiscal year 2008. The loss is due primarily to a \$322.1 million, or 124 percent, de-

crease in net income as compared to fiscal year 2007. This decrease in net income, in turn, is due to two primary factors: a \$140.5 million, or 120.2 percent, decrease in investment income (which was due partially to a poor rate of return on investments of -3.6 percent in fiscal year 2008, and partially to a decrease of invested assets of \$134.8 million, or 15 percent, compared to fiscal year 2007), and to a \$153.7 million, or 68.3 percent, increase in actuarial tuition benefits expense (which is reflected as "Other" operating revenues in the financial statements) as a result of the change in tuition benefits payable from fiscal year 2007 to fiscal year 2008, due to negative investment returns in fiscal year 2008 and a change in the investment return assumption downward from 7 percent to 6.5 percent beginning in fiscal year 2008. These factors offset a decrease of \$71.2 million, or 8.2 percent, in tuition benefits payable, which resulted from the continued suspension of sales in the Guaranteed Savings Plan and the change in tuition inflation assumption during future years. The final factor contributing to the decrease in net income was a \$28.2 million, or 34.1 percent, increase in tuition expense in fiscal year 2008 compared to fiscal year 2007.

The *Office of the Auditor of State Fund* recognized an increase of net assets from \$12.1 million at June 30, 2007 to \$16.2 million at June 30, 2008, an increase of 33.3 percent. This increase is due to additional charge for sales and services revenues of \$3.1 million, or 7.4 percent, in fiscal year 2008 due to an increase in the charges for audits of State agencies and local governments, combined with a \$1.3 million decrease in administrative expenses due to the transfer of the warrant writing function to the State's Office of Budget and Management.

The *Liquor Control Fund* reported a decrease in net assets of \$12.4 million, or 29 percent, after transferring \$215.8 million to the General Fund and other governmental funds. This transfer represented an increase of \$37.2 million, or 20.8 percent, over fiscal year 2007. Operating income increased in fiscal year 2008 by \$7.9 million, or 4 percent, compared to fiscal year 2007, with the increase being mostly due to increased liquor sales.

In fiscal year 2008, transfers from proprietary funds to governmental funds totaled \$933.1 million, up \$20.2 million or 2.2 percent when compared to the \$912.9 million in transfers-out reported in fiscal year 2007.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2008 and June 30, 2007, the State had invested \$24.76 billion and \$24.39 billion, respectively, net of accumulated depreciation of \$2.66 billion and \$2.42 billion, respectively, in a broad range of capital assets, as detailed in the table below.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2008
With Comparatives as of June 30, 2007
(dollars in thousands)

| | As of June 30, 2008 | | | As of June 30, 2007 | | |
|---------------------------------|-------------------------|--------------------------|--------------|-------------------------|--------------------------|--------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Land | \$1,885,135 | \$11,994 | \$1,897,129 | \$ 1,817,502 | \$ 11,994 | \$ 1,829,496 |
| Buildings..... | 1,935,616 | 93,115 | 2,028,731 | 1,925,273 | 100,049 | 2,025,322 |
| Land Improvements | 199,236 | 13 | 199,249 | 195,045 | 14 | 195,059 |
| Machinery and Equipment | 199,401 | 20,475 | 219,876 | 194,971 | 16,255 | 211,226 |
| Vehicles..... | 138,895 | 2,646 | 141,541 | 143,701 | 2,780 | 146,481 |
| Infrastructure: | | | | | | |
| Highway Network: | | | | | | |
| General Subsystem | 8,387,073 | — | 8,387,073 | 8,363,606 | — | 8,363,606 |
| Priority Subsystem..... | 7,469,454 | — | 7,469,454 | 7,320,525 | — | 7,320,525 |
| Bridge Network | 2,541,870 | — | 2,541,870 | 2,496,039 | — | 2,496,039 |
| Parks, Recreation, and | | | | | | |
| Natural Resources System | 47,393 | — | 47,393 | 44,094 | — | 44,094 |
| | 22,804,073 | 128,243 | 22,932,316 | 22,500,756 | 131,092 | 22,631,848 |
| Construction-in-Progress | 1,825,691 | — | 1,825,691 | 1,757,523 | — | 1,757,523 |
| Total Capital Assets, Net | \$24,629,764 | \$128,243 | \$24,758,007 | \$24,258,279 | \$131,092 | \$24,389,371 |

During fiscal year 2008, the State recognized \$403.3 million in annual depreciation expense relative to its general governmental capital assets as compared with \$240.9 million in annual depreciation expense recognized in fiscal year 2007. The State also recognized \$15.7 million in annual depreciation expense relative to its business-type capital assets as compared with \$14.4 million in annual depreciation expense recognized in fiscal year 2007.

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2008 totaling approximately \$387 million, as compared with \$356.9 million in the previous fiscal year. The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 1.5 percent (approximately a 1.5 percent increase for governmental activities and a 2.2 percent decrease for business-type activities). As is further detailed in NOTE 19D. of the notes to the financial statements, the State had \$107.6 million in major construction commitments (unrelated to infrastructure), as of June 30, 2008, as compared with the \$92 million balance reported for June 30, 2007.

Modified Approach

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. The modified approach allows a government *not to report depreciation expense* for eligible infrastructure assets if the government manages the eligible infrastructure assets using an asset management system that possesses certain characteristics and the government can document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level it sets (and discloses). Under the modified approach, the State is required to expense all spending (i.e., preservation and maintenance costs) on infrastructure assets except for additions and improvements. Infrastructure assets accounted for using the modified approach include approximately 42,782 in lane miles of highway (12,718 in lane miles for the priority highway subsystem and 30,064 in lane miles for the general highway subsystem) and approximately 104.1 million square feet of deck area that comprises 14,242 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, free-ways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems, respectively, to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2007, indicates that only 3.1 percent and 5.2 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For calendar year 2006, only 3.1 percent and 1.5 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2007, indicates that only 3.4 percent and .05 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively. For calendar year 2006, only 2.8 percent and .01 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively.

For fiscal year 2008, total actual maintenance and preservation costs for the priority and general subsystems were \$405.3 million and \$237.1 million, respectively, compared to estimated costs of \$357.4 million for the priority system and \$178.3 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$313.8 million compared to estimated costs of \$288.3 million. For the previous fiscal year, total actual maintenance and preservation costs for the priority and general subsystems were \$418.9 million and \$268.8 million respectively, compared to estimated costs of \$403.1 million for the priority system and \$196.8 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$313.3 million compared to estimated costs of \$290.7 million. The State's costs for actual maintenance and preservation costs for infrastructure have exceeded estimates over the past two years due to steadily increasing underlying costs for the materials and labor associated with infrastructure projects.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of the report.

Debt — Bonds and Notes Payable and Certificates of Participation Obligations

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds issued by the State and the Ohio Building Authority (OBA), a blended component unit of the State, are supported with lease payments from tenants of facilities constructed with the proceeds from the bond issuances. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2008, the State issued at par \$268 million in general obligation bonds, \$5.79 billion in revenue bonds, \$80 million in special obligation bonds, and \$75.1 million in certificates of participation. No refunding

bonds were issued during the fiscal year. The total increase in the State's debt obligations for the current fiscal year, as based on carrying amount, was 43.1 percent (a 43.7 percent increase for governmental activities and a 15.9 percent decrease for business-type activities).

As of June 30, 2008 and June 30, 2007, the State had total debt of approximately \$16.59 billion and \$11.6 billion, respectively, as shown in the table below.

Bonds and Notes Payable and Certificates of Participation
As of June 30, 2008
With Comparatives as of June 30, 2007
(dollars in thousands)

| | As of June 30, 2008 | | | As of June 30, 2007 | | |
|-------------------------------------|-------------------------|--------------------------|---------------------|-------------------------|--------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Bonds and Notes Payable: | | | | | | |
| General Obligation Bonds | \$ 7,310,376 | \$ — | \$ 7,310,376 | \$ 7,583,266 | \$ — | \$ 7,583,266 |
| Revenue Bonds and Notes | 6,413,182 | 97,286 | 6,510,468 | 811,910 | 115,740 | 927,650 |
| Special Obligation Bonds | 2,585,319 | — | 2,585,319 | 2,966,105 | — | 2,966,105 |
| Certificates of Participation | 187,336 | — | 187,336 | 122,182 | — | 122,182 |
| Total Debt | 16,496,213 | \$ 97,286 | \$16,593,499 | \$11,483,463 | \$115,740 | \$11,599,203 |

Credit Ratings

Ohio's credit ratings for general obligation debt are Aa1 by Moody's Investors Service, Inc. (Moody's) and AA+ by Fitch Inc. (Fitch). Standard & Poor's Ratings Services (S&P) rates the State's general obligation debt as AA+, other than Highway Capital Improvement Obligations, which are rated AAA.

For special obligation bonds, which the Ohio Building Authority and the Treasurer of State issue and General Revenue Fund appropriations secure, Moody's rating is Aa2, while S&P and Fitch rate these bonds AA.

The State's revenue bonds are rated as follows:

| Revenue Bonds | Fitch | Moody's | S&P | Source of State Payment |
|--|-------|---------|-----|---|
| Governmental Activities: | | | | |
| Treasurer of State: | | | | |
| Economic Development..... | A+ | Aa3 | AA- | Net Liquor Profits |
| State Infrastructure Bank..... | AA- | Aa2 | AA | Federal Transportation Grants and Loan Receipts |
| Revitalization Projects | A+ | A1 | A+ | Net Liquor Profits |
| Buckeye Tobacco Settlement Financing Authority | BBB+ | Baa3 | BBB | Pledged Receipts from the Tobacco Master Settlement Agreement |
| Business-Type Activities: | | | | |
| Bureau of Workers' Compensation..... | AA | Aa3 | AA | Workers' Compensation Enterprise Fund |

On June 10, 2009, Fitch downgraded the State's general obligation credit rating to AA from AA+, downgraded the State's special obligation credit rating to AA- from AA, and downgraded the Bureau of Workers' Compensation revenue bonds to AA- from AA. Fitch also revised its credit outlook associated with the ratings to stable from negative.

On June 15, 2009, Moody's downgraded the State's general obligation credit rating to Aa2 from Aa1, downgraded the State's special obligation credit rating to Aa3 from Aa2, and downgraded the Bureau of Workers' Compensation revenue bonds to A1 from Aa3. Moody's also revised its credit outlook associated with the ratings to stable from negative.

S&P upgraded the ratings on the Economic Development revenue debt from AA- to AA, and also upgraded the ratings on the Revitalization Projects revenue debt from A+ to AA. On September 23, 2009, S&P revised its "credit outlook" on the State from "stable" to "negative." The change in credit outlook is not a precursor to a rating change, but is an indication over the intermediate to longer term of a potential change.

Limitations on Debt

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude: general obligation debt for both Third Frontier research and development and the development of sites for industry, commerce, distribution, and research and development; and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the state official responsible for making the five-percent determinations and certifications. Application of the five-percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly, and that cap does not apply to bonds issued to retire bond anticipation notes for which the requirements were met as to the bonds anticipated at the time of note issuance, or to debt issued to defend the State in time of war.

More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 of the financial statements.

Conditions Expected to Affect Future Operations

Economic Factors

Nationally, the economy contracted in the second quarter of 2009 and for the fourth consecutive quarter, but at the slowest pace since the 1.5 percent increase in the second quarter of 2008. Leading economic indicators suggest that an economic recovery is taking hold. Despite raising projections for near-term growth, economists expect the recovery from the 2007-2009 recession to be weak by historical standards, as were the recoveries from the 1990-1991 and 2001 recessions. The pace of economic recovery in Ohio will depend heavily on the fate of the motor vehicle industry and the strength of export markets.

The rate of change in real Gross Domestic Product (GDP) was a decrease of one percent in the second quarter, following declines of 6.4 percent in the first quarter and 5.4 percent in the fourth quarter of 2008. Compared with a year earlier, real GDP was down 3.9 percent. The economy has contracted in four consecutive quarters and five out of the last six quarters and by the largest amount over a four-quarter span in the post-World War II period.

Recent monthly patterns in related indicators point toward gains in personal consumption expenditures, investment in business equipment and exports during the third quarter of 2009. Reflecting convincing improvement in construction activity during the summer months of 2009, investment in residential structures could be unchanged during the third quarter of 2009, which would be the best showing since the fourth quarter of 2005. Recent indicators point with somewhat less certainty to a much smaller decline in business inventories.

As a result, forecasters project an increase in real GDP of three percent or higher during the third quarter of 2009. Although this would be a modest pace by historical standards early in a recovery, three percent growth would be a marked improvement from expectations earlier in the year. As recently as March 2009, for example, IHS Global Insight was predicting a decline of 1.2 percent for third-quarter real GDP.

Employment remained in a downtrend through August 2009 and the unemployment rate increased to a new high for the cycle, at 9.7 percent in the U.S. in August 2009 and 11.2 percent in Ohio in July 2009. Employment in Ohio increased by 9,800 jobs in July 2009 after decreasing by 254,000 jobs between July 2008 and June 2009. During the twelve month period ending June 2009, employment in Ohio increased in educational and health services and leisure and hospitality. Employment levels decreased in manufacturing, professional and business services, and trade, transportation and utilities. More than one half of the job loss in professional and business services occurred in the employment services category.

Ohio personal income decreased 2.2 percent in the first quarter of calendar year 2009 for the third consecutive quarterly decline. Compared with a year earlier, Ohio personal income was higher by .7 percent in the first quarter 2009, the weakest year-over-year comparison since the second quarter of 1961. This drop in Ohio personal income during the first quarter 2009 reflected large decreases in wage and salary disbursements and dividends, interest and rent, partially offset by a large increase in current personal transfer receipts. Wage and salary disbursements decreased 5.7 percent, annualized, following a drop of 2.3 percent in the fourth quarter of 2008 to 1.2

percent below the 2008 level. Most of the decline in wage and salary disbursements occurred in manufacturing, accompanied by a substantial decline in finance and insurance.

As of July 2009, U.S. personal income was unchanged after decreasing 1.1 percent in June 2009 and increasing 1.4 percent in May 2009. These trends take into consideration consumer income and spending resulting from the American Recovery and Reinvestment Act (ARRA) and the federal rebates for new car purchases. Excluding the effects of ARRA, U.S. personal income increased .1 percent, .2 percent, and .1 percent for May, June, and July, respectively. Wage and salary disbursements, which comprise more than one-half of personal income, increased .1 percent in July 2009, following eight straight months of decline. Compared with a year earlier, wage and salary disbursements were down 5.1 percent, the same as in June 2009 and the low point of the cycle. U.S. personal income was down 2.4 percent from a year earlier, up from a year-over-year decline of 3.2 percent in June 2009.

General Revenue Fund

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the GRF. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

During fiscal year 2009, the gross domestic product (GDP) of the national economy declined all four quarters. The quarter ended June 30, 2009, however, showed some improvement in that the annualized decrease in the GDP fell to 1 percent, as opposed to decreases of 6.4 percent for the quarter ended March 31, 2009 and 5.4 percent for the quarter ended December 31, 2008. Ohio's unemployment rate hit 11.1 percent in June 2009. Employment in Ohio decreased by 279,000 jobs, or 5.2 percent, during the twelve month period ending in June, 2009.

Given this economic situation, it is not surprising that in fiscal year 2009, Ohio's GRF tax receipts posted a decrease of \$2.33 billion, or 12 percent, when compared to fiscal year 2008. Reductions of this magnitude have not been experienced in the last 50 years. Ultimately, Ohio's tax receipts fell \$950.9 million, or 5.3 percent, below December's revised estimates. Non-tax receipts were \$188.6 million, or 2.6 percent, below estimates. This reality forced the administration to transfer \$1.01 billion from the Budget Stabilization fund, bringing transfer revenue for the fiscal year to \$2.43 billion, which was \$871.7 million, or 55.8 percent, more than estimated, to ensure that the State ended fiscal year 2009 in balance. Even with the transfer from the Budget Stabilization fund, total revenues and transfers were still \$267.9 million, or 1 percent, below estimates, and were only \$25.2 million, or 0.1 percent, above fiscal year 2008 total revenues and transfers.

The largest shortfall in tax revenues was in the personal income tax, which totaled \$7.63 billion in revenues for fiscal year 2009, a shortage of \$629.6 million, or 7.6 percent, below estimates. Compared to the previous fiscal year, personal income tax receipts were \$1.49 billion, or 16.3 percent, lower. The high level of unemployment resulted in withholding taxes that were \$200.6 million below estimate for the fiscal year, while the economic downturn and stock market slump also affected non-wage income sources, such as capital gains and interest and dividends, which resulted in quarterly estimated payments being \$215.2 million below estimates.

The non-auto sales and use tax also performed poorly throughout fiscal year 2009, with total receipts of \$6.24 billion being \$337.9 million, or 5.1 percent, below estimates. Compared to fiscal year 2008, receipts were \$431.5 million, or 6.5 percent lower.

Given the poor revenue situation, the administration repeatedly cut appropriations during fiscal year 2009. Expenditures were held in strict control, with total expenditures and transfers for the fiscal year being \$101.7 million, or 0.4 percent, below the last December 2008 budget levels. Executive order reductions and budget directives served to preserve key investments in education and safety-net services over the course of the fiscal year.

Public Assistance and Medicaid expenditures totaled \$11.1 billion for fiscal year 2009, which was \$200.5 million, or 1.8 percent, below estimates. This is despite the fact that managed care and fee-for-service payments of approximately \$434 million originally scheduled to be paid in June 2008 were instead paid in July, 2008. This was partially offset by a fee-for-service payment of \$70.9 million originally slated to be disbursed in June 2009 that was instead posted in July 2009 due to timing issues around the year end close. The increased use of non-GRF funds is one reason for expenditures coming in under estimates. Other reasons include: Medicaid inpatient hospital disbursements continue to be under projections; caseloads and costs per claim under the Waivers program continues to be lower than expected; and although Medicaid caseloads grew for 17 consecutive months through May 2009, the rate of increase declined in May, while enrollments in the ABD category remain under projections.

Debt service disbursements for fiscal year 2009 were \$616.2 million, which is \$67.3 million, or 9.8 percent, below estimates. This reflects a restructuring of the State's outstanding GRF-backed obligations. The restructuring was

carefully developed to ensure that the final term of the new debt did not exceed the final term of the existing debt or the useful life of the financed assets, and to maintain the rapid amortization of the State's total GRF-backed debt.

Tax Relief expenditures, in contrast, totaled \$1.53 billion, which is \$178.5 million, or 13.2 percent, above estimates. This is accounted for by the fact that additional tax relief appropriations attributable to the expansion of the homestead exemption are not included in the expenditure estimates for fiscal year 2009, and also due to the timing of requests for payments from local governments for reimbursement of the tax rollback on non-homestead eligible properties.

The future looks somewhat brighter, since leading economic indicators seem to point to an economic recovery beginning nationally during the summer months of 2009. Economists expect this recovery, however, to be weak by historical standards. The pace of economic recovery in Ohio will depend heavily on the fate of the motor vehicle industry.

Contacting the Ohio Office of Budget and Management

This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or by e-mail at obm@obm.state.oh.us.

[THIS PAGE LEFT BLANK INTENTIONALLY]

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

[THIS PAGE LEFT BLANK INTENTIONALLY]

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

Total Fund Balances for Governmental Funds..... **\$ 12,195,085**

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

| | |
|--|-------------------|
| Land..... | 1,885,136 |
| Buildings and Improvements, net of \$1,630,611 accumulated depreciation..... | 1,935,616 |
| Land Improvements, net of \$200,657 accumulated depreciation..... | 199,236 |
| Machinery and Equipment, net of \$443,767 accumulated depreciation..... | 199,401 |
| Vehicles, net of \$131,320 accumulated depreciation..... | 138,894 |
| Infrastructure, net of \$6,916 accumulated depreciation..... | 18,445,790 |
| Construction-in-Progress..... | 1,825,691 |
| | <u>24,629,764</u> |

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

| | |
|-----------------------------------|------------------|
| Taxes Receivable..... | 386,052 |
| Intergovernmental Receivable..... | 288,587 |
| Other Receivables..... | 320,713 |
| Other Assets..... | 5,982 |
| | <u>1,001,334</u> |

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

76,104

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

| | |
|--------------------------------------|---------------------|
| <i>Accrued Liabilities:</i> | |
| Interest Payable..... | (147,441) |
| Refunds and Other Liabilities..... | 1,373 |
| <i>Bonds and Notes Payable:</i> | |
| General Obligation Bonds..... | (7,310,376) |
| Revenue Bonds..... | (6,413,182) |
| Special Obligation Bonds..... | (2,585,319) |
| Certificates of Participation..... | (187,336) |
| <i>Other Noncurrent Liabilities:</i> | |
| Compensated Absences..... | (398,311) |
| Capital Leases Payable..... | (9,804) |
| Litigation Liabilities..... | (11,303) |
| Estimated Claims Payable..... | (3,787) |
| Liability for Escheat Property..... | (250,642) |
| | <u>(17,316,128)</u> |

Total Net Assets of Governmental Activities..... **\$ 20,586,159**

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

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

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

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

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

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | |
|---|---------------------|
| Net Change in Fund Balances -- Total Governmental Funds..... | \$ 5,452,437 |
| Change in Inventories..... | 24,571 |
| | <u>5,477,008</u> |

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|---|----------------|----------------|
| Capital Outlay Expenditures..... | 716,613 | |
| Depreciation Expense..... | (345,128) | |
| | <u>371,485</u> | |
| Excess of Capital Outlay Over Depreciation Expense..... | | <u>371,485</u> |

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

| | | |
|--|--------------------|--------------------|
| General Obligation Bonds..... | (268,000) | |
| Revenue Bonds..... | (5,791,594) | |
| Special Obligation Bonds..... | (80,000) | |
| Refunding Bonds, including Bond Premium/Discount, Net..... | — | |
| Certificates of Participation..... | (75,105) | |
| Premiums and Discounts, Net: | | |
| General Obligation Bonds..... | (11,106) | |
| Revenue Bonds..... | 56,507 | |
| Special Obligation Bonds..... | (1,944) | |
| Certificates of Participation..... | (712) | |
| Deferred Refunding Loss..... | — | |
| Capital Leases..... | (1,533) | |
| | <u>(6,173,487)</u> | |
| Total Debt Proceeds..... | | <u>(6,173,487)</u> |

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

| | | |
|--|------------------|------------------|
| <i>Debt Principal Retirement and Defeasements:</i> | | |
| General Obligation Bonds..... | 535,605 | |
| Revenue Bonds..... | 154,940 | |
| Special Obligation Bonds..... | 454,854 | |
| Certificates of Participation..... | 9,320 | |
| Capital Lease Payments..... | 10,466 | |
| | <u>1,165,185</u> | |
| Total Long-Term Debt Repayment..... | | <u>1,165,185</u> |

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues increased by this amount this year.

114,784

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

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

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

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

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

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

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

(continued)

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
 (continued)

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

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

REVENUE DISTRIBUTION

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

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

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

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

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

STATE OF OHIO

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

(dollars in thousands)

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

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

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

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

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

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

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

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
(continued)

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

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

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

\$ — \$ 224,432

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

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

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

[THIS PAGE LEFT BLANK INTENTIONALLY]

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

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

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

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2008
(dollars in thousands)

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

The notes to the financial statements are an integral part of this statement.
54

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

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

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2008, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

1. Blended Component Units

The Ohio Building Authority, the Buckeye Tobacco Settlement Financing Authority, and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

2. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

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

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

The following organizations impose or potentially impose financial burdens on the primary government.

- Ohio Water Development Authority
- Ohio State University
- University of Cincinnati
- Ohio University
- Miami University
- University of Akron
- Bowling Green State University
- Kent State University
- University of Toledo
- Cleveland State University
- Youngstown State University
- Wright State University
- Shawnee State University
- Central State University
- Terra State Community College
- Columbus State Community College
- Clark State Community College
- Edison State Community College



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.

3. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14.

B. Basis of Presentation

Government-wide Statements — The Statement of Net Assets and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets less liabilities equal net assets*. *Net assets* section is displayed in three components:

- The *Invested in Capital Assets, Net of Related Debt* component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net assets component.
- The *Restricted Net Assets* component represents net assets with constraints placed on their use that are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net assets are displayed in two additional components — expendable and nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.
- The *Unrestricted Net Assets* component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Generally, the State does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for the sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Investment income and revenue from the federal government for extended unemployment benefits are also reported as operating revenues for the Unemployment Compensation Fund, since these sources provide significant funding for the payment of unemployment benefits — the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on deferred lottery prize liabilities, which is reported under "Other" nonoperating expenses.

The State reports the following major governmental funds:

General — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Department of Job and Family Services, which provides financial assistance services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs.

Education Special Revenue Fund — This fund accounts for programs administered by the Department of Education, the Ohio Board of Regents, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

Highway Operating Special Revenue Fund — This fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

Revenue Distribution Special Revenue Fund — This fund accounts for tax relief and aid to local government programs, which derive funding from tax and other revenues levied, collected, and designated by the State for these purposes.

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

The State reports the following major proprietary funds:

Workers' Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Ohio Industrial Commission, which provide workers' compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State's lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2007.

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

Investment Trust Fund — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Agency Funds — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major component unit funds:

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

The *Ohio Water Development Authority*, *Ohio State University*, and *University of Cincinnati* funds are business-type activities that use proprietary fund reporting. The financial statements for the Ohio Water Development Authority, which provides financial assistance to local governments for the construction of wastewater and sewage facilities, are presented for the fiscal year ended December 31, 2007. The Ohio State University Fund accounts for the university's operations, including its health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation.

C. Measurement Focus and Basis of Accounting

Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

As permitted by GAAP, all governmental and business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

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

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Investment income includes the net increase (decrease) in the fair value of investments.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

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

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

E. Cash Equity with Treasurer and Cash and Cash Equivalents

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

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

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

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

F. Investments

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Taxes Receivable

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred revenue. Additional disclosures on taxes receivable can be found in NOTE 5.

H. Intergovernmental Receivable

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

I. Inventories

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements, and therefore, the State reserves an equivalent portion of fund balance.

J. Restricted Assets

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

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

K. Capital Assets

Primary Government

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

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

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

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

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor’s residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

| | |
|---|-------------------------|
| Buildings | \$15,000 |
| Building Improvements | 100,000 |
| Land, including easements | All, regardless of cost |
| Land Improvements | 15,000 |
| Machinery and Equipment | 15,000 |
| Vehicles..... | 15,000 |
| Infrastructure: | |
| Highway Network | 500,000 |
| Bridge Network..... | 500,000 |
| Park and Natural Resources Network..... | All, regardless of cost |

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

| | |
|---|-------------|
| Buildings | 20-45 Years |
| Land Improvements | 10-30 Years |
| Machinery and Equipment | 3-15 Years |
| Vehicles..... | 5-15 Years |
| Park and Natural Resources Infrastructure Network | 10-50 Years |

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

Discretely Presented Component Unit Funds

The discretely presented component unit funds value all capital assets at cost and donated fixed assets at estimated fair value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds’ capital assets can be found in NOTE 8.

L. Medicaid Claims Payable

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

M. Noncurrent Liabilities

Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and component unit funds report noncurrent liabilities expected to be financed from their operations.

N. Compensated Absences

Employees of the State’s primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

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

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

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

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

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

O. Fund Balance

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

Reserved

Reservations represent balances that are not appropriable or are legally restricted for a specific purpose. Additional details on "Reserved for Other" balances are disclosed in NOTE 17.

Unreserved/Designated

Designations represent balances available for tentative management plans that are subject to change.

Unreserved/Undesignated

Unreserved/undesignated fund balances are available for appropriation for the general purpose of the fund.

P. Risk Management

The State's primary government is self-insured for claims under its traditional healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental funds under the "Interfund Payable" account. (See NOTE 7).

Q. Interfund Balances and Activities

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

R. Intra-Entity Balances and Activities

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For each major component unit, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

S. Use of Estimates

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

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Restatements

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

| Government-Wide Financial Statements: | | | |
|--|-------------------------------------|-------------------------------------|-----------------------------|
| | Business-Type Activities | Total Primary Government | Component Units |
| Net Assets, as of June 30, 2007, As Previously Reported..... | \$3,126,531 | \$22,656,985 | \$14,125,856 |
| <i>Corrections that Increased/(Decreased) Net Assets:</i> | | | |
| Noncurrent Liabilities..... | (1,382) | (1,382) | - |
| Ohio Capital Fund..... | - | - | (5,421) |
| Total Corrections, Net..... | (1,382) | (1,382) | (5,421) |
| Net Assets, July 1, 2007, As Restated..... | \$3,125,149 | \$22,655,603 | \$14,120,435 |
| Fiduciary Fund Financial Statements: | | | |
| | | | Investment Trust |
| Net Assets, as of June 30, 2007, As Previously Reported..... | | | \$3,919,623 |
| Changes in Reporting Entity..... | | | (57,138) |
| Net Assets, July 1, 2007, As Restated..... | | | \$3,862,485 |



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

Discretely Presented Component Units Fund Financial Statements:

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

**B. Implementation of Recently Issued
Accounting Pronouncements**

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

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

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

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

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

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

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



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

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

C. Recently Issued GASB Pronouncements

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

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

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

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

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

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

NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Original budget amounts in the accompanying budgetary statements have been taken from the first complete appropriated budget for fiscal year 2008. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.



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

Final Budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2008, whenever signed into law or otherwise legally authorized.

For fiscal year 2008, no excess expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue funds is presented on the following page.



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

Primary Government

Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Funds

As of June 30, 2008
(dollars in thousands)

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



NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

Active Deposits – Moneys required to be kept in cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in any of the following: a commercial account that is payable or about 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
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code.

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

Deposits and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency fund, and the higher education institutions may also



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

B. State-Sponsored Investment Pool

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

C. Deposit and Investment Risks

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

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

1. Custodial Credit Risk

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

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

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

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

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

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

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

**Primary Government (including Fiduciary Activities) and Component Units
Investments—Custodial Credit Risk**

As of June 30, 2008
(dollar in thousands)

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

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

(Continued)



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

2. Credit Risk

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

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

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

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

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

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

Workers' Compensation Enterprise Fund

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

State Highway Patrol Retirement

System Pension Trust Fund

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

STAR Ohio Investment Trust Fund

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

Retirement Systems Agency Fund

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

For the Ohio Police and Fire Pension Fund,



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

Ohio Water Development Authority Component Unit Fund

The Authority’s policy authorizes the acquisition of repurchase agreements from financial institutions with a Moody’s or Standard & Poor’s rating of “A” and the entering into investment agreements with financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody’s and/or Standard and Poor’s.

University of Cincinnati Component Unit Fund

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

3. Concentration of Credit Risk

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

4. Interest Rate Risk

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

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

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

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

5. Foreign Currency Risk

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Workers' Compensation Enterprise Fund

The Fund's investment policy requires that:

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

Retirement Systems Agency Fund

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Nonmajor Component Units:

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

D. Securities Lending Transactions

The Treasurer of State and the State Highway Patrol Retirement System (SHPRS) participate in the securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

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

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

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

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

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

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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2008, approximately \$386.1 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$363.3 million is reported in the General Fund and \$22.8 million is reported in the Revenue Distribution Special Revenue Fund.

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

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

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



NOTE 5 RECEIVABLES (Continued)

B. Intergovernmental Receivable – Primary Government

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

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

C. Loans Receivable

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

Primary Government - Loans Receivable

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



NOTE 5 RECEIVABLES (Continued)

Major Component Units - Loans Receivable

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

D. Other Receivables

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

Primary Government - Other Receivables

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

Business-Type Activities

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



NOTE 5 RECEIVABLES (Continued)

Major Component Units - Other Receivables

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

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

NOTE 6 PAYABLES

A. Accrued Liabilities

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

Primary Government - Accrued Liabilities

| | Wages and Employee Benefits | Accrued Interest | Other | Total Accrued Liabilities |
|--|-----------------------------|------------------|----------------|---------------------------|
| Governmental Activities: | | | | |
| Major Governmental Funds: | | | | |
| General..... | \$167,716 | \$ - | \$ - | \$167,716 |
| Job, Family and Other Human Services..... | 22,277 | - | - | 22,277 |
| Education..... | 2,319 | - | - | 2,319 |
| Highway Operating..... | 28,842 | - | - | 28,842 |
| Nonmajor Governmental Funds..... | 60,115 | - | 26 | 60,141 |
| | 281,269 | - | 26 | 281,295 |
| Reconciliation of balance in fund financial statements to government-wide financial statements due to basis differences..... | - | 147,441 | - | 147,441 |
| Total Governmental Activities..... | 281,269 | 147,441 | 26 | 428,736 |
| Business-Type Activities: | | | | |
| Nonmajor Proprietary Funds..... | 5,862 | - | - | 5,862 |
| Total Primary Government..... | <u>\$287,131</u> | <u>\$147,441</u> | <u>\$26</u> | <u>\$434,598</u> |
| Fiduciary Activities: | | | | |
| State Highway Patrol Retirement System | | | | |
| Pension Trust (12/31/2007)..... | \$1,241 | \$218 | \$ - | \$1,459 |
| Variable College Savings Plan | | | | |
| Private-Purpose Trust..... | - | - | 6,091 | 6,091 |
| Total Fiduciary Activities..... | <u>\$1,241</u> | <u>\$218</u> | <u>\$6,091</u> | <u>\$7,550</u> |



NOTE 6 PAYABLES (Continued)

Major Component Units - Accrued Liabilities

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

B. Intergovernmental Payable

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

Primary Government - Intergovernmental Payable

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

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

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

C. Refund and Other Liabilities

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



NOTE 6 PAYABLES (Continued)

Primary Government - Refund and Other Liabilities

| | Estimated Tax Refund Claims | | | | | Total |
|--|--|------------------------------------|------------------------------------|---|-------------------------|-----------------------------|
| | Personal Income Tax | Corporation Franchise Tax | Total Tax Refund Liabilities | Interest on Lawyers' Trust Accounts | Other | |
| Governmental Activities: | | | | | | |
| Major Governmental Funds: | | | | | | |
| General | \$629,042 | \$132,517 | \$761,559 | \$ - | \$1,587 | \$763,146 |
| Job, Family and Other Human Services | - | - | - | 2,072 | 3,275 | 5,347 |
| Revenue Distribution | 39,295 | 8,308 | 47,603 | - | - | 47,603 |
| Nonmajor Governmental Funds | - | - | - | - | 1,916 | 1,916 |
| | <u>668,337</u> | <u>140,825</u> | <u>809,162</u> | <u>2,072</u> | <u>6,778</u> | <u>818,012</u> |
| Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government- financial statements | - | - | - | - | (1,339) | (1,339) |
| Total Governmental Activities | <u>\$668,337</u> | <u>\$140,825</u> | <u>\$809,162</u> | <u>\$2,072</u> | <u>\$5,439</u> | <u>\$816,673</u> |
| | Reserve for Compensa- tion Adjustment | Refund and Security Deposits | Compensated Absences | Capital Leases | Other | Total |
| Business-Type Activities: | | | | | | |
| Major Proprietary Funds: | | | | | | |
| Workers' Compensation | \$1,834,993 | \$88,918 | \$22,802 | \$ - | \$93,825 | \$2,040,538 |
| Lottery Commission | - | 39,857 | 3,038 | - | 2,132 | 45,027 |
| Unemployment Compensation | - | 9,708 | - | - | - | 9,708 |
| Nonmajor Proprietary Funds | - | 2,615 | 9,869 | 12 | 1,456 | 13,952 |
| | <u>1,834,993</u> | <u>141,098</u> | <u>35,709</u> | <u>12</u> | <u>97,413</u> | <u>2,109,225</u> |
| Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government- financial statements | (1,834,993) | (88,918) | (35,537) | (12) | (56,661) | (2,016,121) |
| Total Business-Type Activities | <u>\$ -</u> | <u>\$52,180</u> | <u>\$172</u> | <u>\$ -</u> | <u>\$40,752</u> | <u>\$93,104</u> |
| | Total Primary Government | | | | | <u>\$909,777</u> |
| | Child Support Collections | Refund and Security Deposits | Payroll Withholdings | Retirement Systems' Assets | Other | Total |
| Fiduciary Activities: | | | | | | |
| State Highway Patrol Retirement System Pension Trust (12/31/2007)..... | \$ - | \$ - | \$ - | \$ - | \$709 | \$709 |
| Variable College Savings Plan Private-Purpose Trust..... | - | - | - | - | 13,299 | 13,299 |
| STAR Ohio Investment Trust | - | - | - | - | 1,564 | 1,564 |
| Agency Funds: | | | | | | |
| Holding and Distribution | - | 18,451 | - | - | - | 18,451 |
| Centralized Child Support Collections..... | 77,514 | - | - | - | - | 77,514 |
| Retirement Systems | - | - | - | 179,623,891 | - | 179,623,891 |
| Payroll Withholding and Fringe Benefits | - | - | 168,376 | - | - | 168,376 |
| Other | - | 411,838 | - | 46,757 | 157,905 | 616,500 |
| Total Fiduciary Activities..... | <u>\$77,514</u> | <u>\$430,289</u> | <u>\$168,376</u> | <u>\$179,670,648</u> | <u>\$173,477</u> | <u>\$180,520,304</u> |



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

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

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

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

B. Interfund Transfers

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

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



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

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

Transfers are used to 1.) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, 2.) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as the debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.

C. Component Units

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

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

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

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

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



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

Primary Government
(dollars in thousands)

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

Component Units
(dollars in thousands)

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



NOTE 8 CAPITAL ASSETS

A. Primary Government

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

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

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

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

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



NOTE 8 CAPITAL ASSETS (Continued)

| <i>Governmental Activities:</i> | <i>(in 000s)</i> |
|--|------------------|
| Temporarily Impaired Assets Removed from Service: | |
| Buildings..... | \$13,503 |
| Land Improvements | 225 |
| Total..... | <u>\$13,728</u> |
| Permanently Impaired Assets Removed from Service: | |
| Buildings..... | \$1,426 |
| Land Improvements..... | 10 |
| Total..... | <u>\$1,436</u> |

Primary Government (Continued)

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

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

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

B. Major Component Units

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



NOTE 8 CAPITAL ASSETS (Continued)

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

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including component units, are eligible to be covered by one of the following retirement plans:

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



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

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

Regular employees who participate in the defined benefit plan or the combined plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years or 60 contributing months of credited service. Regular employees retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 48 with 25 or more years of credited service.

The retirement allowance for the defined benefit plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually of the original base amount regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

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

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

Employer and employee required contributions to OPERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for fiscal year 2008, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------------------|-------------------|-------------------|------------------|
| <u>Primary Government:</u> | | | |
| Regular Employees | \$ 217,003 | \$ 254,977 | \$253,259 |
| Law Enforcement | | | |
| Employees..... | 3,718 | 4,112 | 3,988 |
| Total | <u>\$ 220,721</u> | <u>\$ 259,089</u> | <u>\$257,247</u> |

Major Component Units:

| | | | |
|-------------------------------|--------|--------|--------|
| <u>School Facilities</u> | | | |
| Commission | \$268 | \$317 | \$297 |
| <u>Ohio Water</u> | | | |
| Development Authority..... | 72 | 89 | 82 |
| Ohio State University..... | 63,104 | 70,385 | 62,108 |
| University of Cincinnati..... | 11,672 | 14,162 | 13,285 |

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

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

OPERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other Postemployment Benefits (OPEB)

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

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

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

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

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

| | <u>Employer Share</u> |
|--|---------------------------|
| July 1, 2007 through December 31, 2007 | 6.00% |
| January 1, 2008 through June 30, 2008 | 7.00% |

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

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

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-----------------------------------|--------------------------|--------------------------|-------------------------|
| <i>Primary Government:</i> | | | |
| Regular Employees | \$ 190,963 | \$ 135,968 | \$117,294 |
| Law Enforcement Employees..... | 2,238 | 1,589 | 1,349 |
| Total | <u>\$ 193,201</u> | <u>\$ 137,557</u> | <u>\$118,643</u> |

Major Component Units:

| | | | |
|-------------------------------|--------|--------|--------|
| <i>School Facilities</i> | | | |
| Commission | \$236 | \$169 | \$137 |
| <i>Ohio Water</i> | | | |
| Development Authority..... | 64 | 47 | 38 |
| Ohio State University..... | 55,482 | 37,523 | 28,752 |
| University of Cincinnati..... | 10,262 | 7,550 | 6,151 |

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



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

Early Retirement Incentives (ERI)

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

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

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

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

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

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

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

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the “formula benefit” calculation or the “money-purchase benefit” calculation.

Under the “formula benefit” calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member’s three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by .1 percent starting at 2.6 percent for the 32nd year.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by three percent of the original base amount.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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

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

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

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



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090 or (888) 227-7877.

Other Postemployment Benefits (OPEB)

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

Retirees are required to make healthcare premium payments at amounts that vary according to each retiree’s years of credited service and choice of healthcare provider. Retirees must pay additional premiums for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the plan. Currently, employer contributions equal to one percent of covered payroll are allocated to pay for healthcare benefits. Retirees enrolled in the defined contribution plan receive no post-employment healthcare benefits.

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

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

The number of eligible benefit recipients for STRS as a whole was 166,273, as of June 30, 2008; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2008, is unavailable.

C. State Highway Patrol Retirement System (SHPRS)

SHPRS, a component unit of the State, was established in 1944 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Blvd., Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 431-0781 or (800) 860-2268.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. In addition to providing pension benefits, SHPRS is authorized by Chapter 5505, Ohio Revised Code, to pay health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Part B basic premiums for those eligible benefit recipients upon proof of coverage.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than the employee contribution rate.

SHPRS’ financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measureable.

All investments are reported at fair value. Fair value is, “the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale.”

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

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



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Pension Benefits

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

During calendar year 2007, all of the employees' contributions funded pension benefits while 22 percent of the employer's contributions funded pension benefits from January 1, 2007 through June 30, 2007 and 21 percent from July 1, 2007 through December 31, 2007. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

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

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

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

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

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

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

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

| (A) Valuation Year | (B) Actuarial Accrued Liability (AAL) | (C) Valuation Assets | (D) Unfunded Actuarial Accrued Liability (UAAL) (B)-(C) | (E) Ratio of Assets to AAL (C)/(B) | (F) Active Member Payroll | (G) UAAL as Percentage of Active Member Payroll (D)/(F) |
|-----------------------|---|----------------------------|---|--|------------------------------------|--|
| 2007 | \$866,255 | \$700,861 | \$165,394 | 80.9% | \$93,753 | 176.4% |
| 2006 | 807,761 | 653,493 | 154,268 | 80.9% | 85,878 | 179.6% |
| 2005 (a) | 773,856 | 591,922 | 181,934 | 76.5% | 83,408 | 218.1% |
| 2005 | 766,741 | 591,922 | 174,819 | 77.2% | 83,408 | 209.6% |

(a) Assumption or method charge



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other Post Employment Benefits (OPEB)

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

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

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

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

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

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

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

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

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

As of December 31, 2007, the unfunded actuarial accrued liability for healthcare benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$224.1 million, the actuarial accrued liability for healthcare benefits at that date was \$335.2 million.

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

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB

(dollars in thousands)

| (A) Valuation Year | (B) Actuarial Accrued Liability (AAL) | (C) Valuation Assets | (D) Unfunded Actuarial Accrued Liability (UAAL) (B)-(C) | (E) Ratio of Assets to AAL (C)/(B) | (F) Active Member Payroll | (G) UAAL as Percentage of Active Member Payroll (D)/(F) |
|-----------------------|---|----------------------------|---|--|------------------------------------|--|
| 2007 | \$335,232 | \$111,180 | \$224,052 | 33.2% | \$93,753 | 239.0% |
| 2006 | 294,079 | 104,857 | 189,222 | 35.7% | 85,878 | 220.3% |
| 2005 | 281,094 | 95,889 | 185,205 | 34.1% | 83,408 | 222.0% |

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

higher education, who otherwise would be covered by OPERS or STRS. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP. The Ohio Department of Insurance has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Employees may also voluntarily make additional contributions to the ARP.

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

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

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

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

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

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

NOTE 10 GENERAL OBLIGATION BONDS

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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

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

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 2008, the General Assembly had authorized the issuance of \$231 million in Coal Research and Development Bonds, of which \$158 million had been issued.

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

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

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

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

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

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future Funding of Current Interest and Capital Appreciation Bonds:

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

Future Funding of Variable-Rate Bonds:

| Year Ending June 30, | Principal | Interest | Interest Rate Swaps, Net | Total |
|---|--------------------|------------------|--------------------------|------------------|
| 2009..... | \$17,235 | \$10,981 | \$9,638 | \$37,854 |
| 2010..... | 19,345 | 10,694 | 8,665 | 38,704 |
| 2011..... | 21,125 | 10,393 | 6,230 | 37,748 |
| 2012..... | 19,230 | 10,086 | 6,117 | 35,433 |
| 2013..... | 18,125 | 9,788 | 5,996 | 33,909 |
| 2014-2018..... | 284,400 | 38,865 | 26,206 | 349,471 |
| 2019-2023..... | 249,965 | 17,542 | 13,298 | 280,805 |
| 2024-2028..... | 78,995 | 2,050 | 1,297 | 82,342 |
| Total Variable-Rate Bonds | \$708,420 | \$110,399 | \$77,447 | \$896,266 |
| Total General Obligation Bonds | 7,137,305 | | | |
| Unamortized Premium/(Discount), Net..... | 217,687 | | | |
| Deferred Refunding Loss | (44,616) | | | |
| Total Carrying Amount | \$7,310,376 | | | |

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

Interest Rate Swaps

As of June 30, 2008, approximately \$718.9 million of issued Infrastructure Improvement Bonds and Common Schools Bonds include associated interest-rate swaps. Terms of the swap agreements are provided in the tables on pages 112 and 114. Fair value has been determined using the zero-coupon method.

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

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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

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

Infrastructure Improvements-Series 2001B

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

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

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Infrastructure Improvements-Refunding Series 2003B

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

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

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

Infrastructure Improvements-Refunding Series 2003D

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

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

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

Infrastructure Improvements-Series 2003F

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

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

Infrastructure Improvements-Refunding Series 2004A

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

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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

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

Common Schools-Series 2003D

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

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Common Schools-Series 2005A

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

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

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

Common Schools-Series 2005B

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

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

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

Common Schools-Series 2006B

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

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

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

Common Schools-Series 2006C

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

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

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



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Advance Refundings

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

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

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Treasurer of State for the Ohio Department of Development, including its Office of Financial Incentives, and the Ohio Department of Transportation; the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation; and the Buckeye Tobacco Settlement Financing Authority (BTSFA). Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, and the University of Cincinnati.

A. Primary Government

Economic Development bonds, issued by the Treasurer of State for the Office of Financial Incentive's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State for economic development projects that create or retain jobs in the State. The taxable bonds, payable through 2026, are backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution.

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

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

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

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



NOTE 11 REVENUE BONDS AND NOTES (Continued)

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

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

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

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

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

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

| | Fiscal Years Issued | Interest Rates | Maturing Through Fiscal Year | Outstanding Balance |
|---|------------------------|----------------|------------------------------------|------------------------|
| Governmental Activities: | | | | |
| Treasurer of State: | | | | |
| Economic Development | 1997-06 | 4.7%-7.7% | 2026 | \$298,804 |
| Revitalization Project | 2003-08 | 2.5%-5.0% | 2023 | 136,622 |
| State Infrastructure Bank | 2002-08 | 3.0%-6.0% | 2022 | 519,358 |
| Buckeye Tobacco Settlement Financing Authority..... | 2008 | 4.0%-7.5% | 2052 | 5,458,398 |
| Total Governmental Activities | | | | 6,413,182 |
| Business-Type Activities: | | | | |
| Bureau of Workers' Compensation | 2003 | 1.6%-4.0% | 2014 | 97,286 |
| Total Business-Type Activities | | | | 97,286 |
| Total Revenue Bonds | | | | 96,510,468 |



NOTE 11 REVENUE BONDS AND NOTES (Continued)

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

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

B. Component Units

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

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs and reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 2007, approximately \$1.42 billion in bonds were outstanding for this program.

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

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

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



NOTE 11 REVENUE BONDS AND NOTES (Continued)

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

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

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

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2008, are shown below.

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

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

NOTE 12 SPECIAL OBLIGATION BONDS

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in governmental activities.

OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for state departments and agencies and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and retardation institutions, parks and recreation, and cultural and sports facilities. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

Elementary and Secondary Education Bonds, which the Treasurer of State issued for the Department of Education, finance the construction costs of capital facilities for local school districts. During fiscal year 2008, all debt service payments for Elementary and Secondary Education Bonds were made and no amounts remained outstanding at the end of the fiscal year.

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs of local government facilities are reported as revenue bonds (See NOTE 11).

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



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2008, are presented in the following table.

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

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

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

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

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

In prior years, the OBA and the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds.

Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2008, \$360.5 million and \$122.8 million of OBA and Chapter 154 special obligations bonds, respectively, are considered defeased and no longer outstanding.

NOTE 13 CERTIFICATES OF PARTICIPATION

A. Primary Government

As of June 30, 2008, approximately \$187.3 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of \$8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of \$146.1 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

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

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



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

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

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

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

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

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

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

B. Component Units

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

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

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

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

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



NOTE 14 OTHER NONCURRENT LIABILITIES

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

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

For the year ended June 30, 2008, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow.

A. Compensated Absences

For the primary government, the compensated absences liability, as of June 30, 2008, was \$434.3 million, of which \$398.8 million is allocable to governmental activities and \$35.5 million is allocable to business-type activities.

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

B. Lease Agreements

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewable options as well as some purchase options.

Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The primary government's total operating lease expenditures/expenses for fiscal year 2008 were approximately \$87.5 million.

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



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Primary Government

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

| Year Ending June 30, | Capital Leases | | |
|--|----------------------------|---------------------------------|----------------|
| | Governmental Activities | Business- Type Activities | Total |
| 2009..... | \$2,293 | \$9 | \$2,302 |
| 2010..... | 1,877 | 3 | 1,880 |
| 2011..... | 1,740 | - | 1,740 |
| 2012..... | 1,656 | - | 1,656 |
| 2013..... | 1,478 | - | 1,478 |
| 2014-2018 | 2,339 | - | 2,339 |
| Total Lease Payments..... | 11,383 | 12 | 11,395 |
| Amount for Interest..... | (1,579) | - | (1,579) |
| Present Value of Net Minimum Lease Payments.. | \$9.804 | \$12 | \$9.816 |

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

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

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

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and component unit funds.

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



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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

C. Litigation Liabilities

In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2008, \$4.7 million in liabilities ultimately payable from various governmental funds has been recorded for this purpose. For information on the State's loss contingencies arising from pending litigation, see NOTE 19.

D. Estimated Claims Payable

For governmental activities, the State recognized \$6.6 million in estimated claims liabilities, as of June 30, 2008, for damaged state vehicles covered under the State's self-insured program, which was established in the General Fund for this purpose at the Department of Administrative Services.

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

E. Liability for Escheat Property

The State records liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2008, the liability totaled approximately \$258 million.

F. Worker's Compensation

Benefits Payable

As discussed in NOTE 20, the Worker's Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2008, in the amount of approximately \$17.60 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

G. Deferred Prize Awards Payable

Future installment payments for the deferred prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from 3.8 to 7.8 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. As of June 30, 2008, this payable totals \$740.2 million.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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

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

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

H. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$799.8 million, as of June 30, 2008. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases in state universities and state community colleges and termination of participant contracts under the plan.

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

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

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

I. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$1.98 billion in other noncurrent liabilities, as of June 30, 2008, of which 1.) \$1.83 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20, 2.) \$88.9 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$56.7 million consists of other miscellaneous liabilities.



NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

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

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

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

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the major special revenue funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

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



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

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

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

B. Component Units

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

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

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

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



NOTE 16 NO COMMITMENT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 2008 (December 31, 2007 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

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

NOTE 17 FUND DEFICITS, "OTHER" RESERVES AND DESIGNATIONS

A. Fund Deficits

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

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

B. "Other" Fund Balance Reserves and Designations

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

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



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

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

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

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

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

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

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately \$640 thousand) to the operations of its own projections program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2007 (the GLPF's year-end), are presented below (dollars in thousands):

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

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2007, was as follows (dollars in thousands):

| | |
|--|------------------|
| Cash and Investments | \$139,010 |
| Other Assets | 373 |
| Total Assets | <u>\$139,383</u> |
| Total Liabilities | \$4,095 |
| Total Net Assets | 135,288 |
| Total Liabilities and Net Assets .. | <u>\$139,383</u> |
| Total Revenues and Other Additions | \$10,881 |
| Total Expenditures | (7,796) |
| Net Increase in Net Assets | <u>\$3,085</u> |

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees, county officials appoint the remaining six members.

The governing boards of the technical colleges consist of either seven or nine trustees, of whom state officials appoint two or three members, respectively, the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financial accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations in the Special Revenue Fund, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2008 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented on the following page (dollars in thousands).



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

During Fiscal year 2008, the State had the following related-party transactions with its related organizations:

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

NOTE 19 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. Pending litigation affecting the Department of Education and the Bureau of Workers' Compensation is discussed below.



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Department of Education (ODE)

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

Bureau of Workers' Compensation (BWC)

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

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

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

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

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

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

B. Federal Awards

The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

As a result of the fiscal year 2007 State of Ohio Single Audit (issued in April 2008), \$7.4 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for the questioned costs in the state's financial statements, for the fiscal year ended June 30, 2008.



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

C. Loan Commitments

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

Community and Economic Development

Ohio Department of Development:

Low- & Moderate-Income

| | |
|----------------------------------|--------------|
| Housing Loans..... | \$6,719 |
| Brownfield Revolving Loans | 881 |
| | <u>7,600</u> |

Local Infrastructure and Transportation Improvements

Ohio Public Works Commission:

| | |
|--|---------------|
| State Capital Improvements Loans | 49,229 |
| Revolving Loans | 47,873 |
| | <u>97,102</u> |

| | |
|--|-------------------------|
| Total Nonmajor Governmental Funds | <u>\$104,702</u> |
|--|-------------------------|

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

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

D. Construction Commitments

As of June 30, 2008, the Ohio Department of Transportation had total contractual commitments of approximately \$1.99 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$941.4 million, \$403.5 million, \$575.6 million and \$66.6 million, respectively.

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

| | |
|--|-------------------------|
| <u>Primary Government</u> | |
| Mental Health/Mental Retardation | |
| Facilities Improvements | \$32,778 |
| Parks and Recreation Improvements | 7,674 |
| Administrative Services | |
| Building Improvements | 21,913 |
| Youth Services Building Improvements | 9,838 |
| Adult Correctional Building Improvements | 27,856 |
| Highway Safety Building Improvements | 25 |
| Ohio Parks and Natural Resources | 7,563 |
| Total | <u>\$107,647</u> |
| <u>Major Component Units</u> | |
| Ohio State University | \$247,003 |
| University of Cincinnati | 255,472 |



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

E. Tobacco Settlement

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

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

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

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

In addition to the base payments, BTSFA will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the Fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

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

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

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

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



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

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

| Year Ending June 30, | Pre-adjusted MSA Base Payments | Pre-Adjusted Payments from the Strategic Contribution Fund | Total |
|-------------------------|--------------------------------------|---|---------------------|
| 2009..... | \$347,164 | \$22,871 | \$370,035 |
| 2010..... | 351,203 | 23,137 | 374,340 |
| 2011..... | 355,467 | 23,418 | 378,885 |
| 2012..... | 359,652 | 23,694 | 383,346 |
| 2013..... | 363,783 | 23,966 | 387,749 |
| 2014-2018.... | 1,928,044 | 98,603 | 2,026,647 |
| 2019-2023.... | 2,233,412 | - | 2,233,412 |
| 2024-2028.... | 2,376,766 | - | 2,376,766 |
| 2029-2033.... | 2,539,413 | - | 2,539,413 |
| 2034-2038.... | 2,708,501 | - | 2,708,501 |
| 2039-2043.... | 2,884,757 | - | 2,884,757 |
| 2044-2048.... | 3,068,685 | - | 3,068,685 |
| 2049-2053.... | 2,599,051 | - | 2,599,051 |
| Total | \$22,115,898 | \$215,689 | \$22,331,587 |

NOTE 20 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death.

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

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at five percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$36.40 billion, as of June 30, 2008, and \$37 billion, as of June 30, 2007. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2008.



NOTE 20 RISK FINANCING (Continued)

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

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

| | Fiscal Year 2008 | Fiscal Year 2007 |
|---|---------------------|---------------------|
| Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1 | \$19,271 | \$18,927 |
| Incurring Compensation and Compensation Adjustment Benefits | 2,587 | 2,667 |
| Incurring Compensation and Compensation Adjustment Benefit Payments and Other Adjustments | (2,423) | (2,323) |
| Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30 | <u>\$19,435</u> | <u>\$19,271</u> |

B. State Employee Healthcare Plans

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

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

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

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

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

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

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

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

| Ohio Med Health Plan | | |
|--|---------------------|---------------------|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| Claims Liabilities, as of July 1 | \$33,165 | \$35,662 |
| Incurring Claims | 217,475 | 205,041 |
| Claims Payments | (216,805) | (207,538) |
| Claims Liabilities, as of June 30 .. | <u>\$33,835</u> | <u>\$33,165</u> |



NOTE 20 RISK FINANCING (Continued)

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

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

| United Healthcare Plan | | |
|--|---------------------|---------------------|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| Claims Liabilities, as of July 1 | \$9,010 | \$7,685 |
| Incurred Claims | 70,374 | 69,556 |
| Claims Payments | (68,262) | (68,231) |
| Claims Liabilities, as of June 30 .. | <u>\$11,122</u> | <u>\$9,010</u> |

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

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

| Aetna Plan | | |
|--|---------------------|---------------------|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| Claims Liabilities, as of July 1 | \$9,570 | \$8,194 |
| Incurred Claims | 69,713 | 66,294 |
| Claims Payments | (70,175) | (64,918) |
| Claims Liabilities, as of June 30 .. | <u>\$9,108</u> | <u>\$9,570</u> |

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

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.



NOTE 21 SUBSEQUENT EVENTS

A. Bond Issuances

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

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

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



NOTE 21 SUBSEQUENT EVENTS (Continued)

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

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

* Subject to change



NOTE 21 SUBSEQUENT EVENTS (Continued)

B. Litigation

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION



Infrastructure Assets Accounted for Using the Modified Approach

Pavement Network

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

**Pavement Network
 Condition Assessment Data**

Priority Subsystem

| Calendar Year | Pavement Condition Ratings (PCR) | | | | | | | | | |
|---------------|----------------------------------|-------|---------------------|-------|---------------------|-------|------------------------|------|------------|--------|
| | Excellent PCR = 85-100 | | Good PCR = 75-84 | | Fair PCR = 65-74 | | Poor PCR = Below 65 | | Total | |
| | Lane-Miles | % | Lane-Miles | % | Lane-Miles | % | Lane-Miles | % | Lane-Miles | % |
| 2007 | 8,457 | 66.50 | 2,752 | 21.63 | 1,120 | 8.81 | 389 | 3.06 | 12,718 | 100.00 |
| 2006 | 8,918 | 70.47 | 1,940 | 15.33 | 1,400 | 11.07 | 397 | 3.13 | 12,655 | 100.00 |
| 2005 | 8,581 | 68.65 | 1,962 | 15.69 | 1,505 | 12.04 | 452 | 3.62 | 12,500 | 100.00 |
| 2004 | 8,110 | 65.64 | 2,140 | 17.32 | 1,544 | 12.50 | 561 | 4.54 | 12,355 | 100.00 |
| 2003 | 7,679 | 62.81 | 2,451 | 20.05 | 1,618 | 13.24 | 477 | 3.90 | 12,225 | 100.00 |

General Subsystem

| Calendar Year | Pavement Condition Ratings (PCR) | | | | | | | | | |
|---------------|----------------------------------|-------|---------------------|-------|---------------------|-------|------------------------|------|------------|--------|
| | Excellent PCR = 85-100 | | Good PCR = 75-84 | | Fair PCR = 55-74 | | Poor PCR = Below 55 | | Total | |
| | Lane-Miles | % | Lane-Miles | % | Lane-Miles | % | Lane-Miles | % | Lane-Miles | % |
| 2007 | 14,650 | 48.73 | 6,531 | 21.72 | 7,319 | 24.34 | 1,564 | 5.21 | 30,064 | 100.00 |
| 2006 | 14,757 | 49.00 | 6,650 | 22.08 | 8,249 | 27.39 | 462 | 1.53 | 30,118 | 100.00 |
| 2005 | 13,623 | 45.16 | 6,813 | 22.58 | 9,161 | 30.37 | 571 | 1.89 | 30,168 | 100.00 |
| 2004 | 13,570 | 44.92 | 6,550 | 21.68 | 9,423 | 31.20 | 664 | 2.20 | 30,207 | 100.00 |
| 2003 | 12,634 | 41.77 | 6,378 | 21.09 | 10,910 | 36.07 | 324 | 1.07 | 30,246 | 100.00 |



Infrastructure Assets Accounted for Using the Modified Approach (Continued)

Pavement Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

Priority Subsystem

| Fiscal Year | Estimated | Actual |
|-------------|-----------|-----------|
| 2008 | \$357,396 | \$405,258 |
| 2007 | 403,067 | 418,936 |
| 2006 | 376,588 | 410,049 |
| 2005 | 337,213 | 350,368 |
| 2004 | 195,333 | 273,318 |

General Subsystem

| Fiscal Year | Estimated | Actual |
|-------------|-----------|-----------|
| 2008 | \$178,252 | \$237,050 |
| 2007 | 196,814 | 268,839 |
| 2006 | 214,826 | 312,105 |
| 2005 | 197,716 | 292,303 |
| 2004 | 133,236 | 227,437 |

Bridge Network

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a General Appraisal Condition Rating (GACR) from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

Bridge Network
Condition Assessment Data
(square feet in thousands)

| Calendar Year | General Appraisal Condition Ratings (GACR) | | | | | | | | | |
|---------------|--|-------|-----------------------|-------|-----------------------|------|-----------------------|-----|-----------------------|--------|
| | Excellent GACR = 7-9 | | Good GACR = 5-6 | | Fair GACR = 3-4 | | Poor GACR = 0-2 | | Total | |
| | Sq Ft Deck Area | % | Sq Ft Deck Area | % | Sq Ft Deck Area | % | Sq Ft Deck Area | % | Sq Ft Deck Area | % |
| 2007 | 50,056 | 48.09 | 50,484 | 48.50 | 3,493 | 3.36 | 51 | .05 | 104,084 | 100.00 |
| 2006 | 43,942 | 52.03 | 38,104 | 45.12 | 2,396 | 2.84 | 5 | .01 | 84,447 | 100.00 |
| 2005 | 46,071 | 55.21 | 35,091 | 42.05 | 2,274 | 2.73 | 7 | .01 | 83,443 | 100.00 |
| 2004 | 45,895 | 55.50 | 34,459 | 41.68 | 2,317 | 2.80 | 13 | .02 | 82,684 | 100.00 |
| 2003 | 47,046 | 57.19 | 32,972 | 40.08 | 2,224 | 2.71 | 18 | .02 | 82,260 | 100.00 |



Infrastructure Assets Accounted for Using the Modified Approach (Continued)

Bridge Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

| Fiscal Year | Estimated | Actual |
|--------------------|------------------|---------------|
| 2008 | \$288,329 | \$313,801 |
| 2007 | 290,732 | 313,272 |
| 2006 | 246,095 | 262,027 |
| 2005 | 241,670 | 231,864 |
| 2004 | 147,779 | 208,381 |

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

[THIS PAGE LEFT BLANK INTENTIONALLY]

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Capital Projects Funds

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

| | SPECIAL REVENUE FUNDS | DEBT SERVICE FUNDS | CAPITAL PROJECT FUNDS |
|---|----------------------------------|-------------------------------|----------------------------------|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 2,723,765 | \$ 8,387 | \$ 361,152 |
| Cash and Cash Equivalents..... | 98,298 | 843 | — |
| Investments..... | 292,221 | 36,552 | 74,777 |
| Collateral on Lent Securities..... | 1,252,759 | 3,205 | 137,977 |
| Taxes Receivable | 8,843 | — | — |
| Intergovernmental Receivable..... | 290,484 | — | — |
| Loans Receivable, Net | 686,861 | — | — |
| Interfund Receivable | 4,438 | 302 | 169 |
| Other Receivables | 103,029 | 228 | 54 |
| Inventories | 20,283 | — | — |
| Other Assets | 6,465 | 22 | — |
| TOTAL ASSETS | \$ 5,487,446 | \$ 49,539 | \$ 574,129 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 148,431 | \$ 658 | \$ 43,587 |
| Accrued Liabilities..... | 60,115 | 26 | — |
| Medicaid Claims Payable..... | 114,783 | — | — |
| Obligations Under Securities Lending..... | 1,252,759 | 3,205 | 137,977 |
| Intergovernmental Payable..... | 178,161 | — | — |
| Interfund Payable..... | 1,033,441 | 1 | 138 |
| Payable to Component Units..... | 24,375 | 29 | 74 |
| Deferred Revenue..... | 145,363 | — | — |
| Unearned Revenue..... | 50,172 | — | — |
| Refund and Other Liabilities..... | — | 1,916 | — |
| TOTAL LIABILITIES..... | 3,007,600 | 5,835 | 181,776 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Debt Service..... | — | 43,701 | — |
| Encumbrances..... | 1,394,000 | — | 648,677 |
| Noncurrent Portion of Loans Receivable..... | 669,916 | — | — |
| Loan Commitments..... | 104,702 | — | — |
| Inventories..... | 20,283 | — | — |
| Federal Programs..... | 39,207 | — | — |
| Other: | | | |
| Prepays..... | 6,271 | — | — |
| Ohio Enterprise Bond Fund..... | 10,000 | — | — |
| Loan Guarantee Programs..... | 19,372 | — | — |
| Environmental Protection and Natural Resources..... | 1,783 | — | — |
| Community and Economic Development..... | 35,609 | — | — |
| Assets in Excess of Debt Service Requirements..... | — | 3 | — |
| Compensated Absences..... | 8,933 | — | — |
| Unreserved/Undesignated..... | 169,770 | — | (256,324) |
| TOTAL FUND BALANCES..... | 2,479,846 | 43,704 | 392,353 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 5,487,446 | \$ 49,539 | \$ 574,129 |

TOTAL

\$ 3,093,304
99,141
403,550
1,393,941
8,843
290,484
686,861
4,909
103,311
20,283
6,487

\$ 6,111,114

\$ 192,676
60,141
114,783
1,393,941
178,161
1,033,580
24,478
145,363
50,172
1,916

3,195,211

43,701
2,042,677
669,916
104,702
20,283
39,207

6,271
10,000
19,372
1,783
35,609
3
8,933
(86,554)

2,915,903

\$ 6,111,114

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

| | <u>SPECIAL REVENUE FUNDS</u> | <u>DEBT SERVICE FUNDS</u> | <u>CAPITAL PROJECT FUNDS</u> |
|---|----------------------------------|-------------------------------|----------------------------------|
| REVENUES: | | | |
| Income Taxes..... | \$ 7,788 | \$ — | \$ — |
| Sales Taxes..... | 22,646 | — | — |
| Corporate and Public Utility Taxes..... | 1,540 | — | — |
| Motor Vehicle Fuel Taxes..... | 45,898 | — | — |
| Cigarette Taxes..... | 2 | — | — |
| Other Taxes..... | 44,586 | — | — |
| Licenses, Permits and Fees..... | 1,057,145 | — | — |
| Sales, Services and Charges..... | 27,895 | — | 420 |
| Federal Government..... | 2,007,184 | — | — |
| Investment Income..... | 96,183 | 7,578 | 13,542 |
| Other..... | 332,110 | 2,558 | 826 |
| TOTAL REVENUES..... | 3,642,977 | 10,136 | 14,788 |
| EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | 1,675 | — | — |
| Higher Education Support..... | 294,024 | — | — |
| Health and Human Services..... | 1,738,005 | — | — |
| Justice and Public Protection..... | 640,794 | — | — |
| Environmental Protection and Natural Resources..... | 322,810 | — | — |
| Transportation..... | 589 | — | — |
| General Government..... | 208,437 | — | — |
| Community and Economic Development..... | 990,381 | — | — |
| CAPITAL OUTLAY..... | 19,745 | — | 525,772 |
| DEBT SERVICE..... | — | 1,648,627 | — |
| TOTAL EXPENDITURES..... | 4,216,460 | 1,648,627 | 525,772 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (573,483) | (1,638,491) | (510,984) |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | 170,000 | 2,277 | 502,829 |
| Premiums/Discounts..... | — | 22,873 | 1,207 |
| Transfers-in..... | 138,128 | 1,619,552 | — |
| Transfers-out..... | (107,466) | — | — |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 200,662 | 1,644,702 | 504,036 |
| NET CHANGE IN FUND BALANCES..... | (372,821) | 6,211 | (6,948) |
| FUND BALANCES, July 1..... | 2,832,384 | 37,493 | 399,301 |
| Increase for Changes in Inventories..... | 20,283 | — | — |
| FUND BALANCES, JUNE 30..... | \$ 2,479,846 | \$ 43,704 | \$ 392,353 |

TOTAL

\$ 7,788
22,646
1,540
45,898
2
44,586
1,057,145
28,315
2,007,184
117,303
335,494
3,667,901

1,675
294,024
1,738,005
640,794
322,810
589
208,437
990,381
545,517
1,648,627
6,390,859

(2,722,958)

675,106
24,080
1,757,680
(107,466)
2,349,400

(373,558)

3,269,178
20,283
3,289,461

\$ 2,915,903

[THIS PAGE LEFT BLANK INTENTIONALLY]

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Community and Economic Development Fund** accounts for programs administered by the Department of Development and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

The **Health Fund** accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

The **Mental Health and Retardation Fund** accounts for mental health care and retardation programs primarily administered by the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

The **Highway Safety Fund** accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

The **Natural Resources Fund** accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

The **Wildlife and Waterways Safety Fund** accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

The **Local Infrastructure and Transportation Improvements Fund** accounts for the Local Transportation Improvement Program administered by the Ohio Public Works Commission, which provides grants and loans to local governments for highway, road, and bridge construction.

The **Tobacco Settlement Fund** accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

The **Clean Ohio Program Fund** accounts for programs that assist local communities in the clean-up and redevelopment of brownfield sites, the protection of green space, the preservation of farmland, the improvement of water quality, and the expansion of Ohio's network of recreational trails and greenways.

The **Higher Education Improvements Fund** accounts for bond proceeds that finance the construction of facilities for state-assisted higher education institutions.

The **Help America Vote Act (HAVA) Fund** accounts for federal funds received for the purchase and deployment of HAVA-certified voting systems in Ohio, as provided in the HAVA Act of 2002.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008
(dollars in thousands)

| | COMMUNITY AND ECONOMIC DEVELOPMENT | HEALTH | MENTAL HEALTH AND RETARDATION |
|---|---|-------------------|--|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 763,537 | \$ 53,713 | \$ 177,539 |
| Cash and Cash Equivalents..... | 91,366 | 106 | — |
| Investments..... | 239 | — | — |
| Collateral on Lent Securities..... | 293,281 | 20,334 | 63,321 |
| Taxes Receivable | 1,266 | — | — |
| Intergovernmental Receivable..... | 42,896 | 54,152 | 191,558 |
| Loans Receivable, Net | 347,818 | — | — |
| Interfund Receivable | 3,124 | 5 | — |
| Other Receivables | 295 | 12,194 | 340 |
| Inventories | — | 20,283 | — |
| Other Assets | 1,771 | 533 | 834 |
| TOTAL ASSETS | \$ 1,545,593 | \$ 161,320 | \$ 433,592 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 23,696 | \$ 30,972 | \$ 6,004 |
| Accrued Liabilities..... | 14,343 | 5,830 | 7,416 |
| Medicaid Claims Payable..... | — | — | 114,783 |
| Obligations Under Securities Lending..... | 293,281 | 20,334 | 63,321 |
| Intergovernmental Payable..... | 39,965 | 18,411 | 97,645 |
| Interfund Payable..... | 13,251 | 2,934 | 63,822 |
| Payable to Component Units..... | 1,225 | 711 | 126 |
| Deferred Revenue..... | 15,117 | 3,434 | 42,431 |
| Unearned Revenue..... | 24,584 | 19,706 | 312 |
| TOTAL LIABILITIES..... | 425,462 | 102,332 | 395,860 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances..... | 814,691 | 10,848 | 178,067 |
| Noncurrent Portion of Loans Receivable..... | 337,855 | — | — |
| Loan Commitments..... | 7,600 | — | — |
| Inventories..... | — | 20,283 | — |
| Federal Programs..... | 13,655 | 679 | 16,826 |
| Other: | | | |
| Prepays..... | 1,578 | 533 | 834 |
| Ohio Enterprise Bond Fund..... | 10,000 | — | — |
| Loan Guarantee Programs..... | 19,372 | — | — |
| Environmental Protection and Natural Resources..... | — | — | — |
| Community and Economic Development..... | — | — | — |
| Compensated Absences..... | 2,002 | 837 | 1,194 |
| Unreserved/Undesignated..... | (86,622) | 25,808 | (159,189) |
| TOTAL FUND BALANCES (DEFICITS)..... | 1,120,131 | 58,988 | 37,732 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 1,545,593 | \$ 161,320 | \$ 433,592 |

| HIGHWAY SAFETY | NATURAL RESOURCES | WILDLIFE AND WATERWAYS SAFETY | LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS | TOBACCO SETTLEMENT | CLEAN OHIO PROGRAM |
|-----------------------|--------------------------|--------------------------------------|---|---------------------------|---------------------------|
| \$ 252,561 | \$ 181,883 | \$ 70,507 | \$ 221,773 | \$ 121,479 | \$ 95,682 |
| 5,373 | 536 | 19 | — | 898 | — |
| — | — | — | — | 291,982 | — |
| 96,455 | 69,181 | 26,797 | 84,728 | 46,455 | 36,553 |
| 3,200 | 2,713 | 1,664 | — | — | — |
| 1,878 | — | — | — | — | — |
| — | 2 | — | 339,041 | — | — |
| 880 | 26 | 34 | 137 | 68 | 41 |
| 347 | 12,081 | 681 | 1 | 77,088 | 1 |
| — | — | — | — | — | — |
| 2,136 | 789 | 368 | 5 | 21 | 4 |
| \$ 362,830 | \$ 267,211 | \$ 100,070 | \$ 645,685 | \$ 537,991 | \$ 132,281 |

| | | | | | |
|-----------|----------|----------|----------|-----------|--------|
| \$ 10,207 | \$ 8,689 | \$ 2,964 | \$ 4,850 | \$ 49,969 | \$ 173 |
| 20,357 | 8,384 | 3,390 | 55 | 253 | 52 |
| — | — | — | — | — | — |
| 96,455 | 69,181 | 26,797 | 84,728 | 46,455 | 36,553 |
| 59 | 25 | — | 3,255 | 14,970 | 3,831 |
| 25,615 | 5,105 | 7,066 | — | 92 | 15 |
| 16 | 38 | 496 | 2 | 98 | — |
| 199 | 7,717 | — | — | 76,465 | — |
| — | 1,785 | — | — | — | — |
| 152,908 | 100,924 | 40,713 | 92,890 | 188,302 | 40,624 |

| | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 22,338 | 33,342 | 20,651 | 9 | 7,768 | 93,866 |
| — | — | — | 332,061 | — | — |
| — | — | — | 97,102 | — | — |
| — | — | — | — | — | — |
| — | 6,951 | — | — | — | 1,096 |
| 2,136 | 789 | 368 | 5 | 20 | 4 |
| — | — | — | — | — | — |
| — | — | — | — | — | 1,783 |
| — | — | — | — | — | 35,609 |
| 3,091 | 1,250 | 500 | 9 | 36 | 8 |
| 182,357 | 123,955 | 37,838 | 123,609 | 341,865 | (40,709) |
| 209,922 | 166,287 | 59,357 | 552,795 | 349,689 | 91,657 |
| \$ 362,830 | \$ 267,211 | \$ 100,070 | \$ 645,685 | \$ 537,991 | \$ 132,281 |

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

(dollars in thousands)
(continued)

| | HIGHER EDUCATION IMPROVEMENTS | HELP AMERICA VOTE ACT | TOTAL |
|---|-------------------------------------|--------------------------|---------------------|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 781,172 | \$ 3,919 | \$ 2,723,765 |
| Cash and Cash Equivalents..... | — | — | 98,298 |
| Investments..... | — | — | 292,221 |
| Collateral on Lent Securities..... | 514,157 | 1,497 | 1,252,759 |
| Taxes Receivable | — | — | 8,843 |
| Intergovernmental Receivable..... | — | — | 290,484 |
| Loans Receivable, Net | — | — | 686,861 |
| Interfund Receivable | 119 | 4 | 4,438 |
| Other Receivables | — | 1 | 103,029 |
| Inventories | — | — | 20,283 |
| Other Assets | — | 4 | 6,465 |
| TOTAL ASSETS | \$ 1,295,448 | \$ 5,425 | \$ 5,487,446 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 10,811 | \$ 96 | \$ 148,431 |
| Accrued Liabilities..... | — | 35 | 60,115 |
| Medicaid Claims Payable..... | — | — | 114,783 |
| Obligations Under Securities Lending..... | 514,157 | 1,497 | 1,252,759 |
| Intergovernmental Payable..... | — | — | 178,161 |
| Interfund Payable..... | 915,531 | 10 | 1,033,441 |
| Payable to Component Units..... | 21,663 | — | 24,375 |
| Deferred Revenue..... | — | — | 145,363 |
| Unearned Revenue..... | — | 3,785 | 50,172 |
| TOTAL LIABILITIES..... | 1,462,162 | 5,423 | 3,007,600 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances..... | 212,343 | 77 | 1,394,000 |
| Noncurrent Portion of Loans Receivable..... | — | — | 669,916 |
| Loan Commitments..... | — | — | 104,702 |
| Inventories..... | — | — | 20,283 |
| Federal Programs..... | — | — | 39,207 |
| Other: | | | |
| Prepays..... | — | 4 | 6,271 |
| Ohio Enterprise Bond Fund..... | — | — | 10,000 |
| Loan Guarantee Programs..... | — | — | 19,372 |
| Environmental Protection and Natural Resources..... | — | — | 1,783 |
| Community and Economic Development..... | — | — | 35,609 |
| Compensated Absences..... | — | 6 | 8,933 |
| Unreserved/Undesignated..... | (379,057) | (85) | 169,770 |
| TOTAL FUND BALANCES (DEFICITS)..... | (166,714) | 2 | 2,479,846 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 1,295,448 | \$ 5,425 | \$ 5,487,446 |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | COMMUNITY AND ECONOMIC DEVELOPMENT | HEALTH | MENTAL HEALTH AND RETARDATION |
|---|---|------------------|--|
| REVENUES: | | | |
| Income Taxes..... | \$ 7,788 | \$ — | \$ — |
| Sales Taxes..... | 22,646 | — | — |
| Corporate and Public Utility Taxes..... | 865 | — | — |
| Motor Vehicle Fuel Taxes..... | 6,010 | — | — |
| Cigarette Taxes..... | 2 | — | — |
| Other Taxes..... | 34,679 | — | 2 |
| Licenses, Permits and Fees..... | 554,682 | 26,740 | 2,225 |
| Sales, Services and Charges..... | 9,216 | 32 | 10 |
| Federal Government..... | 440,974 | 447,513 | 1,029,028 |
| Investment Income..... | 20,222 | 300 | 12 |
| Other..... | 57,646 | 29,240 | 171,015 |
| TOTAL REVENUES..... | 1,154,730 | 503,825 | 1,202,292 |
| EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | 1,675 | — | — |
| Higher Education Support..... | 1,367 | — | — |
| Health and Human Services..... | — | 533,991 | 1,155,556 |
| Justice and Public Protection..... | 215,704 | — | — |
| Environmental Protection and Natural Resources..... | 512 | — | — |
| Transportation..... | 589 | — | — |
| General Government..... | 193,059 | 374 | — |
| Community and Economic Development..... | 765,010 | 2,560 | — |
| CAPITAL OUTLAY..... | 16,033 | — | — |
| TOTAL EXPENDITURES..... | 1,193,949 | 536,925 | 1,155,556 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (39,219) | (33,100) | 46,736 |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | — | — | — |
| Transfers-in..... | 15,706 | 12,537 | 4,501 |
| Transfers-out..... | (38,742) | (1,186) | — |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (23,036) | 11,351 | 4,501 |
| NET CHANGE IN FUND BALANCES..... | (62,255) | (21,749) | 51,237 |
| FUND BALANCES (DEFICITS), July 1..... | 1,182,386 | 60,454 | (13,505) |
| Increase for Changes in Inventories..... | — | 20,283 | — |
| FUND BALANCES (DEFICITS), JUNE 30..... | \$ 1,120,131 | \$ 58,988 | \$ 37,732 |

| <u>HIGHWAY SAFETY</u> | <u>NATURAL RESOURCES</u> | <u>WILDLIFE AND WATERWAYS SAFETY</u> | <u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u> | <u>TOBACCO SETTLEMENT</u> | <u>CLEAN OHIO PROGRAM</u> |
|-----------------------|--------------------------|--------------------------------------|---|---------------------------|---------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | — | — | — | — |
| — | 675 | — | — | — | — |
| 22,400 | — | 17,488 | — | — | — |
| — | — | — | — | — | — |
| — | 9,905 | — | — | — | — |
| 305,340 | 126,225 | 41,933 | — | — | — |
| 15,068 | 3,158 | 411 | — | — | — |
| 16,025 | 49,196 | 20,320 | — | — | — |
| 10,003 | 639 | 2,496 | 10,707 | 6,451 | 2,954 |
| 35,397 | 34,252 | 3,344 | 724 | 52 | 7 |
| 404,233 | 224,050 | 85,992 | 11,431 | 6,503 | 2,961 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 112 | — | — | — | 48,346 | — |
| 423,054 | 588 | — | — | 1,448 | — |
| — | 223,478 | 80,394 | — | 14,129 | 4,297 |
| — | — | — | — | — | — |
| — | 4,436 | — | — | 5,987 | — |
| — | 1,177 | — | 163,924 | 12,805 | 44,905 |
| 584 | — | 3,128 | — | — | — |
| 423,750 | 229,679 | 83,522 | 163,924 | 82,715 | 49,202 |
| (19,517) | (5,629) | 2,470 | (152,493) | (76,212) | (46,241) |
| — | — | — | 120,000 | — | 50,000 |
| 3,812 | 146 | 302 | 57,639 | 17,416 | — |
| (20,580) | — | (17) | — | (9,984) | — |
| (16,768) | 146 | 285 | 177,639 | 7,432 | 50,000 |
| (36,285) | (5,483) | 2,755 | 25,146 | (68,780) | 3,759 |
| 246,207 | 171,770 | 56,602 | 527,649 | 418,469 | 87,898 |
| — | — | — | — | — | — |
| \$ 209,922 | \$ 166,287 | \$ 59,357 | \$ 552,795 | \$ 349,689 | \$ 91,657 |

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | HIGHER EDUCATION IMPROVEMENTS | HELP AMERICA VOTE ACT | TOTAL |
|---|--|----------------------------------|---------------------|
| REVENUES: | | | |
| Income Taxes..... | \$ — | \$ — | \$ 7,788 |
| Sales Taxes..... | — | — | 22,646 |
| Corporate and Public Utility Taxes..... | — | — | 1,540 |
| Motor Vehicle Fuel Taxes..... | — | — | 45,898 |
| Cigarette Taxes..... | — | — | 2 |
| Other Taxes..... | — | — | 44,586 |
| Licenses, Permits and Fees..... | — | — | 1,057,145 |
| Sales, Services and Charges..... | — | — | 27,895 |
| Federal Government..... | — | 4,128 | 2,007,184 |
| Investment Income..... | 41,947 | 452 | 96,183 |
| Other..... | 433 | — | 332,110 |
| TOTAL REVENUES..... | 42,380 | 4,580 | 3,642,977 |
| EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | — | — | 1,675 |
| Higher Education Support..... | 292,657 | — | 294,024 |
| Health and Human Services..... | — | — | 1,738,005 |
| Justice and Public Protection..... | — | — | 640,794 |
| Environmental Protection and Natural Resources..... | — | — | 322,810 |
| Transportation..... | — | — | 589 |
| General Government..... | — | 4,581 | 208,437 |
| Community and Economic Development..... | — | — | 990,381 |
| CAPITAL OUTLAY..... | — | — | 19,745 |
| TOTAL EXPENDITURES..... | 292,657 | 4,581 | 4,216,460 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (250,277) | (1) | (573,483) |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | — | — | 170,000 |
| Transfers-in..... | 26,069 | — | 138,128 |
| Transfers-out..... | (36,957) | — | (107,466) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (10,888) | — | 200,662 |
| NET CHANGE IN FUND BALANCES..... | (261,165) | (1) | (372,821) |
| FUND BALANCES (DEFICITS), July 1..... | 94,451 | 3 | 2,832,384 |
| Increase (Decrease) for Changes in Inventories..... | — | — | 20,283 |
| FUND BALANCES (DEFICITS), JUNE 30..... | \$ (166,714) | \$ 2 | \$ 2,479,846 |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

| | COMMUNITY AND ECONOMIC DEVELOPMENT | | |
|---|---|---------------------|---|
| | BUDGET | | VARIANCE WITH FINAL BUDGET |
| | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Income Taxes..... | | \$ 7,781 | |
| Sales Taxes..... | | 22,937 | |
| Corporate and Public Utility Taxes..... | | 865 | |
| Motor Vehicle Fuel Taxes..... | | 6,231 | |
| Cigarette Taxes..... | | 2 | |
| Other Taxes..... | | 34,676 | |
| Licenses, Permits and Fees..... | | 557,454 | |
| Sales, Services and Charges..... | | 9,629 | |
| Federal Government..... | | 451,790 | |
| Investment Income..... | | 12,904 | |
| Other..... | | 92,700 | |
| TOTAL REVENUES..... | | 1,196,969 | |
| BUDGETARY EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | \$ 2,595 | 1,977 | \$ 618 |
| Higher Education Support..... | 6,000 | 6,000 | — |
| Public Assistance and Medicaid..... | — | — | — |
| Health and Human Services..... | — | — | — |
| Justice and Public Protection..... | 376,506 | 324,002 | 52,504 |
| Environmental Protection and Natural Resources..... | 546 | 486 | 60 |
| Transportation..... | 8,516 | 6,155 | 2,361 |
| General Government..... | 248,054 | 216,541 | 31,513 |
| Community and Economic Development..... | 1,799,949 | 1,479,517 | 320,432 |
| CAPITAL OUTLAY..... | 110,022 | 70,200 | 39,822 |
| DEBT SERVICE..... | — | — | — |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 2,552,188 | 2,104,878 | \$ 447,310 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (907,909) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | — | |
| Transfers-in..... | | 44,106 | |
| Transfers-out..... | | (58,956) | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | (14,850) | |
| NET CHANGE IN FUND BALANCES..... | | (922,759) | |
| BUDGETARY FUND BALANCES | | | |
| (DEFICITS), JULY 1..... | | (8,935) | |
| Outstanding Encumbrances at Beginning of Fiscal Year..... | | 831,307 | |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30..... | | \$ (100,387) | |

| HEALTH | | | MENTAL HEALTH AND RETARDATION | | |
|-------------------|------------------|-----------------------------------|-------------------------------|---------------------|-----------------------------------|
| <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> |
| <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> |
| | \$ — | | | \$ — | |
| | — | | | — | |
| | — | | | — | |
| | — | | | — | |
| | — | | | 2 | |
| | 36,122 | | | 1,476 | |
| | 2,019 | | | 10 | |
| | 487,446 | | | 2,287,035 | |
| | 295 | | | 12 | |
| | 105,570 | | | 172,248 | |
| | <u>631,452</u> | | | <u>2,460,783</u> | |
| \$ — | — | \$ — | \$ — | — | \$ — |
| — | — | — | — | — | — |
| — | — | — | 1,641,576 | 1,424,896 | 216,680 |
| 715,992 | 673,985 | 42,007 | 1,586,123 | 1,518,316 | 67,807 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 581 | 371 | 210 | — | — | — |
| 4,992 | 4,940 | 52 | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| <u>\$ 721,565</u> | <u>679,296</u> | <u>\$ 42,269</u> | <u>\$ 3,227,699</u> | <u>2,943,212</u> | <u>\$ 284,487</u> |
| | <u>(47,844)</u> | | | <u>(482,429)</u> | |
| | — | | | — | |
| | 1,202 | | | 1,500 | |
| | (1,258) | | | — | |
| | <u>(56)</u> | | | <u>1,500</u> | |
| | <u>(47,900)</u> | | | <u>(480,929)</u> | |
| | 33,335 | | | (380,129) | |
| | 36,540 | | | 518,680 | |
| | <u>\$ 21,975</u> | | | <u>\$ (342,378)</u> | |

(continued)

STATE OF OHIO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
(continued)

| | | HIGHWAY SAFETY | | |
|---|-----------|-----------------------|----------------|-------------------|
| | | <u>BUDGET</u> | | <u>VARIANCE</u> |
| | | <u>FINAL</u> | <u>ACTUAL</u> | <u>WITH</u> |
| | | | | <u>FINAL</u> |
| | | | | <u>BUDGET</u> |
| | | | | <u>POSITIVE/</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES: | | | | |
| Income Taxes..... | | | \$ — | |
| Sales Taxes..... | | | — | |
| Corporate and Public Utility Taxes..... | | | — | |
| Motor Vehicle Fuel Taxes..... | | | 19,200 | |
| Cigarette Taxes..... | | | — | |
| Other Taxes..... | | | — | |
| Licenses, Permits and Fees..... | | | 304,013 | |
| Sales, Services and Charges..... | | | 14,923 | |
| Federal Government..... | | | 17,082 | |
| Investment Income..... | | | 10,392 | |
| Other..... | | | 38,600 | |
| TOTAL REVENUES..... | | | 404,210 | |
| BUDGETARY EXPENDITURES: | | | | |
| CURRENT OPERATING: | | | | |
| Primary, Secondary and Other Education..... | \$ | — | — | \$ — |
| Higher Education Support..... | | — | — | — |
| Public Assistance and Medicaid..... | | — | — | — |
| Health and Human Services..... | | 234 | 116 | 118 |
| Justice and Public Protection..... | | 527,746 | 452,609 | 75,137 |
| Environmental Protection and Natural Resources..... | | — | — | — |
| Transportation..... | | — | — | — |
| General Government..... | | — | — | — |
| Community and Economic Development..... | | — | — | — |
| CAPITAL OUTLAY..... | | 6,911 | 3,013 | 3,898 |
| DEBT SERVICE..... | | 13,930 | 13,312 | 618 |
| TOTAL BUDGETARY EXPENDITURES..... | \$ | 548,821 | 469,050 | \$ 79,771 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) BUDGETARY EXPENDITURES..... | | | | (64,840) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Bonds Issued..... | | | — | |
| Transfers-in..... | | | 7,536 | |
| Transfers-out..... | | | (10,992) | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | | (3,456) | |
| NET CHANGE IN FUND BALANCES..... | | | | (68,296) |
| BUDGETARY FUND BALANCES | | | | |
| (DEFICITS), JULY 1..... | | | 245,787 | |
| Outstanding Encumbrances at Beginning of Fiscal Year..... | | | 29,079 | |
| BUDGETARY FUND BALANCES | | | | |
| (DEFICITS), JUNE 30..... | \$ | | | 206,570 |

| NATURAL RESOURCES | | | WILDLIFE AND WATERWAYS SAFETY | | |
|-------------------|-------------------|-------------------------------------|-------------------------------|------------------|-------------------------------------|
| | | VARIANCE WITH FINAL BUDGET | | | VARIANCE WITH FINAL BUDGET |
| BUDGET | | POSITIVE/ (NEGATIVE) | BUDGET | | POSITIVE/ (NEGATIVE) |
| FINAL | ACTUAL | | FINAL | ACTUAL | |
| | \$ — | | | \$ — | |
| | — | | | — | |
| | 675 | | | — | |
| | — | | | 18,291 | |
| | — | | | — | |
| | 9,419 | | | — | |
| | 126,629 | | | 42,062 | |
| | 2,456 | | | 411 | |
| | 51,421 | | | 20,320 | |
| | 618 | | | 2,462 | |
| | 38,585 | | | 4,297 | |
| | <u>229,803</u> | | | <u>87,843</u> | |
| \$ | — | \$ | — | \$ | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 626 | 620 | 6 | — | — | — |
| 304,458 | 263,261 | 41,197 | 112,518 | 94,417 | 18,101 |
| — | — | — | — | — | — |
| 6,533 | 5,248 | 1,285 | — | — | — |
| 4,661 | 2,400 | 2,261 | — | — | — |
| — | — | — | 35,351 | 14,415 | 20,936 |
| — | — | — | — | — | — |
| <u>\$ 316,278</u> | <u>271,529</u> | <u>\$ 44,749</u> | <u>\$ 147,869</u> | <u>108,832</u> | <u>\$ 39,037</u> |
| | <u>(41,726)</u> | | | <u>(20,989)</u> | |
| | — | | | — | |
| | 5,527 | | | 1,002 | |
| | <u>(5,381)</u> | | | <u>(1,017)</u> | |
| | <u>146</u> | | | <u>(15)</u> | |
| | <u>(41,580)</u> | | | <u>(21,004)</u> | |
| | 130,610 | | | 46,995 | |
| | <u>46,911</u> | | | <u>17,420</u> | |
| | <u>\$ 135,941</u> | | | <u>\$ 43,411</u> | |

(continued)

STATE OF OHIO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
(continued)

| | LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS | | |
|---|---|-------------------|---|
| | | | VARIANCE WITH FINAL BUDGET |
| | BUDGET | | |
| | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Income Taxes..... | | \$ — | |
| Sales Taxes..... | | — | |
| Corporate and Public Utility Taxes..... | | — | |
| Motor Vehicle Fuel Taxes..... | | — | |
| Cigarette Taxes..... | | — | |
| Other Taxes..... | | — | |
| Licenses, Permits and Fees..... | | — | |
| Sales, Services and Charges..... | | — | |
| Federal Government..... | | — | |
| Investment Income..... | | 10,571 | |
| Other..... | | 22,347 | |
| TOTAL REVENUES..... | | 32,918 | |
| BUDGETARY EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | \$ — | — | \$ — |
| Higher Education Support..... | — | — | — |
| Public Assistance and Medicaid..... | — | — | — |
| Health and Human Services..... | — | — | — |
| Justice and Public Protection..... | — | — | — |
| Environmental Protection and Natural Resources..... | — | — | — |
| Transportation..... | — | — | — |
| General Government..... | — | — | — |
| Community and Economic Development..... | 545,182 | 212,766 | 332,416 |
| CAPITAL OUTLAY..... | — | — | — |
| DEBT SERVICE..... | — | — | — |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 545,182 | 212,766 | \$ 332,416 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (179,848) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 120,000 | |
| Transfers-in..... | | 57,639 | |
| Transfers-out..... | | — | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | 177,639 | |
| NET CHANGE IN FUND BALANCES..... | | (2,209) | |
| BUDGETARY FUND BALANCES | | | |
| (DEFICITS), JULY 1..... | | 223,935 | |
| Outstanding Encumbrances at Beginning of Fiscal Year..... | | 11 | |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30..... | | \$ 221,737 | |

| TOBACCO SETTLEMENT | | | CLEAN OHIO PROGRAM | | |
|--------------------|------------------|-----------------------------------|--------------------|-------------------|-----------------------------------|
| <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> |
| <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> |
| | \$ — | | | \$ — | |
| | — | | | — | |
| | — | | | — | |
| | — | | | — | |
| | — | | | — | |
| | 65 | | | — | |
| | — | | | — | |
| | — | | | — | |
| | 4,198 | | | 2,913 | |
| | 13,969 | | | 6 | |
| | <u>18,232</u> | | | <u>2,919</u> | |
| \$ — | — | \$ — | \$ — | — | \$ — |
| — | — | — | — | — | — |
| 3,000 | 3,000 | — | — | — | — |
| 60,299 | 19,250 | 41,049 | — | — | — |
| 5,657 | 1,870 | 3,787 | — | — | — |
| 14,829 | 14,127 | 702 | 14,251 | 13,485 | 766 |
| — | — | — | — | — | — |
| 328 | 229 | 99 | — | — | — |
| 124,911 | 104,401 | 20,510 | 173,905 | 139,084 | 34,821 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| <u>\$ 209,024</u> | <u>142,877</u> | <u>\$ 66,147</u> | <u>\$ 188,156</u> | <u>152,569</u> | <u>\$ 35,587</u> |
| | <u>(124,645)</u> | | | <u>(149,650)</u> | |
| | — | | | 50,000 | |
| | 53,804 | | | — | |
| | <u>(54,716)</u> | | | <u>—</u> | |
| | <u>(912)</u> | | | <u>50,000</u> | |
| | <u>(125,557)</u> | | | <u>(99,650)</u> | |
| | 77,650 | | | 8,093 | |
| | <u>100,805</u> | | | <u>89,604</u> | |
| | <u>\$ 52,898</u> | | | <u>\$ (1,953)</u> | |

(continued)

STATE OF OHIO
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
(continued)

| | HIGHER EDUCATION IMPROVEMENTS | | |
|---|--------------------------------------|-------------------|---|
| | BUDGET | | VARIANCE |
| | FINAL | ACTUAL | WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Income Taxes..... | | \$ — | |
| Sales Taxes..... | | — | |
| Corporate and Public Utility Taxes..... | | — | |
| Motor Vehicle Fuel Taxes..... | | — | |
| Cigarette Taxes..... | | — | |
| Other Taxes..... | | — | |
| Licenses, Permits and Fees..... | | — | |
| Sales, Services and Charges..... | | — | |
| Federal Government..... | | — | |
| Investment Income..... | | 38,921 | |
| Other..... | | 433 | |
| TOTAL REVENUES..... | | 39,354 | |
| BUDGETARY EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | \$ — | — | \$ — |
| Higher Education Support..... | 1,069,498 | 527,489 | 542,009 |
| Public Assistance and Medicaid..... | — | — | — |
| Health and Human Services..... | — | — | — |
| Justice and Public Protection..... | — | — | — |
| Environmental Protection and Natural Resources..... | — | — | — |
| Transportation..... | — | — | — |
| General Government..... | — | — | — |
| Community and Economic Development..... | — | — | — |
| CAPITAL OUTLAY..... | — | — | — |
| DEBT SERVICE..... | — | — | — |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 1,069,498 | 527,489 | \$ 542,009 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (488,135) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 938,000 | |
| Transfers-in..... | | 3,600 | |
| Transfers-out..... | | (36,957) | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | 904,643 | |
| NET CHANGE IN FUND BALANCES..... | | 416,508 | |
| BUDGETARY FUND BALANCES (DEFICITS), JULY 1..... | | (88,000) | |
| Outstanding Encumbrances at Beginning of Fiscal Year..... | | 209,024 | |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30..... | | \$ 537,532 | |

| HELP AMERICA VOTE ACT | | | TOTAL | | |
|------------------------------|-----------------|-----------------------------------|---------------------|--------------------|-----------------------------------|
| BUDGET | | VARIANCE WITH FINAL BUDGET | BUDGET | | VARIANCE WITH FINAL BUDGET |
| FINAL | ACTUAL | POSITIVE/ (NEGATIVE) | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| | \$ — | | | \$ 7,781 | |
| | — | | | 22,937 | |
| | — | | | 1,540 | |
| | — | | | 43,722 | |
| | — | | | 2 | |
| | — | | | 44,097 | |
| | — | | | 1,067,821 | |
| | — | | | 29,448 | |
| | 12 | | | 3,315,106 | |
| | 449 | | | 83,735 | |
| | — | | | 488,755 | |
| | <u>461</u> | | | <u>5,104,944</u> | |
| \$ — | — | \$ — | \$ 2,595 | 1,977 | \$ 618 |
| — | — | — | 1,075,498 | 533,489 | 542,009 |
| — | — | — | 1,644,576 | 1,427,896 | 216,680 |
| — | — | — | 2,362,648 | 2,211,667 | 150,981 |
| — | — | — | 910,535 | 779,101 | 131,434 |
| — | — | — | 446,602 | 385,776 | 60,826 |
| — | — | — | 8,516 | 6,155 | 2,361 |
| 4,798 | 4,190 | 608 | 260,294 | 226,579 | 33,715 |
| — | — | — | 2,653,600 | 1,943,108 | 710,492 |
| — | — | — | 152,284 | 87,628 | 64,656 |
| — | — | — | 13,930 | 13,312 | 618 |
| <u>\$ 4,798</u> | <u>4,190</u> | <u>\$ 608</u> | <u>\$ 9,531,078</u> | <u>7,616,688</u> | <u>\$ 1,914,390</u> |
| | <u>(3,729)</u> | | | <u>(2,511,744)</u> | |
| | — | | | 1,108,000 | |
| | — | | | 175,916 | |
| | (449) | | | (169,726) | |
| | <u>(449)</u> | | | <u>1,114,190</u> | |
| | <u>(4,178)</u> | | | <u>(1,397,554)</u> | |
| | 7,873 | | | 297,214 | |
| | 48 | | | 1,879,429 | |
| | <u>\$ 3,743</u> | | | <u>\$ 779,089</u> | |

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The **Coal Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

The **Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

The **Highway Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

The **Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

The **Highway General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

The **Public Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

The **Vietnam Conflict Compensation General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

The **Local Infrastructure Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

The **State Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

The **Highway Capital Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

The **Higher Education Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

The **Common Schools Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

The **Conservation Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

The **Third Frontier Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance research and development in support of Ohio industry, commerce, and business.

The **Job Ready Site Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance the development of sites for industry, distribution, commerce, and research and development.

The **Economic Development Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds issued to finance loans to individuals, corporations, and agencies within the State for economic development projects that create or retain jobs in the State.

The **Infrastructure Bank Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds that have been authorized under the authority of Section 5531.10, Ohio Revised Code, to finance the construction of the Spring-Sandusky Highway Project in Columbus.

The **Revitalization Project Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds to finance the costs of environmentally safe and productive development, use, or reuse of publicly and privately owned lands, including those within urban areas.

The **Chapter 154 Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities, mental health facilities, and parks and recreation projects and state park facilities.

The **School Building Program Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the costs of school buildings and classroom facilities used by public school districts for elementary and secondary education purposes.

The **Ohio Building Authority Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of state office buildings and the costs of capital improvements for the Departments of Administrative Services, Youth Services, Transportation, Rehabilitation and Correction, Natural Resources, and Public Safety and for the Cultural Facilities Commission.

The **Transportation Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that financed the acquisition of the Department of Transportation’s Panhandle Rail Line Project.

The **OAKS Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that finance the State’s enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2008
(dollars in thousands)

| | COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS | IMPROVEMENTS GENERAL OBLIGATIONS | HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS |
|--|---|---|---|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 39 | \$ — | \$ — |
| Cash and Cash Equivalents..... | — | 130 | 55 |
| Investments..... | — | — | — |
| Collateral on Lent Securities..... | 15 | — | — |
| Interfund Receivable | — | — | — |
| Other Receivables | — | — | — |
| Other Assets | — | — | — |
| TOTAL ASSETS | \$ 54 | \$ 130 | \$ 55 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ — | \$ — | \$ — |
| Accrued Liabilities..... | — | — | — |
| Obligations Under Securities Lending..... | 15 | — | — |
| Interfund Payable..... | — | — | — |
| Payable to Component Units..... | 29 | — | — |
| Refund and Other Liabilities..... | — | 130 | 55 |
| TOTAL LIABILITIES..... | 44 | 130 | 55 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Debt Service..... | 10 | — | — |
| Assets in Excess of Debt Service Requirements..... | — | — | — |
| TOTAL FUND BALANCES..... | 10 | — | — |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 54 | \$ 130 | \$ 55 |

| DEVELOPMENT GENERAL OBLIGATIONS | HIGHWAY GENERAL OBLIGATIONS | PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS | VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS | LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS | STATE PROJECTS GENERAL OBLIGATIONS |
|--|--|--|--|--|---|
| \$ — | \$ — | \$ — | \$ — | \$ 76 | \$ 25 |
| 238 | 170 | 149 | 28 | — | — |
| — | — | — | — | — | — |
| — | — | — | — | 29 | 10 |
| — | — | — | — | 1 | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| \$ 238 | \$ 170 | \$ 149 | \$ 28 | \$ 106 | \$ 35 |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | — | — | — | — |
| — | — | — | — | 29 | 10 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 238 | 170 | 149 | 25 | — | — |
| 238 | 170 | 149 | 25 | 29 | 10 |
| — | — | — | — | 77 | 25 |
| — | — | — | 3 | — | — |
| — | — | — | 3 | 77 | 25 |
| \$ 238 | \$ 170 | \$ 149 | \$ 28 | \$ 106 | \$ 35 |

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2008
(dollars in thousands)
(continued)

| | HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS | HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS | COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS |
|--|---|--|--|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 8,017 | \$ 126 | \$ 45 |
| Cash and Cash Equivalents..... | — | — | — |
| Investments..... | — | — | — |
| Collateral on Lent Securities..... | 3,063 | 48 | 17 |
| Interfund Receivable | 48 | — | — |
| Other Receivables | — | — | — |
| Other Assets | — | — | — |
| TOTAL ASSETS | \$ 11,128 | \$ 174 | \$ 62 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ — | \$ — | \$ — |
| Accrued Liabilities..... | — | — | — |
| Obligations Under Securities Lending..... | 3,063 | 48 | 17 |
| Interfund Payable..... | — | — | — |
| Payable to Component Units..... | — | — | — |
| Refund and Other Liabilities..... | — | — | — |
| TOTAL LIABILITIES..... | 3,063 | 48 | 17 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Debt Service..... | 8,065 | 126 | 45 |
| Assets in Excess of Debt Service Requirements..... | — | — | — |
| TOTAL FUND BALANCES..... | 8,065 | 126 | 45 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 11,128 | \$ 174 | \$ 62 |

| CONSERVATION PROJECTS GENERAL OBLIGATIONS | THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS | JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS | ECONOMIC DEVELOPMENT REVENUE BONDS | INFRASTRUCTURE BANK REVENUE BONDS | REVITALIZATION PROJECT REVENUE BONDS |
|--|---|---|---|--|---|
| \$ 26 | \$ 19 | \$ 14 | \$ — | \$ — | \$ — |
| — | — | — | — | — | 1 |
| — | — | — | 13,398 | 9,458 | 8,549 |
| 10 | 7 | 6 | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| \$ 36 | \$ 26 | \$ 20 | \$ 13,398 | \$ 9,458 | \$ 8,550 |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | — | — | — | — |
| 10 | 7 | 6 | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 10 | 7 | 6 | — | — | — |
| 26 | 19 | 14 | 13,398 | 9,458 | 8,550 |
| — | — | — | — | — | — |
| 26 | 19 | 14 | 13,398 | 9,458 | 8,550 |
| \$ 36 | \$ 26 | \$ 20 | \$ 13,398 | \$ 9,458 | \$ 8,550 |

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2008
(dollars in thousands)
(continued)

| | CHAPTER 154 SPECIAL OBLIGATIONS | SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS | OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS |
|--|--|--|--|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ — | \$ — | \$ — |
| Cash and Cash Equivalents..... | 72 | — | — |
| Investments..... | 94 | 43 | 1,453 |
| Collateral on Lent Securities..... | — | — | — |
| Interfund Receivable | — | — | 253 |
| Other Receivables | 226 | — | 2 |
| Other Assets | — | — | 22 |
| TOTAL ASSETS | \$ 392 | \$ 43 | \$ 1,730 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ — | \$ — | \$ 442 |
| Accrued Liabilities..... | 26 | — | — |
| Obligations Under Securities Lending..... | — | — | — |
| Interfund Payable..... | — | — | 1 |
| Payable to Component Units..... | — | — | — |
| Refund and Other Liabilities..... | — | — | 1,149 |
| TOTAL LIABILITIES..... | 26 | — | 1,592 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Debt Service..... | 366 | 43 | 138 |
| Assets in Excess of Debt Service Requirements..... | — | — | — |
| TOTAL FUND BALANCES..... | 366 | 43 | 138 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 392 | \$ 43 | \$ 1,730 |

| TRANSPORTATION CERTIFICATES OF PARTICIPATION | OAKS CERTIFICATES OF PARTICIPATION | STARS CERTIFICATES OF PARTICIPATION | TOTAL |
|---|---|--|------------------|
| \$ — | \$ — | \$ — | \$ 8,387 |
| — | — | — | 843 |
| 948 | 1,360 | 1,249 | 36,552 |
| — | — | — | 3,205 |
| — | — | — | 302 |
| — | — | — | 228 |
| — | — | — | 22 |
| \$ 948 | \$ 1,360 | \$ 1,249 | \$ 49,539 |
| | | | |
| \$ — | \$ 95 | \$ 121 | \$ 658 |
| — | — | — | 26 |
| — | — | — | 3,205 |
| — | — | — | 1 |
| — | — | — | 29 |
| — | — | — | 1,916 |
| — | 95 | 121 | 5,835 |
| | | | |
| 948 | 1,265 | 1,128 | 43,701 |
| — | — | — | 3 |
| 948 | 1,265 | 1,128 | 43,704 |
| \$ 948 | \$ 1,360 | \$ 1,249 | \$ 49,539 |

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS | VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS | LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS |
|---|---|---|---|
| REVENUES: | | | |
| Investment Income..... | \$ 4 | \$ — | \$ 91 |
| Other..... | 9 | — | 122 |
| TOTAL REVENUES..... | 13 | — | 213 |
| EXPENDITURES: | | | |
| DEBT SERVICE..... | 7,153 | — | 177,904 |
| TOTAL EXPENDITURES..... | 7,153 | — | 177,904 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (7,140) | — | (177,691) |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | — | — | — |
| Premiums/Discounts..... | 178 | — | 5,462 |
| Transfers-in..... | 6,992 | — | 172,150 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 7,170 | — | 177,612 |
| NET CHANGE IN FUND BALANCES..... | 30 | — | (79) |
| FUND BALANCES (DEFICITS), July 1..... | (20) | 3 | 156 |
| FUND BALANCES, JUNE 30..... | \$ 10 | \$ 3 | \$ 77 |

| STATE PROJECTS GENERAL OBLIGATIONS | HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS | HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS | COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS | CONSERVATION PROJECTS GENERAL OBLIGATIONS | THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS |
|---|---|--|--|--|---|
| \$ 10 | \$ 3,541 | \$ 31 | \$ 33 | \$ 9 | \$ 13 |
| 2 | — | — | 1,364 | — | — |
| 12 | 3,541 | 31 | 1,397 | 9 | 13 |
| 22,741 | 207,028 | 160,604 | 264,606 | 15,706 | 11,737 |
| 22,741 | 207,028 | 160,604 | 264,606 | 15,706 | 11,737 |
| (22,729) | (203,487) | (160,573) | (263,209) | (15,697) | (11,724) |
| — | — | — | — | — | — |
| — | 5,466 | — | — | — | — |
| 22,748 | 195,645 | 160,558 | 263,081 | 15,716 | 11,724 |
| 22,748 | 201,111 | 160,558 | 263,081 | 15,716 | 11,724 |
| 19 | (2,376) | (15) | (128) | 19 | — |
| 6 | 10,441 | 141 | 173 | 7 | 19 |
| \$ 25 | \$ 8,065 | \$ 126 | \$ 45 | \$ 26 | \$ 19 |

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS | ECONOMIC DEVELOPMENT REVENUE BONDS | INFRASTRUCTURE BANK REVENUE BONDS |
|---|---|---|--|
| REVENUES: | | | |
| Investment Income..... | \$ 2 | \$ 352 | \$ 2,949 |
| Other..... | — | — | 107 |
| TOTAL REVENUES..... | 2 | 352 | 3,056 |
| EXPENDITURES: | | | |
| DEBT SERVICE..... | 3,573 | 30,099 | 130,046 |
| TOTAL EXPENDITURES..... | 3,573 | 30,099 | 130,046 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (3,571) | (29,747) | (126,990) |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | — | — | — |
| Premiums/Discounts..... | — | — | 9,145 |
| Transfers-in..... | 3,575 | 31,380 | 119,077 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 3,575 | 31,380 | 128,222 |
| NET CHANGE IN FUND BALANCES..... | 4 | 1,633 | 1,232 |
| FUND BALANCES (DEFICITS), July 1..... | 10 | 11,765 | 8,226 |
| FUND BALANCES, JUNE 30..... | \$ 14 | \$ 13,398 | \$ 9,458 |

| <u>REVITALIZATION PROJECT REVENUE BONDS</u> | <u>CHAPTER 154 SPECIAL OBLIGATIONS</u> | <u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u> | <u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u> | <u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u> | <u>OAKS CERTIFICATES OF PARTICIPATION</u> |
|---|--|--|--|---|---|
| \$ 160 | \$ 264 | \$ 2 | \$ — | \$ 71 | \$ 46 |
| — | — | — | 258 | 696 | — |
| <u>160</u> | <u>264</u> | <u>2</u> | <u>258</u> | <u>767</u> | <u>46</u> |
| 9,880 | 306,367 | 22,707 | 262,694 | 766 | 14,658 |
| <u>9,880</u> | <u>306,367</u> | <u>22,707</u> | <u>262,694</u> | <u>766</u> | <u>14,658</u> |
| <u>(9,720)</u> | <u>(306,103)</u> | <u>(22,705)</u> | <u>(262,436)</u> | <u>1</u> | <u>(14,612)</u> |
| — | — | — | — | — | 1,562 |
| 1,174 | 463 | — | 273 | — | (59) |
| 12,502 | 305,810 | 22,693 | 261,825 | — | 14,076 |
| <u>13,676</u> | <u>306,273</u> | <u>22,693</u> | <u>262,098</u> | <u>—</u> | <u>15,579</u> |
| <u>3,956</u> | <u>170</u> | <u>(12)</u> | <u>(338)</u> | <u>1</u> | <u>967</u> |
| 4,594 | 196 | 55 | 476 | 947 | 298 |
| <u>\$ 8,550</u> | <u>\$ 366</u> | <u>\$ 43</u> | <u>\$ 138</u> | <u>\$ 948</u> | <u>\$ 1,265</u> |

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
(continued)

| | STARS CERTIFICATES OF PARTICIPATION | TOTAL |
|---|---|--------------------|
| REVENUES: | | |
| Investment Income..... | \$ — | \$ 7,578 |
| Other..... | — | 2,558 |
| TOTAL REVENUES..... | — | 10,136 |
| EXPENDITURES: | | |
| DEBT SERVICE..... | 358 | 1,648,627 |
| TOTAL EXPENDITURES..... | 358 | 1,648,627 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (358) | (1,638,491) |
| OTHER FINANCING SOURCES (USES): | | |
| Bonds and Certificates of Participation Issued..... | 715 | 2,277 |
| Premiums/Discounts..... | 771 | 22,873 |
| Transfers-in..... | — | 1,619,552 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 1,486 | 1,644,702 |
| NET CHANGE IN FUND BALANCES..... | 1,128 | 6,211 |
| FUND BALANCES (DEFICITS), July 1..... | — | 37,493 |
| FUND BALANCES, JUNE 30..... | \$ 1,128 | \$ 43,704 |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS | | |
|---|--|--------------|-------------------------------------|
| | BUDGET | | VARIANCE WITH FINAL BUDGET |
| | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Investment Income..... | | \$ 4 | |
| Other..... | | 6,960 | |
| TOTAL REVENUES..... | | 6,964 | |
| BUDGETARY EXPENDITURES: | | | |
| DEBT SERVICE..... | \$ 7,232 | 7,133 | \$ 99 |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 7,232 | 7,133 | \$ 99 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (169) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 158 | |
| Transfers-in..... | | 35 | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | 193 | |
| NET CHANGE IN FUND BALANCES..... | | 24 | |
| BUDGETARY FUND BALANCES | | | |
| JULY 1..... | | 15 | |
| BUDGETARY FUND BALANCES | | | |
| JUNE 30..... | | \$ 39 | |

**LOCAL INFRASTRUCTURE IMPROVEMENTS
GENERAL OBLIGATIONS**

STATE PROJECTS GENERAL OBLIGATIONS

| LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS | | | STATE PROJECTS GENERAL OBLIGATIONS | | |
|--|----------------|---|---|---------------|---|
| BUDGET | | VARIANCE WITH FINAL BUDGET | BUDGET | | VARIANCE WITH FINAL BUDGET |
| FINAL | ACTUAL | POSITIVE/ (NEGATIVE) | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| | \$ 89 | | | \$ 10 | |
| | 172,272 | | | 22,749 | |
| | <u>172,361</u> | | | <u>22,759</u> | |
| \$ 178,714 | 177,757 | \$ 957 | \$ 24,714 | 22,740 | \$ 1,974 |
| <u>\$ 178,714</u> | <u>177,757</u> | <u>\$ 957</u> | <u>\$ 24,714</u> | <u>22,740</u> | <u>\$ 1,974</u> |
| | <u>(5,396)</u> | | | <u>19</u> | |
| | 5,316 | | | — | |
| | — | | | — | |
| | <u>5,316</u> | | | <u>—</u> | |
| | (80) | | | 19 | |
| | 156 | | | 6 | |
| | <u>\$ 76</u> | | | <u>\$ 25</u> | |

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | HIGHWAY CAPITAL IMPROVEMENTS | | |
|---|------------------------------|------------------|-------------------------------------|
| | GENERAL OBLIGATIONS | | |
| | BUDGET | | VARIANCE WITH FINAL BUDGET |
| | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Investment Income..... | | \$ 3,492 | |
| Other..... | | — | |
| TOTAL REVENUES..... | | 3,492 | |
| BUDGETARY EXPENDITURES: | | | |
| DEBT SERVICE..... | \$ 206,079 | 206,073 | \$ 6 |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 206,079 | 206,073 | \$ 6 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (202,581) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 4,512 | |
| Transfers-in..... | | 195,645 | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | 200,157 | |
| NET CHANGE IN FUND BALANCES..... | | (2,424) | |
| BUDGETARY FUND BALANCES | | | |
| JULY 1..... | | 10,441 | |
| BUDGETARY FUND BALANCES | | | |
| JUNE 30..... | | \$ 8,017 | |

HIGHER EDUCATION CAPITAL FACILITIES
GENERAL OBLIGATIONS

COMMON SCHOOLS CAPITAL FACILITIES
GENERAL OBLIGATIONS

| HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS | | | COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS | | |
|--|----------------|---|--|----------------|---|
| <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> |
| <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> |
| | \$ 31 | | | \$ 33 | |
| | 160,559 | | | 264,444 | |
| | <u>160,590</u> | | | <u>264,477</u> | |
| \$ 175,972 | 160,605 | \$ 15,367 | \$ 292,268 | 264,605 | \$ 27,663 |
| <u>\$ 175,972</u> | <u>160,605</u> | <u>\$ 15,367</u> | <u>\$ 292,268</u> | <u>264,605</u> | <u>\$ 27,663</u> |
| | <u>(15)</u> | | | <u>(128)</u> | |
| | — | | | — | |
| | — | | | — | |
| | <u>—</u> | | | <u>—</u> | |
| | (15) | | | (128) | |
| | 141 | | | 173 | |
| | <u>\$ 126</u> | | | <u>\$ 45</u> | |

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | CONSERVATION PROJECTS GENERAL OBLIGATIONS | | |
|---|--|---------------|---|
| | BUDGET | | VARIANCE WITH FINAL BUDGET |
| | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Investment Income..... | | \$ 9 | |
| Other..... | | 15,716 | |
| TOTAL REVENUES..... | | 15,725 | |
| BUDGETARY EXPENDITURES: | | | |
| DEBT SERVICE..... | \$ 15,752 | 15,706 | \$ 46 |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 15,752 | 15,706 | \$ 46 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | 19 | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | — | |
| Transfers-in..... | | — | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | — | |
| NET CHANGE IN FUND BALANCES..... | | 19 | |
| BUDGETARY FUND BALANCES | | | |
| JULY 1..... | | 7 | |
| BUDGETARY FUND BALANCES | | | |
| JUNE 30..... | | \$ 26 | |

**THIRD FRONTIER RESEARCH/DEVELOPMENT
GENERAL OBLIGATIONS**

**JOB READY SITE DEVELOPMENT
GENERAL OBLIGATIONS**

| THIRD FRONTIER RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS | | | JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS | | |
|--|---------------|---|---|---------------|---|
| BUDGET | | VARIANCE WITH FINAL BUDGET | BUDGET | | VARIANCE WITH FINAL BUDGET |
| FINAL | ACTUAL | POSITIVE/ (NEGATIVE) | FINAL | ACTUAL | POSITIVE/ (NEGATIVE) |
| | \$ 13 | | | \$ 2 | |
| | 11,724 | | | 3,574 | |
| | <u>11,737</u> | | | <u>3,576</u> | |
| \$ 14,350 | 11,737 | \$ 2,613 | \$ 4,359 | 3,572 | \$ 787 |
| <u>\$ 14,350</u> | <u>11,737</u> | <u>\$ 2,613</u> | <u>\$ 4,359</u> | <u>3,572</u> | <u>\$ 787</u> |
| | — | | | 4 | |
| | — | | | — | |
| | — | | | — | |
| | — | | | — | |
| | — | | | 4 | |
| | 19 | | | 10 | |
| | <u>\$ 19</u> | | | <u>\$ 14</u> | |

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | TOTAL | | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|---|-------------------|------------------|--|
| | BUDGET | | |
| | FINAL | ACTUAL | |
| REVENUES: | | | |
| Investment Income..... | | \$ 3,683 | |
| Other..... | | 657,998 | |
| TOTAL REVENUES..... | | 661,681 | |
| BUDGETARY EXPENDITURES: | | | |
| DEBT SERVICE..... | \$ 919,440 | 869,928 | \$ 49,512 |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 919,440 | 869,928 | \$ 49,512 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (208,247) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 9,986 | |
| Transfers-in..... | | 195,680 | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | 205,666 | |
| NET CHANGE IN FUND BALANCES..... | | (2,581) | |
| BUDGETARY FUND BALANCES | | | |
| JULY 1..... | | 10,968 | |
| BUDGETARY FUND BALANCES | | | |
| JUNE 30..... | | \$ 8,387 | |

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Infrastructure Bank Obligations Fund** accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

The **Mental Health/Mental Retardation Facilities Improvements Fund** accounts for special obligation bond proceeds that finance the construction of mental health/mental retardation facilities.

The **Parks and Recreation Improvements Fund** accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

The **Administrative Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

The **Youth Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

The **Adult Correctional Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

The **Highway Safety Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Public Safety.

The **Ohio Parks and Natural Resources Fund** accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

The **Highway Capital Improvement Fund** accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

The **OAKS Project Fund** accounts for certificate of participation proceeds that finance the costs of the Ohio Administrative Knowledge System (OAKS) project, which is a statewide enterprise resource planning system.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2008
(dollars in thousands)

| | INFRASTRUCTURE BANK OBLIGATIONS | MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS | PARKS AND RECREATION IMPROVEMENTS |
|---|------------------------------------|---|---|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 94,436 | \$ 3,339 | \$ 16,843 |
| Investments..... | — | — | — |
| Collateral on Lent Securities..... | 36,079 | 1,276 | 6,435 |
| Interfund Receivable | 69 | 7 | 8 |
| Other Receivables | — | — | — |
| TOTAL ASSETS | \$ 130,584 | \$ 4,622 | \$ 23,286 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 20,457 | \$ 620 | \$ 678 |
| Obligations Under Securities Lending..... | 36,079 | 1,276 | 6,435 |
| Interfund Payable..... | — | — | — |
| Payable to Component Units..... | — | — | 74 |
| TOTAL LIABILITIES..... | 56,536 | 1,896 | 7,187 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances..... | 440,395 | 32,159 | 7,075 |
| Unreserved/Undesignated..... | (366,347) | (29,433) | 9,024 |
| TOTAL FUND BALANCES..... | 74,048 | 2,726 | 16,099 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 130,584 | \$ 4,622 | \$ 23,286 |

| ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS | YOUTH SERVICES BUILDING IMPROVEMENTS | ADULT CORRECTIONAL BUILDING IMPROVEMENTS | HIGHWAY SAFETY BUILDING IMPROVEMENTS | OHIO PARKS AND NATURAL RESOURCES | HIGHWAY CAPITAL IMPROVEMENT |
|--|---|---|---|---|--|
| \$ 22,655 | \$ 20,841 | \$ 21,202 | \$ 327 | \$ 22,070 | \$ 159,439 |
| — | — | — | — | — | — |
| 8,655 | 7,962 | 8,100 | 125 | 8,432 | 60,913 |
| 10 | 1 | 7 | — | 14 | 53 |
| — | — | — | — | — | — |
| \$ 31,320 | \$ 28,804 | \$ 29,309 | \$ 452 | \$ 30,516 | \$ 220,405 |
| | | | | | |
| \$ 2,408 | \$ 60 | \$ 4,298 | \$ — | \$ 41 | \$ 6,573 |
| 8,655 | 7,962 | 8,100 | 125 | 8,432 | 60,913 |
| 138 | — | — | — | — | — |
| — | — | — | — | — | — |
| 11,201 | 8,022 | 12,398 | 125 | 8,473 | 67,486 |
| | | | | | |
| 19,083 | 9,736 | 23,195 | 25 | 7,390 | 109,619 |
| 1,036 | 11,046 | (6,284) | 302 | 14,653 | 43,300 |
| 20,119 | 20,782 | 16,911 | 327 | 22,043 | 152,919 |
| \$ 31,320 | \$ 28,804 | \$ 29,309 | \$ 452 | \$ 30,516 | \$ 220,405 |

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2008

(dollars in thousands)

(continued)

| | <u>OAKS PROJECT</u> | <u>STARS PROJECT</u> | <u>TOTAL</u> |
|---|---------------------|----------------------|-------------------|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ — | \$ — | \$ 361,152 |
| Investments..... | 35,412 | 39,365 | 74,777 |
| Collateral on Lent Securities..... | — | — | 137,977 |
| Interfund Receivable | — | — | 169 |
| Other Receivables | 54 | — | 54 |
| TOTAL ASSETS | \$ 35,466 | \$ 39,365 | \$ 574,129 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 4,779 | \$ 3,673 | \$ 43,587 |
| Obligations Under Securities Lending..... | — | — | 137,977 |
| Interfund Payable..... | — | — | 138 |
| Payable to Component Units..... | — | — | 74 |
| TOTAL LIABILITIES..... | 4,779 | 3,673 | 181,776 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances..... | — | — | 648,677 |
| Unreserved/Undesignated..... | 30,687 | 35,692 | (256,324) |
| TOTAL FUND BALANCES..... | 30,687 | 35,692 | 392,353 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 35,466 | \$ 39,365 | \$ 574,129 |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | <u>INFRASTRUCTURE BANK OBLIGATIONS</u> | <u>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</u> | <u>PARKS AND RECREATION IMPROVEMENTS</u> |
|---|--|--|--|
| REVENUES: | | | |
| Sales, Services and Charges..... | \$ — | \$ 420 | \$ — |
| Investment Income..... | 5,080 | 534 | 621 |
| Other..... | — | 436 | 375 |
| TOTAL REVENUES..... | <u>5,080</u> | <u>1,390</u> | <u>996</u> |
| EXPENDITURES: | | | |
| CAPITAL OUTLAY..... | <u>238,736</u> | <u>16,655</u> | <u>19,805</u> |
| TOTAL EXPENDITURES..... | <u>238,736</u> | <u>16,655</u> | <u>19,805</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | <u>(233,656)</u> | <u>(15,265)</u> | <u>(18,809)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | 210,000 | — | 30,000 |
| Premiums/Discounts..... | — | — | — |
| TOTAL OTHER FINANCING SOURCES (USES)..... | <u>210,000</u> | <u>—</u> | <u>30,000</u> |
| NET CHANGE IN FUND BALANCES..... | <u>(23,656)</u> | <u>(15,265)</u> | <u>11,191</u> |
| FUND BALANCES, July 1..... | <u>97,704</u> | <u>17,991</u> | <u>4,908</u> |
| FUND BALANCES, JUNE 30..... | <u>\$ 74,048</u> | <u>\$ 2,726</u> | <u>\$ 16,099</u> |

| ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS | YOUTH SERVICES BUILDING IMPROVEMENTS | ADULT CORRECTIONAL BUILDING IMPROVEMENTS | HIGHWAY SAFETY BUILDING IMPROVEMENTS | OHIO PARKS AND NATURAL RESOURCES | HIGHWAY CAPITAL IMPROVEMENT |
|--|---|---|---|---|--|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 757 | 90 | 524 | 19 | 1,057 | 3,973 |
| — | — | 3 | — | 12 | — |
| 757 | 90 | 527 | 19 | 1,069 | 3,973 |
| 27,435 | 2,931 | 23,115 | 215 | 6,922 | 151,836 |
| 27,435 | 2,931 | 23,115 | 215 | 6,922 | 151,836 |
| (26,678) | (2,841) | (22,588) | (196) | (5,853) | (147,863) |
| 25,001 | — | 25,000 | — | — | 140,000 |
| 739 | — | 468 | — | — | — |
| 25,740 | — | 25,468 | — | — | 140,000 |
| (938) | (2,841) | 2,880 | (196) | (5,853) | (7,863) |
| 21,057 | 23,623 | 14,031 | 523 | 27,896 | 160,782 |
| \$ 20,119 | \$ 20,782 | \$ 16,911 | \$ 327 | \$ 22,043 | \$ 152,919 |

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)
(continued)

| | <u>OAKS PROJECT</u> | <u>STARS PROJECT</u> | <u>TOTAL</u> |
|---|-------------------------|-------------------------|--------------------------|
| REVENUES: | | | |
| Sales, Services and Charges..... | \$ — | \$ — | \$ 420 |
| Investment Income..... | 887 | — | 13,542 |
| Other..... | — | — | 826 |
| TOTAL REVENUES..... | <u>887</u> | <u>—</u> | <u>14,788</u> |
| EXPENDITURES: | | | |
| CAPITAL OUTLAY..... | <u>34,449</u> | <u>3,673</u> | <u>525,772</u> |
| TOTAL EXPENDITURES..... | <u>34,449</u> | <u>3,673</u> | <u>525,772</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | <u>(33,562)</u> | <u>(3,673)</u> | <u>(510,984)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds and Certificates of Participation Issued..... | 33,463 | 39,365 | 502,829 |
| Premiums/Discounts..... | — | — | 1,207 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | <u>33,463</u> | <u>39,365</u> | <u>504,036</u> |
| NET CHANGE IN FUND BALANCES..... | <u>(99)</u> | <u>35,692</u> | <u>(6,948)</u> |
| FUND BALANCES, July 1..... | <u>30,786</u> | <u>—</u> | <u>399,301</u> |
| FUND BALANCES, JUNE 30..... | <u>\$ 30,687</u> | <u>\$ 35,692</u> | <u>\$ 392,353</u> |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | INFRASTRUCTURE BANK OBLIGATIONS | | |
|---|---------------------------------|---------------------|--|
| | BUDGET | | VARIANCE |
| | FINAL | ACTUAL | WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
| REVENUES: | | | |
| Sales, Services and Charges..... | | \$ — | |
| Investment Income..... | | 5,011 | |
| Other..... | | — | |
| TOTAL REVENUES..... | | <u>5,011</u> | |
| BUDGETARY EXPENDITURES: | | | |
| CAPITAL OUTLAY..... | \$ 807,541 | 707,438 | \$ 100,103 |
| TOTAL BUDGETARY EXPENDITURES..... | <u>\$ 807,541</u> | <u>707,438</u> | <u>\$ 100,103</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | <u>(702,427)</u> | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 210,000 | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | <u>210,000</u> | |
| NET CHANGE IN FUND BALANCES..... | | <u>(492,427)</u> | |
| BUDGETARY FUND BALANCES (DEFICITS), JULY 1..... | | <u>(212,778)</u> | |
| Outstanding Encumbrances at Beginning of Fiscal Year... | | <u>340,134</u> | |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30..... | | <u>\$ (365,071)</u> | |

**MENTAL HEALTH/MENTAL RETARDATION
FACILITIES IMPROVEMENTS**

PARKS AND RECREATION IMPROVEMENTS

| MENTAL HEALTH/MENTAL RETARDATION FACILITIES IMPROVEMENTS | | | PARKS AND RECREATION IMPROVEMENTS | | |
|---|--------------------|---|--|-----------------|---|
| | | VARIANCE WITH FINAL BUDGET | | | VARIANCE WITH FINAL BUDGET |
| BUDGET | | POSITIVE/ (NEGATIVE) | BUDGET | | POSITIVE/ (NEGATIVE) |
| FINAL | ACTUAL | | FINAL | ACTUAL | |
| | \$ 420 | | | \$ — | |
| | 526 | | | 612 | |
| | 437 | | | 375 | |
| | <u>1,383</u> | | | <u>987</u> | |
| \$ 87,252 | 50,113 | \$ 37,139 | \$ 66,501 | 26,935 | \$ 39,566 |
| <u>\$ 87,252</u> | <u>50,113</u> | <u>\$ 37,139</u> | <u>\$ 66,501</u> | <u>26,935</u> | <u>\$ 39,566</u> |
| | <u>(48,730)</u> | | | <u>(25,948)</u> | |
| | — | | | 30,000 | |
| | — | | | <u>30,000</u> | |
| | <u>(48,730)</u> | | | <u>4,052</u> | |
| | 846 | | | (4,178) | |
| | <u>18,445</u> | | | <u>9,295</u> | |
| | <u>\$ (29,439)</u> | | | <u>\$ 9,169</u> | |

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | <u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u> | | |
|---|--|-----------------|--|
| | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u> |
| | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES: | | | |
| Sales, Services and Charges..... | | \$ — | |
| Investment Income..... | | 747 | |
| Other..... | | — | |
| TOTAL REVENUES..... | | <u>747</u> | |
| BUDGETARY EXPENDITURES: | | | |
| CAPITAL OUTLAY..... | \$ 130,214 | 49,553 | \$ 80,661 |
| TOTAL BUDGETARY EXPENDITURES..... | <u>\$ 130,214</u> | <u>49,553</u> | <u>\$ 80,661</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | <u>(48,806)</u> | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 25,740 | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | <u>25,740</u> | |
| NET CHANGE IN FUND BALANCES..... | | <u>(23,066)</u> | |
| BUDGETARY FUND BALANCES | | | |
| (DEFICITS), JULY 1..... | | 4,477 | |
| Outstanding Encumbrances at Beginning of Fiscal Year... | | <u>19,168</u> | |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30..... | | <u>\$ 579</u> | |

| <u>YOUTH SERVICES BUILDING IMPROVEMENTS</u> | | | <u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u> | | |
|---|------------------|---|---|-------------------|---|
| <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> |
| <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> |
| | \$ — | | | \$ — | |
| | 88 | | | 517 | |
| | — | | | 3 | |
| | <u>88</u> | | | <u>520</u> | |
| \$ 35,883 | 12,730 | \$ 23,153 | \$ 151,499 | 49,953 | \$ 101,546 |
| <u>\$ 35,883</u> | <u>12,730</u> | <u>\$ 23,153</u> | <u>\$ 151,499</u> | <u>49,953</u> | <u>\$ 101,546</u> |
| | <u>(12,642)</u> | | | <u>(49,433)</u> | |
| | — | | | 25,468 | |
| | — | | | <u>25,468</u> | |
| | <u>(12,642)</u> | | | <u>(23,965)</u> | |
| | 15,886 | | | (8,195) | |
| | <u>7,759</u> | | | <u>25,506</u> | |
| | <u>\$ 11,003</u> | | | <u>\$ (6,654)</u> | |

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | <u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u> | | |
|---|---|---------------|--|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u> |
| | <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> |
| REVENUES: | | | |
| Sales, Services and Charges..... | | \$ — | |
| Investment Income..... | | 19 | |
| Other..... | | — | |
| TOTAL REVENUES..... | | 19 | |
| BUDGETARY EXPENDITURES: | | | |
| CAPITAL OUTLAY..... | \$ 3,347 | 536 | \$ 2,811 |
| TOTAL BUDGETARY EXPENDITURES..... | \$ 3,347 | 536 | \$ 2,811 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | (517) | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | — | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | — | |
| NET CHANGE IN FUND BALANCES..... | | (517) | |
| BUDGETARY FUND BALANCES | | | |
| (DEFICITS), JULY 1..... | | 327 | |
| Outstanding Encumbrances at Beginning of Fiscal Year... | | 492 | |
| BUDGETARY FUND BALANCES (DEFICITS), JUNE 30..... | | \$ 302 | |

| <u>OHIO PARKS AND NATURAL RESOURCES</u> | | | <u>HIGHWAY CAPITAL IMPROVEMENTS</u> | | |
|---|------------------|---|-------------------------------------|------------------|---|
| <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET</u> |
| <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>POSITIVE/ (NEGATIVE)</u> |
| | \$ — | | | \$ — | |
| | 1,042 | | | 3,921 | |
| | 14 | | | — | |
| | <u>1,056</u> | | | <u>3,921</u> | |
| \$ 54,160 | 16,808 | \$ 37,352 | \$ 693,194 | 280,271 | \$ 412,923 |
| <u>\$ 54,160</u> | <u>16,808</u> | <u>\$ 37,352</u> | <u>\$ 693,194</u> | <u>280,271</u> | <u>\$ 412,923</u> |
| | <u>(15,752)</u> | | | <u>(276,350)</u> | |
| | — | | | 140,000 | |
| | — | | | <u>140,000</u> | |
| | <u>(15,752)</u> | | | <u>(136,350)</u> | |
| | 18,907 | | | (90,863) | |
| | <u>11,352</u> | | | <u>270,607</u> | |
| | <u>\$ 14,507</u> | | | <u>\$ 43,394</u> | |

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | <u>TOTAL</u> | | |
|---|---------------------|---------------------|--|
| | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u> |
| | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES: | | | |
| Sales, Services and Charges..... | | \$ 420 | |
| Investment Income..... | | 12,483 | |
| Other..... | | 829 | |
| TOTAL REVENUES..... | | <u>13,732</u> | |
| BUDGETARY EXPENDITURES: | | | |
| CAPITAL OUTLAY..... | <u>\$ 2,029,591</u> | <u>1,194,337</u> | <u>\$ 835,254</u> |
| TOTAL BUDGETARY EXPENDITURES..... | <u>\$ 2,029,591</u> | <u>1,194,337</u> | <u>\$ 835,254</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES..... | | <u>(1,180,605)</u> | |
| OTHER FINANCING SOURCES (USES): | | | |
| Bonds Issued..... | | 431,208 | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | <u>431,208</u> | |
| NET CHANGE IN FUND BALANCES..... | | <u>(749,397)</u> | |
| BUDGETARY FUND BALANCES | | | |
| (DEFICITS), JULY 1..... | | (275,571) | |
| Outstanding Encumbrances at Beginning of Fiscal Year... | | <u>702,758</u> | |
| BUDGETARY FUND BALANCES | | | |
| (DEFICITS), JUNE 30..... | | <u>\$ (322,210)</u> | |

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

The **Ohio Building Authority Fund** accounts for the Authority's local government office building lease operations and for the maintenance of all government office buildings owned or leased by the Authority.

The **Tuition Trust Authority Fund** accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

The **Liquor Control Fund** accounts for the State's liquor sales operations of the Ohio Department of Commerce's Division of Liquor Control.

The **Underground Parking Garage Fund** accounts for the operations of the State's underground parking facilities at Capitol Square in Columbus.

The **Office of Auditor of State Fund** accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

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

| | <u>OHIO BUILDING AUTHORITY</u> | <u>TUITION TRUST AUTHORITY</u> | <u>LIQUOR CONTROL</u> |
|--|------------------------------------|------------------------------------|-----------------------|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ — | \$ 240 | \$ 14,281 |
| Cash and Cash Equivalents..... | 456 | 1,902 | 10,541 |
| Collateral on Lent Securities..... | — | 261 | 5,456 |
| Restricted Assets: | | | |
| Investments..... | 27,068 | 74,400 | — |
| Intergovernmental Receivable..... | — | — | — |
| Interfund Receivable..... | 1 | — | — |
| Other Receivables..... | 956 | 7,105 | 34 |
| Inventories..... | — | — | 37,306 |
| Other Assets..... | 350 | 266 | 127 |
| TOTAL CURRENT ASSETS..... | 28,831 | 84,174 | 67,745 |
| NONCURRENT ASSETS: | | | |
| Restricted Assets: | | | |
| Investments..... | — | 610,766 | — |
| Investments..... | — | 76,050 | — |
| Interfund Receivable..... | — | — | — |
| Capital Assets Being Depreciated, Net..... | — | 169 | 1,509 |
| TOTAL NONCURRENT ASSETS..... | — | 686,985 | 1,509 |
| TOTAL ASSETS..... | 28,831 | 771,159 | 69,254 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable..... | 3,010 | 650 | 22,449 |
| Accrued Liabilities..... | — | 191 | 1,181 |
| Obligations Under Securities Lending..... | — | 261 | 5,456 |
| Intergovernmental Payable..... | — | — | 415 |
| Interfund Payable..... | 115 | — | 2,885 |
| Unearned Revenue..... | — | — | — |
| Benefits Payable..... | — | 74,400 | — |
| Refund and Other Liabilities..... | 148 | 1,464 | 3,137 |
| TOTAL CURRENT LIABILITIES..... | 3,273 | 76,966 | 35,523 |
| NONCURRENT LIABILITIES: | | | |
| Interfund Payable..... | — | — | 1,744 |
| Benefits Payable..... | — | 725,400 | — |
| Refund and Other Liabilities..... | — | — | 1,716 |
| TOTAL NONCURRENT LIABILITIES..... | — | 725,400 | 3,460 |
| TOTAL LIABILITIES..... | 3,273 | 802,366 | 38,983 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt..... | — | 168 | 1,509 |
| Unrestricted (Deficits)..... | 25,558 | (31,375) | 28,762 |
| TOTAL NET ASSETS (DEFICITS)..... | \$ 25,558 | \$ (31,207) | \$ 30,271 |

| <u>UNDERGROUND PARKING GARAGE</u> | <u>OFFICE OF AUDITOR OF STATE</u> | <u>TOTAL NONMAJOR PROPRIETARY FUNDS</u> |
|---------------------------------------|---------------------------------------|---|
| \$ 498 | \$ 17,127 | \$ 32,146 |
| — | — | 12,899 |
| 190 | — | 5,907 |
| — | — | 101,468 |
| — | 7,136 | 7,136 |
| — | 2,064 | 2,065 |
| 3 | 26 | 8,124 |
| — | — | 37,306 |
| 10 | 351 | 1,104 |
| 701 | 26,704 | 208,155 |
| — | — | 610,766 |
| — | — | 76,050 |
| — | 7,317 | 7,317 |
| 5,979 | 1,667 | 9,324 |
| 5,979 | 8,984 | 703,457 |
| 6,680 | 35,688 | 911,612 |
| 109 | 249 | 26,467 |
| 79 | 4,411 | 5,862 |
| 190 | — | 5,907 |
| — | — | 415 |
| 4 | 114 | 3,118 |
| 93 | — | 93 |
| — | — | 74,400 |
| 9 | 873 | 5,631 |
| 484 | 5,647 | 121,893 |
| 138 | 7,317 | 9,199 |
| — | — | 725,400 |
| 66 | 6,539 | 8,321 |
| 204 | 13,856 | 742,920 |
| 688 | 19,503 | 864,813 |
| 5,979 | 1,655 | 9,311 |
| 13 | 14,530 | 37,488 |
| \$ 5,992 | \$ 16,185 | \$ 46,799 |

STATE OF OHIO

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

(dollars in thousands)

| | OHIO BUILDING AUTHORITY | TUITION TRUST AUTHORITY | LIQUOR CONTROL |
|--|----------------------------|----------------------------|------------------|
| OPERATING REVENUES: | | | |
| Charges for Sales and Services..... | \$ 24,894 | \$ 11,864 | \$ 662,489 |
| Investment Income..... | — | (23,638) | — |
| Other..... | 1,831 | 71,200 | 1,341 |
| TOTAL OPERATING REVENUES..... | 26,725 | 59,426 | 663,830 |
| OPERATING EXPENSES: | | | |
| Costs of Sales and Services..... | 23,884 | — | 399,291 |
| Administration..... | 2,851 | 10,514 | 60,061 |
| Benefits and Claims..... | — | 110,940 | — |
| Depreciation..... | — | 26 | 760 |
| Other..... | 1,343 | — | 286 |
| TOTAL OPERATING EXPENSES..... | 28,078 | 121,480 | 460,398 |
| OPERATING INCOME (LOSS)..... | (1,353) | (62,054) | 203,432 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment Income..... | 802 | — | — |
| Interest Expense..... | (39) | — | — |
| Federal Grants..... | — | — | — |
| Other..... | — | (193) | — |
| TOTAL NONOPERATING REVENUES (EXPENSES)..... | 763 | (193) | — |
| INCOME (LOSS) BEFORE TRANSFERS..... | (590) | (62,247) | 203,432 |
| TRANSFERS: | | | |
| Transfers-in..... | 11,442 | — | — |
| Transfers-out..... | (13,684) | — | (215,784) |
| TOTAL TRANSFERS..... | (2,242) | — | (215,784) |
| NET INCOME (LOSS)..... | (2,832) | (62,247) | (12,352) |
| NET ASSETS, JULY 1 (as restated)..... | 28,390 | 31,040 | 42,623 |
| NET ASSETS (DEFICITS), JUNE 30..... | \$ 25,558 | \$ (31,207) | \$ 30,271 |

| <u>UNDERGROUND PARKING GARAGE</u> | <u>OFFICE OF AUDITOR OF STATE</u> | <u>TOTAL NONMAJOR PROPRIETARY FUNDS</u> |
|---------------------------------------|---------------------------------------|---|
| \$ 2,714 | \$ 44,557 | \$ 746,518 |
| — | — | (23,638) |
| 68 | 399 | 74,839 |
| <u>2,782</u> | <u>44,956</u> | <u>797,719</u> |
| — | 65,257 | 488,432 |
| 2,020 | 6,308 | 81,754 |
| — | — | 110,940 |
| 626 | 1,531 | 2,943 |
| 19 | 20 | 1,668 |
| <u>2,665</u> | <u>73,116</u> | <u>685,737</u> |
| <u>117</u> | <u>(28,160)</u> | <u>111,982</u> |
| 8 | — | 810 |
| — | (1) | (40) |
| — | 25 | 25 |
| — | (89) | (282) |
| <u>8</u> | <u>(65)</u> | <u>513</u> |
| <u>125</u> | <u>(28,225)</u> | <u>112,495</u> |
| — | 32,271 | 43,713 |
| (757) | — | (230,225) |
| <u>(757)</u> | <u>32,271</u> | <u>(186,512)</u> |
| <u>(632)</u> | <u>4,046</u> | <u>(74,017)</u> |
| 6,624 | 12,139 | 120,816 |
| <u>\$ 5,992</u> | <u>\$ 16,185</u> | <u>\$ 46,799</u> |

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

| | OHIO BUILDING AUTHORITY | TUITION TRUST AUTHORITY | LIQUOR CONTROL |
|---|--|--|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Customers..... | \$ 25,155 | \$ — | \$ 662,352 |
| Cash Received from Interfund Services Provided..... | 1,373 | — | — |
| Other Operating Cash Receipts..... | 1,872 | 10,562 | 1,343 |
| Cash Payments to Suppliers for Goods and Services..... | (28,113) | (2,241) | (445,339) |
| Cash Payments to Employees for Services..... | (1,268) | (7,138) | (16,643) |
| Cash Payments for Interfund Services Used..... | — | — | (2,869) |
| Other Operating Cash Payments..... | — | (109,219) | (115) |
| NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES..... | (981) | (108,036) | 198,729 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers-in | 11,442 | — | — |
| Transfers-out | (13,684) | — | (215,784) |
| Federal Grants..... | — | — | — |
| NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES..... | (2,242) | — | (215,784) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Principal Payments on Bonds and Capital Leases..... | (2,686) | — | — |
| Interest Paid | (30) | — | — |
| Acquisition and Construction of Capital Assets | — | (65) | (321) |
| Principal Receipts on Capital Leases Receivable..... | 2,259 | — | — |
| Proceeds from Sales of Capital Assets | — | — | — |
| NET CASH FLOWS (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES..... | (457) | (65) | (321) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of Investments..... | (49,497) | (1,469,351) | — |
| Proceeds from the Sales and Maturities of Investments | 52,295 | 1,546,769 | — |
| Investment Income Received | 891 | 30,987 | — |
| NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES..... | 3,689 | 108,405 | — |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS..... | 9 | 304 | (17,376) |
| CASH AND CASH EQUIVALENTS, JULY 1..... | 447 | 1,838 | 42,198 |
| CASH AND CASH EQUIVALENTS, JUNE 30 | \$ 456 | \$ 2,142 | \$ 24,822 |

| UNDERGROUND PARKING GARAGE | OFFICE OF AUDITOR OF STATE | TOTAL NONMAJOR PROPRIETARY FUNDS |
|---|---|---|
| \$ 2,161 | \$ 43,622 | \$ 733,290 |
| 637 | — | 2,010 |
| 68 | 304 | 14,149 |
| (747) | (6,517) | (482,957) |
| (1,299) | (66,048) | (92,396) |
| (77) | — | (2,946) |
| (10) | (2) | (109,346) |
| 733 | (28,641) | 61,804 |
| — | 32,111 | 43,553 |
| (757) | — | (230,225) |
| — | 27 | 27 |
| (757) | 32,138 | (186,645) |
| — | (10) | (2,696) |
| — | (1) | (31) |
| (76) | (669) | (1,131) |
| — | — | 2,259 |
| — | 26 | 26 |
| (76) | (654) | (1,573) |
| — | — | (1,518,848) |
| — | — | 1,599,064 |
| 8 | — | 31,886 |
| 8 | — | 112,102 |
| (92) | 2,843 | (14,312) |
| 590 | 14,284 | 59,357 |
| \$ 498 | \$ 17,127 | \$ 45,045 |

(continued)

STATE OF OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

(continued)

| | <u>OHIO BUILDING AUTHORITY</u> | <u>TUITION TRUST AUTHORITY</u> | <u>LIQUOR CONTROL</u> |
|--|--|--|---------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET | | | |
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating Income (Loss)..... | \$ (1,353) | \$ (62,054) | \$ 203,432 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Investment Income..... | — | 23,638 | — |
| Depreciation | — | 26 | 760 |
| Amortization of Premiums and Discounts..... | 71 | — | — |
| Decrease (Increase) in Assets: | | | |
| Intergovernmental Receivable..... | — | — | — |
| Interfund Receivable..... | 289 | — | — |
| Other Receivables | 28 | 210 | (2) |
| Inventories | — | — | 161 |
| Other Assets | 22 | — | (56) |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | (163) | 650 | (5,200) |
| Accrued Liabilities..... | — | (527) | 188 |
| Intergovernmental Payable..... | — | — | (23) |
| Interfund Payable..... | 115 | — | (593) |
| Unearned Revenue..... | — | — | — |
| Refund and Other Liabilities..... | 10 | (69,979) | 62 |
| NET CASH FLOWS PROVIDED (USED) BY | | | |
| OPERATING ACTIVITIES..... | <u>\$ (981)</u> | <u>\$ (108,036)</u> | <u>\$ 198,729</u> |

| <u>UNDERGROUND PARKING GARAGE</u> | <u>OFFICE OF AUDITOR OF STATE</u> | <u>TOTAL NONMAJOR PROPRIETARY FUNDS</u> |
|---|---|---|
| \$ 117 | \$ (28,160) | \$ 111,982 |
| — | — | 23,638 |
| 626 | 1,531 | 2,943 |
| — | — | 71 |
| — | (884) | (884) |
| — | (53) | 236 |
| (2) | — | 234 |
| — | — | 161 |
| (5) | (143) | (182) |
| 82 | (262) | (4,893) |
| (15) | 573 | 219 |
| — | — | (23) |
| (53) | (254) | (785) |
| 85 | — | 85 |
| <u>(102)</u> | <u>(989)</u> | <u>(70,998)</u> |
| <u>\$ 733</u> | <u>\$ (28,641)</u> | <u>\$ 61,804</u> |

[THIS PAGE LEFT BLANK INTENTIONALLY]

AGENCY FUNDS

Agency Funds account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

The **Holding and Distribution Fund** accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

The **Centralized Child Support Collections Fund** accounts for assets temporarily held for custodial parents.

The **Retirement Systems Fund** accounts for assets held in the custody of the Treasurer of State for 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. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

The **Payroll Withholding and Fringe Benefits Fund** primarily accounts for assets held to liquidate the State's payroll withholding obligations.

The **Other Fund** accounts for assets held for others, which are not accounted for in another agency fund.

STATE OF OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2008
(dollars in thousands)

| | <u>HOLDING AND DISTRIBUTION</u> | <u>CENTRALIZED CHILD SUPPORT COLLECTIONS</u> | <u>RETIREMENT SYSTEMS</u> |
|---|-------------------------------------|--|-------------------------------|
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 17,896 | \$ — | \$ — |
| Cash and Cash Equivalents..... | 5,774 | 68,181 | — |
| Investments (at fair value): | | | |
| U.S. Government and Agency Obligations..... | — | — | 13,515,476 |
| Common and Preferred Stock..... | — | — | 62,950,056 |
| Corporate Bonds and Notes..... | — | — | 13,473,128 |
| Foreign Stocks and Bonds..... | — | — | 40,904,191 |
| Commercial Paper..... | — | — | 5,321,367 |
| Mutual Funds..... | — | — | 7,979,410 |
| Real Estate..... | — | — | 15,119,939 |
| Venture Capital..... | — | — | 6,967,485 |
| Direct Mortgage Loans..... | — | — | 13,392,839 |
| State Treasury Asset Reserve of Ohio (STAR Ohio)..... | — | 9,333 | — |
| Collateral on Lent Securities..... | 6,837 | — | — |
| Interfund Receivable..... | — | — | — |
| Other Receivables..... | 1,285 | — | — |
| Other Assets..... | — | — | — |
| TOTAL ASSETS..... | \$ 31,792 | \$ 77,514 | \$ 179,623,891 |
| LIABILITIES: | | | |
| Obligations Under Securities Lending..... | \$ 6,837 | \$ — | \$ — |
| Intergovernmental Payable..... | 6,504 | — | — |
| Refund and Other Liabilities..... | 18,451 | 77,514 | 179,623,891 |
| TOTAL LIABILITIES | \$ 31,792 | \$ 77,514 | \$ 179,623,891 |

| PAYROLL WITHHOLDING AND FRINGE BENEFITS | | | OTHER | TOTAL | |
|--|----------------|-----------|----------------|--------------|--------------------|
| \$ | 115,795 | \$ | 141,159 | \$ | 274,850 |
| | 52,896 | | 58,644 | | 185,495 |
| | — | | — | | 13,515,476 |
| | — | | — | | 62,950,056 |
| | — | | — | | 13,473,128 |
| | — | | — | | 40,904,191 |
| | — | | — | | 5,321,367 |
| | — | | 14,797 | | 7,994,207 |
| | — | | — | | 15,119,939 |
| | — | | — | | 6,967,485 |
| | — | | — | | 13,392,839 |
| | — | | 91,128 | | 100,461 |
| | 44,239 | | 53,929 | | 105,005 |
| | — | | 34 | | 34 |
| | — | | 3 | | 1,288 |
| | — | | 449,058 | | 449,058 |
| \$ | 212,930 | \$ | 808,752 | \$ | 180,754,879 |
| \$ | 44,239 | \$ | 53,929 | \$ | 105,005 |
| | 315 | | 138,323 | | 145,142 |
| | 168,376 | | 616,500 | | 180,504,732 |
| \$ | 212,930 | \$ | 808,752 | \$ | 180,754,879 |

STATE OF OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(dollars in thousands)

| | BALANCE July 1, 2007 | ADDITIONS | DEDUCTIONS | BALANCE June 30, 2008 |
|--|-------------------------|-----------------------|-----------------------|--------------------------|
| HOLDING AND DISTRIBUTION | | | | |
| ASSETS | | | | |
| Cash Equity with Treasurer | \$ 33,867 | \$ 1,010,387 | \$ 1,026,358 | \$ 17,896 |
| Cash and Cash Equivalents | 2 | 19,974 | 14,202 | 5,774 |
| Collateral on Lent Securities | 19,005 | 6,837 | 19,005 | 6,837 |
| Other Receivables | 1,485 | 2,589 | 2,789 | 1,285 |
| Total Assets | <u>\$ 54,359</u> | <u>\$ 1,039,787</u> | <u>\$ 1,062,354</u> | <u>\$ 31,792</u> |
| LIABILITIES | | | | |
| Obligations Under Securities Lending..... | \$ 19,005 | \$ 6,837 | \$ 19,005 | \$ 6,837 |
| Intergovernmental Payable | 17,170 | 71,788 | 82,454 | 6,504 |
| Refund and Other Liabilities | 18,184 | 961,162 | 960,895 | 18,451 |
| Total Liabilities | <u>\$ 54,359</u> | <u>\$ 1,039,787</u> | <u>\$ 1,062,354</u> | <u>\$ 31,792</u> |
| CENTRALIZED CHILD SUPPORT COLLECTIONS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 52,469 | \$ 2,046,381 | \$ 2,030,669 | \$ 68,181 |
| Investments..... | 9,102 | 364 | 133 | 9,333 |
| Total Assets | <u>\$ 61,571</u> | <u>\$ 2,046,745</u> | <u>\$ 2,030,802</u> | <u>\$ 77,514</u> |
| LIABILITIES | | | | |
| Refund and Other Liabilities | \$ 61,571 | \$ 2,046,745 | 2,030,802 | \$ 77,514 |
| Total Liabilities | <u>\$ 61,571</u> | <u>\$ 2,046,745</u> | <u>\$ 2,030,802</u> | <u>\$ 77,514</u> |
| RETIREMENT SYSTEMS | | | | |
| ASSETS | | | | |
| Investments..... | <u>\$ 181,097,077</u> | <u>\$ 342,058,641</u> | <u>\$ 343,531,827</u> | <u>\$ 179,623,891</u> |
| Total Assets | <u>\$ 181,097,077</u> | <u>\$ 342,058,641</u> | <u>\$ 343,531,827</u> | <u>\$ 179,623,891</u> |
| LIABILITIES | | | | |
| Refund and Other Liabilities : | | | | |
| Liability to: | | | | |
| Public Employees Retirement System..... | \$ 77,811,206 | \$ 193,881,961 | \$ 188,762,258 | \$ 82,930,909 |
| Police and Fire Pension Fund..... | 11,832,310 | 25,602,824 | 24,309,368 | 13,125,766 |
| School Employees Retirement System..... | 11,854,322 | 24,224,407 | 25,101,819 | 10,976,910 |
| State Teachers Retirement System..... | 79,599,239 | 98,349,449 | 105,358,382 | 72,590,306 |
| Total Liabilities | <u>\$ 181,097,077</u> | <u>\$ 342,058,641</u> | <u>\$ 343,531,827</u> | <u>\$ 179,623,891</u> |

| | BALANCE July 1, 2007 | ADDITIONS | DEDUCTIONS | BALANCE June 30, 2008 |
|--|-------------------------|-----------------------|-----------------------|--------------------------|
| PAYROLL WITHHOLDING AND FRINGE BENEFITS | | | | |
| ASSETS | | | | |
| Cash Equity with Treasurer | \$ 104,927 | \$ 1,293,900 | \$ 1,283,032 | \$ 115,795 |
| Cash and Cash Equivalents | 8,110 | 434,677 | 389,891 | 52,896 |
| Investments..... | 82 | — | 82 | — |
| Collateral on Lent Securities | 58,826 | 44,239 | 58,826 | 44,239 |
| Other Receivables | — | 9,676 | 9,676 | — |
| Total Assets | <u>\$ 171,945</u> | <u>\$ 1,782,492</u> | <u>\$ 1,741,507</u> | <u>\$ 212,930</u> |
| LIABILITIES | | | | |
| Obligations Under Securities Lending..... | \$ 58,826 | \$ 44,239 | \$ 58,826 | \$ 44,239 |
| Intergovernmental Payable | 359 | 4,276 | 4,320 | 315 |
| Refund and Other Liabilities | 112,760 | 1,397,409 | 1,341,793 | 168,376 |
| Total Liabilities | <u>\$ 171,945</u> | <u>\$ 1,445,924</u> | <u>\$ 1,404,939</u> | <u>\$ 212,930</u> |
| OTHER | | | | |
| ASSETS | | | | |
| Cash Equity with Treasurer | \$ 134,456 | \$ 2,264,984 | \$ 2,258,281 | \$ 141,159 |
| Cash and Cash Equivalents | 84,591 | 22,917,080 | 22,943,027 | 58,644 |
| Investments..... | 26,267 | 479,253 | 399,595 | 105,925 |
| Collateral on Lent Securities | 75,450 | 53,929 | 75,450 | 53,929 |
| Interfund Receivable..... | — | 34 | — | 34 |
| Other Receivables | 13 | 2,689 | 2,699 | 3 |
| Other Assets..... | 442,229 | 120,134 | 113,305 | 449,058 |
| Total Assets | <u>\$ 763,006</u> | <u>\$ 25,838,103</u> | <u>\$ 25,792,357</u> | <u>\$ 808,752</u> |
| LIABILITIES | | | | |
| Obligations Under Securities Lending..... | \$ 75,450 | \$ 53,929 | \$ 75,450 | \$ 53,929 |
| Intergovernmental Payable | 132,504 | 2,254,690 | 2,248,871 | 138,323 |
| Refund and Other Liabilities | 555,052 | 23,529,484 | 23,468,036 | 616,500 |
| Total Liabilities | <u>\$ 763,006</u> | <u>\$ 25,838,103</u> | <u>\$ 25,792,357</u> | <u>\$ 808,752</u> |
| TOTAL AGENCY | | | | |
| ASSETS | | | | |
| Cash Equity with Treasurer | \$ 273,250 | \$ 4,569,271 | \$ 4,567,671 | \$ 274,850 |
| Cash and Cash Equivalents | 145,172 | 25,418,112 | 25,377,789 | 185,495 |
| Investments..... | 181,132,528 | 342,538,258 | 343,931,637 | 179,739,149 |
| Collateral on Lent Securities | 153,281 | 105,005 | 153,281 | 105,005 |
| Interfund Receivable..... | — | 34 | — | 34 |
| Other Receivables | 1,498 | 14,954 | 15,164 | 1,288 |
| Other Assets..... | 442,229 | 120,134 | 113,305 | 449,058 |
| Total Assets | <u>\$ 182,147,958</u> | <u>\$ 372,765,768</u> | <u>\$ 374,158,847</u> | <u>\$ 180,754,879</u> |
| LIABILITIES | | | | |
| Obligations Under Securities Lending..... | \$ 153,281 | \$ 105,005 | \$ 153,281 | \$ 105,005 |
| Intergovernmental Payable | 150,033 | 2,330,754 | 2,335,645 | 145,142 |
| Refund and Other Liabilities | 181,844,644 | 369,993,441 | 371,333,353 | 180,504,732 |
| Total Liabilities | <u>\$ 182,147,958</u> | <u>\$ 372,429,200</u> | <u>\$ 373,822,279</u> | <u>\$ 180,754,879</u> |

NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS

Nonmajor Discretely Presented Component Unit Funds account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

The **Cultural Facilities Commission Fund** accounts for the Cultural Facilities Commission's operations, including the construction of cultural arts and sports facilities at the state and local level.

The **eTech Ohio Commission Fund** accounts for the eTech Ohio Commission's operations, including programs designed to assist Ohio's public schools acquire and maximize the use of educational technology.

The **Ohio Air Quality Development Authority Fund** accounts for the Ohio Air Quality Development Authority's operations, including programs that assist Ohio's businesses, government agencies, and not-for-profit organizations with financing projects that increase energy efficiency and reduce air pollution. The Authority's financial statements are presented for the fiscal year ended December 31, 2007.

The **Ohio Capital Fund** accounts for the operations of the Ohio Capital Fund, LLC, including the management of investments in Ohio venture capital funds.

The **Ohio University Fund** accounts for the operations of Ohio University and the Ohio University Foundation. The university is located in Athens, Ohio.

The **Miami University Fund** accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

The **University of Akron Fund** accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

The **Bowling Green State University Fund** accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

The **Kent State University Fund** accounts for the operations of Kent State University and the Kent State University Foundation.

The **University of Toledo Fund** accounts for the operations of the University of Toledo, the University of Toledo Foundation and the Medical University of Ohio at Toledo Foundation (the foundations), and the University of Toledo Clinical Faculty, Inc.

The **Cleveland State University Fund** accounts for the operations of Cleveland State University, the Cleveland State University Foundation, and the Euclid Avenue Housing Corporation.

The **Youngstown State University Fund** accounts for the operations of Youngstown State University, the Youngstown State University Foundation, and the University Housing Corporation.

The **Wright State University Fund** accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

The **Shawnee State University Fund** accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

The **Central State University Fund** accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

The **Terra State Community College Fund** accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

The **Columbus State Community College Fund** accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

The **Clark State Community College Fund** accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

The **Edison State Community College Fund** accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

The **Southern State Community College Fund** accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

The **Washington State Community College Fund** accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

The **Cincinnati State Community College Fund** accounts for the operations of Cincinnati State Community College.

The **Northwest State Community College Fund** accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

The **Owens State Community College Fund** accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2008
(dollars in thousands)

| | CULTURAL FACILITIES COMMISSION | eTECH OHIO COMMISSION | OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/07) |
|--|---|--------------------------------------|--|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 5,207 | \$ 6,692 | \$ 10,689 |
| Cash and Cash Equivalents..... | — | — | 4,974 |
| Investments..... | — | — | — |
| Collateral on Lent Securities..... | 3,740 | 2,557 | — |
| Intergovernmental Receivable..... | — | — | 131 |
| Loans Receivable, Net..... | — | — | — |
| Receivable from Primary Government..... | 11 | 878 | — |
| Other Receivables..... | 1 | 1 | 418 |
| Inventories..... | — | — | — |
| Other Assets..... | 4 | 2 | 8 |
| TOTAL CURRENT ASSETS..... | 8,963 | 10,130 | 16,220 |
| NONCURRENT ASSETS: | | | |
| Restricted Assets: | | | |
| Cash Equity with Treasurer..... | 4,582 | — | — |
| Cash and Cash Equivalents..... | — | — | — |
| Investments..... | — | — | — |
| Investments..... | — | — | — |
| Loans Receivable, Net..... | — | — | — |
| Other Receivables..... | — | — | — |
| Other Assets..... | — | — | — |
| Capital Assets Being Depreciated, Net..... | 43,195 | 2,460 | 22 |
| Capital Assets Not Being Depreciated..... | 11,858 | — | — |
| TOTAL NONCURRENT ASSETS..... | 59,635 | 2,460 | 22 |
| TOTAL ASSETS..... | 68,598 | 12,590 | 16,242 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable..... | 3,558 | 619 | 51 |
| Accrued Liabilities..... | 58 | 378 | 39 |
| Obligations Under Securities Lending..... | 3,740 | 2,557 | — |
| Intergovernmental Payable..... | — | — | — |
| Unearned Revenue..... | — | — | 89 |
| Refund and Other Liabilities..... | 21 | 19 | 450 |
| Bonds and Notes Payable..... | — | — | — |
| TOTAL CURRENT LIABILITIES..... | 7,377 | 3,573 | 629 |
| NONCURRENT LIABILITIES: | | | |
| Intergovernmental Payable..... | — | — | — |
| Unearned Revenue..... | — | — | — |
| Refund and Other Liabilities..... | 53 | 17 | — |
| Bonds and Notes Payable..... | — | — | — |
| TOTAL NONCURRENT LIABILITIES..... | 53 | 17 | — |
| TOTAL LIABILITIES..... | 7,430 | 3,590 | 629 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt..... | 55,053 | 2,460 | 22 |
| Restricted for: | | | |
| Federal Programs..... | — | 22 | — |
| Coal Research and Development Program..... | — | — | 6,929 |
| Community and Economic Development and Capital Purposes..... | 4,582 | — | — |
| Nonexpendable: | | | |
| Scholarships and Fellowships..... | — | — | — |
| Research..... | — | — | — |
| Endowments and Quasi-Endowments..... | — | — | — |
| 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..... | — | — | — |
| Endowments and Quasi-Endowments..... | — | — | — |
| Current Operations..... | — | — | — |
| Loans, Grants and Other College and University Purposes..... | — | — | — |
| Unrestricted (Deficits)..... | 1,533 | 6,518 | 8,662 |
| TOTAL NET ASSETS (DEFICITS)..... | \$ 61,168 | \$ 9,000 | \$ 15,613 |

| <u>OHIO CAPITAL FUND</u> | <u>OHIO UNIVERSITY</u> | <u>MIAMI UNIVERSITY</u> | <u>UNIVERSITY OF AKRON</u> | <u>BOWLING GREEN STATE UNIVERSITY</u> | <u>KENT STATE UNIVERSITY</u> |
|------------------------------|----------------------------|-----------------------------|------------------------------------|---|--------------------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 3,164 | 58,678 | 89,564 | 83,069 | 5,670 | 125,645 |
| — | 252,223 | 129,014 | 186,323 | 169,505 | 123,621 |
| — | — | — | — | — | — |
| — | 11,908 | 3,978 | — | — | 3,560 |
| — | 2,001 | 3,713 | 2,050 | 1,426 | — |
| — | 5,181 | 5,741 | — | 522 | 3,242 |
| 34 | 39,269 | 45,579 | 31,578 | 23,582 | 31,578 |
| — | 2,264 | 3,846 | 1,009 | 3,397 | 1,814 |
| 110 | 14,598 | 882 | 5,449 | 4,978 | 3,502 |
| 3,308 | 386,122 | 282,317 | 309,478 | 209,080 | 292,962 |
| — | — | — | — | — | — |
| — | 5,492 | 2,828 | — | — | — |
| — | — | — | — | 117,541 | — |
| 24,807 | 149,008 | 376,259 | 225,401 | — | 219,809 |
| — | 12,738 | 5,944 | 9,015 | 8,053 | 25,032 |
| — | 14,600 | 41,585 | 9,318 | 7,870 | 7,617 |
| 1,131 | 7,382 | — | 5,581 | 1,549 | 3,291 |
| — | 540,403 | 537,685 | 497,130 | 292,150 | 543,112 |
| — | 54,912 | 125,494 | 63,921 | 17,253 | 32,230 |
| 25,938 | 784,535 | 1,089,795 | 810,366 | 444,416 | 831,091 |
| 29,246 | 1,170,657 | 1,372,112 | 1,119,844 | 653,496 | 1,124,053 |
| — | 17,804 | 25,291 | 15,552 | 9,699 | 19,787 |
| 675 | 28,150 | 15,473 | 27,165 | 11,353 | 23,817 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | 30,607 | 14,762 | 28,433 | 16,311 | 13,965 |
| — | 8,260 | 11,129 | 3,047 | 6,911 | 13,711 |
| — | 17,514 | 7,480 | 6,884 | 8,574 | 2,980 |
| 675 | 102,335 | 74,135 | 81,081 | 52,848 | 74,260 |
| — | — | — | — | 8,319 | — |
| — | — | 2,599 | — | — | 1,950 |
| 2,284 | 27,445 | 25,619 | 31,963 | 7,406 | 36,349 |
| 40,404 | 183,027 | 228,995 | 414,900 | 75,351 | 261,810 |
| 42,688 | 210,472 | 257,213 | 446,863 | 91,076 | 300,109 |
| 43,363 | 312,807 | 331,348 | 527,944 | 143,924 | 374,369 |
| — | 396,722 | 454,614 | 293,535 | 235,958 | 308,946 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | 55,268 | — | — | 40,028 | — |
| — | — | — | — | 1,505 | 750 |
| — | 93,740 | 263,409 | 119,111 | — | 54,002 |
| — | — | — | — | 31,141 | 10,555 |
| — | 40,849 | 28,563 | — | 12,888 | — |
| — | 4,134 | 1,992 | — | 744 | — |
| — | 112,341 | 10,404 | — | 458 | — |
| — | 3,606 | 4,403 | — | — | — |
| — | 9,231 | 18,612 | — | — | 64,051 |
| — | — | — | — | — | — |
| — | 16,968 | 11,180 | 14,385 | 19,498 | — |
| — | 12,687 | — | — | — | — |
| — | 13,636 | 2,619 | 83,795 | — | — |
| — | 8,516 | 80,297 | 578 | 22,894 | 26,379 |
| (14,117) | 90,152 | 164,671 | 80,496 | 144,458 | 285,001 |
| \$ (14,117) | \$ 857,850 | \$ 1,040,764 | \$ 591,900 | \$ 509,572 | \$ 749,684 |

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2008
(dollars in thousands)
(continued)

| | <u>UNIVERSITY OF TOLEDO</u> | <u>CLEVELAND STATE UNIVERSITY</u> | <u>YOUNGSTOWN STATE UNIVERSITY</u> |
|--|-------------------------------------|---|--|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ — | \$ — | \$ — |
| Cash and Cash Equivalents..... | 23,619 | 69,904 | 18,365 |
| Investments..... | 37,685 | 8,692 | 12,794 |
| Collateral on Lent Securities..... | — | — | — |
| Intergovernmental Receivable..... | 25,794 | — | 1,950 |
| Loans Receivable, Net..... | 2,769 | 1,236 | 527 |
| Receivable from Primary Government..... | 5,268 | 840 | 1,453 |
| Other Receivables..... | 99,184 | 18,542 | 10,102 |
| Inventories..... | 6,859 | 281 | 1,804 |
| Other Assets..... | 3,002 | 1,547 | 1,055 |
| TOTAL CURRENT ASSETS..... | 204,180 | 101,042 | 48,050 |
| NONCURRENT ASSETS: | | | |
| Restricted Assets: | | | |
| Cash Equity with Treasurer..... | — | — | — |
| Cash and Cash Equivalents..... | — | — | — |
| Investments..... | 210,180 | 23,661 | 153,031 |
| Investments..... | 143,441 | 107,679 | 40,168 |
| Loans Receivable, Net..... | 18,150 | 12,158 | 2,226 |
| Other Receivables..... | 23,810 | 5,866 | 8,209 |
| Other Assets..... | 21,013 | 4,382 | 339 |
| Capital Assets Being Depreciated, Net..... | 463,013 | 272,518 | 151,188 |
| Capital Assets Not Being Depreciated..... | 76,816 | 95,193 | 16,767 |
| TOTAL NONCURRENT ASSETS..... | 956,423 | 521,457 | 371,928 |
| TOTAL ASSETS..... | 1,160,603 | 622,499 | 419,978 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable..... | 31,470 | 11,716 | 3,146 |
| Accrued Liabilities..... | 33,703 | 6,618 | 6,482 |
| Obligations Under Securities Lending..... | — | — | — |
| Intergovernmental Payable..... | 5,268 | — | — |
| Unearned Revenue..... | 25,053 | 7,981 | 4,750 |
| Refund and Other Liabilities..... | 29,759 | 10,944 | 4,182 |
| Bonds and Notes Payable..... | 10,755 | 4,046 | 1,969 |
| TOTAL CURRENT LIABILITIES..... | 136,008 | 41,305 | 20,529 |
| NONCURRENT LIABILITIES: | | | |
| Intergovernmental Payable..... | — | — | — |
| Unearned Revenue..... | — | — | — |
| Refund and Other Liabilities..... | 21,657 | 27,801 | 12,933 |
| Bonds and Notes Payable..... | 249,453 | 186,597 | 37,410 |
| TOTAL NONCURRENT LIABILITIES..... | 271,110 | 214,398 | 50,343 |
| TOTAL LIABILITIES..... | 407,118 | 255,703 | 70,872 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt..... | 302,540 | 241,694 | 133,710 |
| Restricted for: | | | |
| Federal Programs..... | — | — | — |
| Coal Research and Development Program..... | — | — | — |
| Community and Economic Development and Capital Purposes..... | — | — | — |
| Nonexpendable: | | | |
| Scholarships and Fellowships..... | 7,201 | — | — |
| Research..... | — | — | — |
| Endowments and Quasi-Endowments..... | 66,914 | 30,763 | 5,321 |
| Loans, Grants and Other College and University Purposes..... | 2,869 | — | 36,574 |
| Expendable: | | | |
| Scholarships and Fellowships..... | 64,225 | 4,037 | 3,743 |
| Research..... | 10,593 | 210 | 93 |
| Instructional Department Uses..... | 7,692 | 4,299 | 2,742 |
| Student and Public Services..... | — | 5,375 | 998 |
| Academic Support..... | 43,757 | 2,298 | 118 |
| Debt Service..... | 7,908 | — | 18 |
| Capital Purposes..... | 9,605 | 1,069 | 14,541 |
| Endowments and Quasi-Endowments..... | 9,736 | 208 | 2,184 |
| Current Operations..... | 2,536 | — | 619 |
| Loans, Grants and Other College and University Purposes..... | 36,167 | 15,599 | 408 |
| Unrestricted (Deficits)..... | 181,742 | 61,244 | 148,037 |
| TOTAL NET ASSETS (DEFICITS)..... | \$ 753,485 | \$ 366,796 | \$ 349,106 |

| WRIGHT STATE UNIVERSITY | SHAWNEE STATE UNIVERSITY | CENTRAL STATE UNIVERSITY | TERRA STATE COMMUNITY COLLEGE | COLUMBUS STATE COMMUNITY COLLEGE | CLARK STATE COMMUNITY COLLEGE |
|-------------------------------|--------------------------------|--------------------------------|-------------------------------------|---|-------------------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 24,715 | 4,355 | 11,419 | 3,540 | 11,737 | 3,574 |
| 1,468 | 969 | 3,398 | 3,212 | 111,501 | 14,796 |
| — | — | — | — | — | — |
| 4,232 | — | — | 211 | — | 1,135 |
| 3,429 | 54 | — | 58 | 1 | 262 |
| 7,213 | 213 | 759 | 30 | 602 | 638 |
| 16,933 | 5,920 | 8,277 | 1,650 | 13,981 | 2,038 |
| 782 | 52 | — | 345 | 1,595 | 245 |
| 14,192 | 102 | 25 | 114 | 629 | 535 |
| 72,964 | 11,665 | 23,878 | 9,160 | 140,046 | 23,223 |
| — | — | — | — | — | — |
| — | 2,250 | 4,189 | — | 3 | — |
| — | 10,906 | — | — | 1,146 | — |
| 190,382 | 33,262 | — | 1,980 | — | — |
| 18,571 | — | — | — | — | — |
| 5,399 | 1,344 | — | 418 | — | 2,661 |
| 1,024 | 1,685 | 44 | 104 | 286 | 158 |
| 289,630 | 49,006 | 77,579 | 15,938 | 108,532 | 32,720 |
| 3,837 | 20,862 | 751 | 335 | 31,139 | 1,530 |
| 508,843 | 119,315 | 82,563 | 18,775 | 141,106 | 37,069 |
| 581,807 | 130,980 | 106,441 | 27,935 | 281,152 | 60,292 |
| — | — | — | — | — | — |
| 11,032 | 1,002 | 2,378 | 92 | 6,567 | 716 |
| 11,829 | 2,308 | 3,590 | 571 | 1,149 | 918 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 34,032 | 1,915 | 7,292 | 580 | 12,492 | 1,404 |
| 11,475 | 1,226 | 439 | 538 | 2,834 | 375 |
| 3,725 | 250 | 499 | — | 1,635 | 275 |
| 72,093 | 6,701 | 14,198 | 1,781 | 24,677 | 3,688 |
| — | — | — | — | — | — |
| — | 2,050 | — | — | — | — |
| 11,036 | 2,044 | 1,741 | 359 | 2,879 | 1,143 |
| 31,010 | 17,515 | 21,012 | — | 16,620 | 7,900 |
| 42,046 | 21,609 | 22,753 | 359 | 19,499 | 9,043 |
| 114,139 | 28,310 | 36,951 | 2,140 | 44,176 | 12,731 |
| 258,176 | 68,802 | 60,481 | 16,207 | 128,952 | 26,237 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 10,546 | 2,495 | 1,409 | — | 3,269 | — |
| 331 | — | — | — | — | — |
| — | 200 | 467 | 1,643 | — | 7,441 |
| 16,554 | 4,107 | 128 | — | — | — |
| 21,098 | 815 | 774 | 506 | 1,720 | 2,765 |
| 2,709 | — | — | — | — | — |
| 34,486 | — | — | 18 | — | 65 |
| 1,180 | — | — | 83 | — | 1,170 |
| 1,503 | — | 487 | 158 | — | — |
| 262 | — | — | — | — | — |
| — | — | — | 1,156 | — | 4,200 |
| — | 1,162 | 1,187 | — | — | — |
| — | 4,805 | — | — | — | — |
| 30,444 | 2,465 | 309 | — | — | — |
| 90,379 | 17,819 | 4,248 | 6,024 | 103,035 | 5,683 |
| \$ 467,668 | \$ 102,670 | \$ 69,490 | \$ 25,795 | \$ 236,976 | \$ 47,561 |

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2008
(dollars in thousands)
(continued)

| | EDISON STATE COMMUNITY COLLEGE | SOUTHERN STATE COMMUNITY COLLEGE | WASHINGTON STATE COMMUNITY COLLEGE |
|--|---|---|---|
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ — | \$ — | \$ — |
| Cash and Cash Equivalents..... | 793 | 8,340 | 3,647 |
| Investments..... | 314 | — | — |
| Collateral on Lent Securities..... | — | — | — |
| Intergovernmental Receivable..... | — | — | 492 |
| Loans Receivable, Net..... | — | — | — |
| Receivable from Primary Government..... | — | 47 | — |
| Other Receivables..... | 4,716 | 1,742 | 2,274 |
| Inventories..... | 250 | 241 | 183 |
| Other Assets..... | 192 | 94 | 17 |
| TOTAL CURRENT ASSETS..... | 6,265 | 10,464 | 6,613 |
| NONCURRENT ASSETS: | | | |
| Restricted Assets: | | | |
| Cash Equity with Treasurer..... | — | — | — |
| Cash and Cash Equivalents..... | 1,429 | — | — |
| Investments..... | 1,850 | 2,348 | 482 |
| Investments..... | 200 | — | — |
| Loans Receivable, Net..... | 10 | — | — |
| Other Receivables..... | 1,269 | — | — |
| Other Assets..... | — | — | — |
| Capital Assets Being Depreciated, Net..... | 18,806 | 15,539 | 16,105 |
| Capital Assets Not Being Depreciated..... | 688 | 977 | 980 |
| TOTAL NONCURRENT ASSETS..... | 24,252 | 18,864 | 17,567 |
| TOTAL ASSETS..... | 30,517 | 29,328 | 24,180 |
| LIABILITIES: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable..... | 933 | 8 | 199 |
| Accrued Liabilities..... | 545 | 540 | 901 |
| Obligations Under Securities Lending..... | — | — | — |
| Intergovernmental Payable..... | — | — | — |
| Unearned Revenue..... | 2,955 | 1,168 | 1,833 |
| Refund and Other Liabilities..... | 302 | 167 | 66 |
| Bonds and Notes Payable..... | 226 | 105 | — |
| TOTAL CURRENT LIABILITIES..... | 4,961 | 1,988 | 2,999 |
| NONCURRENT LIABILITIES: | | | |
| Intergovernmental Payable..... | — | — | — |
| Unearned Revenue..... | — | — | 53 |
| Refund and Other Liabilities..... | 902 | 862 | 380 |
| Bonds and Notes Payable..... | 3,993 | 5,095 | — |
| TOTAL NONCURRENT LIABILITIES..... | 4,895 | 5,957 | 433 |
| TOTAL LIABILITIES..... | 9,856 | 7,945 | 3,432 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt..... | 14,789 | 13,485 | 17,085 |
| Restricted for: | | | |
| Federal Programs..... | — | — | — |
| Coal Research and Development Program..... | — | — | — |
| Community and Economic Development and Capital Purposes..... | — | — | — |
| Nonexpendable: | | | |
| Scholarships and Fellowships..... | — | 2,375 | 270 |
| Research..... | — | — | — |
| Endowments and Quasi-Endowments..... | 76 | 12 | — |
| Loans, Grants and Other College and University Purposes..... | — | — | — |
| Expendable: | | | |
| Scholarships and Fellowships..... | — | 95 | 129 |
| Research..... | — | — | — |
| Instructional Department Uses..... | — | — | — |
| Student and Public Services..... | — | — | — |
| Academic Support..... | — | — | — |
| Debt Service..... | — | — | — |
| Capital Purposes..... | — | — | 961 |
| Endowments and Quasi-Endowments..... | 4,724 | — | — |
| Current Operations..... | — | — | — |
| Loans, Grants and Other College and University Purposes..... | — | 2,183 | — |
| Unrestricted (Deficits)..... | 1,072 | 3,233 | 2,303 |
| TOTAL NET ASSETS (DEFICITS)..... | \$ 20,661 | \$ 21,383 | \$ 20,748 |

| CINCINNATI STATE COMMUNITY COLLEGE | NORTHWEST STATE COMMUNITY COLLEGE | OWENS STATE COMMUNITY COLLEGE | TOTAL NONMAJOR COMPONENT UNITS |
|---|--|--|---|
| \$ — | \$ — | \$ — | \$ 22,588 |
| 19,553 | 3,474 | 11,094 | 588,893 |
| — | 4,316 | 14,808 | 1,074,639 |
| — | — | — | 6,297 |
| 781 | 606 | 2,069 | 56,847 |
| — | — | 7 | 17,533 |
| 237 | 21 | 1,176 | 34,072 |
| 5,883 | 1,067 | 17,499 | 381,848 |
| 45 | 220 | 1,049 | 26,281 |
| 631 | — | 3,631 | 55,299 |
| 27,130 | 9,704 | 51,333 | 2,264,297 |
| — | — | — | 4,582 |
| 9 | 916 | — | 17,116 |
| — | — | — | 521,145 |
| — | 254 | — | 1,512,650 |
| 34 | — | 36 | 111,967 |
| — | — | — | 129,966 |
| 387 | — | — | 48,356 |
| 87,688 | 11,976 | 71,897 | 4,138,292 |
| 2,583 | 2,177 | 5,495 | 565,798 |
| 90,701 | 15,323 | 77,428 | 7,049,872 |
| 117,831 | 25,027 | 128,761 | 9,314,169 |
| 1,574 | 839 | 2,809 | 166,842 |
| 865 | 28 | 3,360 | 180,515 |
| — | — | — | 6,297 |
| — | — | — | 5,268 |
| 3,093 | 559 | 16,534 | 225,808 |
| 5,468 | 448 | 2,244 | 114,015 |
| 635 | — | 268 | 67,820 |
| 11,635 | 1,874 | 25,215 | 766,565 |
| — | — | 6 | 8,325 |
| — | — | — | 6,652 |
| 34 | 308 | 2,906 | 218,121 |
| 47,791 | — | 269 | 1,829,152 |
| 47,825 | 308 | 3,181 | 2,062,250 |
| 59,460 | 2,182 | 28,396 | 2,828,815 |
| 42,586 | 14,101 | 76,855 | 3,163,010 |
| — | — | — | 22 |
| — | — | — | 6,929 |
| — | — | — | 4,582 |
| — | 569 | — | 123,430 |
| — | — | — | 2,586 |
| — | — | 1,040 | 644,139 |
| 85 | — | — | 102,013 |
| — | 83 | 489 | 182,779 |
| — | — | — | 20,475 |
| 10 | 15 | 389 | 172,919 |
| — | — | — | 16,815 |
| 642 | — | — | 140,857 |
| 626 | — | — | 8,814 |
| — | 416 | — | 93,979 |
| — | — | — | 31,888 |
| — | — | — | 108,010 |
| — | 109 | — | 226,348 |
| 14,422 | 7,552 | 21,592 | 1,435,759 |
| \$ 58,371 | \$ 22,845 | \$ 100,365 | \$ 6,485,354 |

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

| | CULTURAL FACILITIES COMMISSION | eTECH OHIO COMMISSION | OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/07) |
|---|--------------------------------------|-----------------------------|--|
| EXPENSES: | | | |
| Primary, Secondary and Other Education..... | \$ — | \$ 29,905 | \$ — |
| Community and Economic Development..... | 17,944 | — | 8,186 |
| Education and General: | | | |
| Instruction and Departmental Research..... | — | — | — |
| Separately Budgeted Research..... | — | — | — |
| Public Service..... | — | — | — |
| Academic Support..... | — | — | — |
| Student Services..... | — | — | — |
| Institutional Support..... | — | — | — |
| Operation and Maintenance of Plant..... | — | — | — |
| Scholarships and Fellowships..... | — | — | — |
| Auxiliary Enterprises..... | — | — | — |
| Hospitals..... | — | — | — |
| Interest on Long-Term Debt..... | — | — | — |
| Depreciation..... | 1,339 | 1,097 | 5 |
| Other..... | — | — | — |
| TOTAL EXPENSES..... | 19,283 | 31,002 | 8,191 |
| PROGRAM REVENUES: | | | |
| Charges for Services, Fees, Fines and Forfeitures..... | 880 | 6,228 | 1,682 |
| Operating Grants, Contributions and Restricted Investment Income..... | — | 130 | 10,487 |
| Capital Grants, Contributions and Restricted Investment Income..... | — | — | — |
| TOTAL PROGRAM REVENUES..... | 880 | 6,358 | 12,169 |
| NET PROGRAM (EXPENSE) REVENUE | (18,403) | (24,644) | 3,978 |
| GENERAL REVENUES: | | | |
| Unrestricted Investment Income..... | — | — | 375 |
| State Assistance..... | — | 23,270 | — |
| Other..... | — | 1,192 | 19 |
| TOTAL GENERAL REVENUES..... | — | 24,462 | 394 |
| ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL..... | | | |
| | — | — | — |
| CHANGE IN NET ASSETS..... | (18,403) | (182) | 4,372 |
| NET ASSETS (DEFICITS), JULY 1 (as restated)..... | 79,571 | 9,182 | 11,241 |
| NET ASSETS (DEFICITS), JUNE 30..... | \$ 61,168 | \$ 9,000 | \$ 15,613 |

| <u>OHIO CAPITAL FUND</u> | <u>OHIO UNIVERSITY</u> | <u>MIAMI UNIVERSITY</u> | <u>UNIVERSITY OF AKRON</u> | <u>BOWLING GREEN STATE UNIVERSITY</u> | <u>KENT STATE UNIVERSITY</u> |
|--------------------------|------------------------|-------------------------|----------------------------|---------------------------------------|------------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 1,697 | — | — | — | — | — |
| — | 205,756 | 168,578 | 126,778 | 130,092 | 180,911 |
| — | 33,281 | 14,232 | 21,507 | 7,307 | 15,456 |
| — | 22,041 | 3,110 | 20,280 | 8,649 | 15,969 |
| — | 60,288 | 51,372 | 32,224 | 36,452 | 41,947 |
| — | 29,270 | 23,212 | 12,690 | 19,116 | 24,418 |
| — | 33,213 | 39,741 | 52,977 | 27,128 | 54,744 |
| — | 41,563 | 34,701 | 26,427 | 17,134 | 32,470 |
| — | 12,729 | 13,874 | 24,779 | 21,955 | 26,826 |
| — | 68,846 | 109,651 | 52,586 | 76,570 | 78,827 |
| — | — | — | — | — | — |
| 2,674 | 7,448 | 8,787 | 11,852 | 3,807 | 15,447 |
| — | 33,702 | 32,034 | 32,459 | 22,355 | 40,317 |
| — | 6,807 | 6,779 | 2,883 | 7,467 | 2,509 |
| 4,371 | 554,944 | 506,071 | 417,442 | 378,032 | 529,841 |
| — | 356,556 | 358,516 | 240,192 | 252,957 | 348,690 |
| — | 111,257 | 59,653 | 39,529 | 26,649 | — |
| — | 3,830 | 2,832 | 524 | 7,291 | — |
| — | 471,643 | 421,001 | 280,245 | 286,897 | 348,690 |
| (4,371) | (83,301) | (85,070) | (137,197) | (91,135) | (181,151) |
| (4,325) | (8,388) | (22,379) | — | (5,784) | (17,464) |
| — | 169,745 | 93,375 | 108,988 | 93,633 | 148,869 |
| — | — | — | 24,712 | 326 | 45,523 |
| (4,325) | 161,357 | 70,996 | 133,700 | 88,175 | 176,928 |
| — | 10,622 | 17,123 | 5,544 | — | — |
| (8,696) | 88,678 | 3,049 | 2,047 | (2,960) | (4,223) |
| (5,421) | 769,172 | 1,037,715 | 589,853 | 512,532 | 753,907 |
| \$ (14,117) | \$ 857,850 | \$ 1,040,764 | \$ 591,900 | \$ 509,572 | \$ 749,684 |

(continued)

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

| | UNIVERSITY OF TOLEDO | CLEVELAND STATE UNIVERSITY | YOUNGSTOWN STATE UNIVERSITY |
|---|----------------------------|----------------------------------|-----------------------------------|
| EXPENSES: | | | |
| Primary, Secondary and Other Education..... | \$ — | \$ — | \$ — |
| Community and Economic Development..... | — | — | — |
| Education and General: | | | |
| Instruction and Departmental Research..... | 180,750 | 92,748 | 65,613 |
| Separately Budgeted Research..... | 48,608 | 13,769 | 1,056 |
| Public Service..... | 8,861 | 12,890 | 4,981 |
| Academic Support..... | 35,896 | 22,216 | 13,846 |
| Student Services..... | 21,509 | 18,226 | 8,478 |
| Institutional Support..... | 43,561 | 29,293 | 28,335 |
| Operation and Maintenance of Plant..... | 44,151 | 18,332 | 14,878 |
| Scholarships and Fellowships..... | 23,842 | 12,158 | 12,680 |
| Auxiliary Enterprises..... | 60,903 | 23,251 | 24,849 |
| Hospitals..... | 286,021 | — | — |
| Interest on Long-Term Debt..... | 13,056 | 2,908 | 2,346 |
| Depreciation..... | 39,560 | 19,297 | 9,867 |
| Other..... | 1,216 | — | 1,891 |
| TOTAL EXPENSES..... | 807,934 | 265,088 | 188,820 |
| PROGRAM REVENUES: | | | |
| Charges for Services, Fees, Fines and Forfeitures..... | 532,690 | 144,721 | 103,119 |
| Operating Grants, Contributions and Restricted Investment Income..... | 70,001 | 24,686 | 8,077 |
| Capital Grants, Contributions and Restricted Investment Income..... | 690 | 233 | 15,975 |
| TOTAL PROGRAM REVENUES..... | 603,381 | 169,640 | 127,171 |
| NET PROGRAM (EXPENSE) REVENUE | (204,553) | (95,448) | (61,649) |
| GENERAL REVENUES: | | | |
| Unrestricted Investment Income..... | 5,230 | (407) | 1,149 |
| State Assistance..... | 140,431 | 80,205 | 50,593 |
| Other..... | 74,915 | 12,551 | 2,640 |
| TOTAL GENERAL REVENUES..... | 220,576 | 92,349 | 54,382 |
| ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL..... | 4 | — | 3,408 |
| CHANGE IN NET ASSETS..... | 16,027 | (3,099) | (3,859) |
| NET ASSETS (DEFICITS), JULY 1 (as restated)..... | 737,458 | 369,895 | 352,965 |
| NET ASSETS (DEFICITS), JUNE 30..... | \$ 753,485 | \$ 366,796 | \$ 349,106 |

| WRIGHT STATE UNIVERSITY | SHAWNEE STATE UNIVERSITY | CENTRAL STATE UNIVERSITY | TERRA STATE COMMUNITY COLLEGE | COLUMBUS STATE COMMUNITY COLLEGE | CLARK STATE COMMUNITY COLLEGE |
|-------------------------------|--------------------------------|--------------------------------|-------------------------------------|---|-------------------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | — | — | — | — |
| 122,400 | 19,001 | 10,671 | 6,088 | 63,364 | 7,212 |
| 30,003 | — | 1,367 | — | — | — |
| 12,579 | 3,234 | 2,306 | 2,154 | 5,163 | 3,602 |
| 78,291 | 2,898 | 7,798 | 533 | 5,034 | 1,130 |
| 17,086 | 3,826 | 3,887 | 1,033 | 11,074 | 1,981 |
| 27,210 | 7,906 | 11,275 | 3,380 | 19,487 | 4,461 |
| 20,460 | 4,533 | 4,836 | 1,405 | 13,724 | 4,938 |
| 13,757 | 5,899 | 2,389 | 201 | 17,472 | 1,292 |
| 26,982 | 4,758 | 7,872 | 1,094 | 11,310 | 3,218 |
| — | — | — | — | — | — |
| 1,024 | — | 1,148 | 7 | 729 | 519 |
| 17,068 | 2,352 | 3,655 | 895 | 4,936 | 1,687 |
| 275 | 91 | 249 | 200 | 827 | — |
| 367,135 | 54,498 | 57,453 | 16,990 | 153,120 | 30,040 |
| 148,303 | 21,805 | 26,973 | 6,536 | 98,852 | 10,317 |
| 75,288 | 4,656 | 6,412 | 2,449 | 4,281 | 2,087 |
| 15,161 | — | 12 | — | 35 | 1,740 |
| 238,752 | 26,461 | 33,397 | 8,985 | 103,168 | 14,144 |
| (128,383) | (28,037) | (24,056) | (8,005) | (49,952) | (15,896) |
| (3,047) | (846) | 226 | 180 | 5,242 | 251 |
| 109,657 | 19,998 | 23,309 | 6,605 | 58,646 | 9,661 |
| 11,259 | 7,806 | — | 2,291 | — | 4,482 |
| 117,869 | 26,958 | 23,535 | 9,076 | 63,888 | 14,394 |
| — | — | — | — | — | 92 |
| (10,514) | (1,079) | (521) | 1,071 | 13,936 | (1,410) |
| 478,182 | 103,749 | 70,011 | 24,724 | 223,040 | 48,971 |
| \$ 467,668 | \$ 102,670 | \$ 69,490 | \$ 25,795 | \$ 236,976 | \$ 47,561 |

(continued)

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

| | EDISON STATE COMMUNITY COLLEGE | SOUTHERN STATE COMMUNITY COLLEGE | WASHINGTON STATE COMMUNITY COLLEGE |
|---|---|---|---|
| EXPENSES: | | | |
| Primary, Secondary and Other Education..... | \$ — | \$ — | \$ — |
| Community and Economic Development..... | — | — | — |
| Education and General: | | | |
| Instruction and Departmental Research..... | 7,381 | 6,419 | 6,203 |
| Separately Budgeted Research..... | — | 39 | — |
| Public Service..... | 705 | 2,468 | — |
| Academic Support..... | 411 | 1,721 | 2,166 |
| Student Services..... | 3,006 | 1,455 | 1,535 |
| Institutional Support..... | 4,436 | 1,814 | 3,971 |
| Operation and Maintenance of Plant..... | 1,600 | 1,545 | 1,216 |
| Scholarships and Fellowships..... | 414 | 4,028 | 1,191 |
| Auxiliary Enterprises..... | 1,082 | 3,356 | 1,647 |
| Hospitals..... | — | — | — |
| Interest on Long-Term Debt..... | 202 | — | — |
| Depreciation..... | 924 | 880 | 773 |
| Other..... | — | — | — |
| TOTAL EXPENSES..... | 20,161 | 23,725 | 18,702 |
| PROGRAM REVENUES: | | | |
| Charges for Services, Fees, Fines and Forfeitures..... | 9,137 | 11,677 | 7,482 |
| Operating Grants, Contributions and Restricted Investment Income..... | 2,631 | 5,087 | 1,398 |
| Capital Grants, Contributions and Restricted Investment Income..... | — | — | — |
| TOTAL PROGRAM REVENUES..... | 11,768 | 16,764 | 8,880 |
| NET PROGRAM (EXPENSE) REVENUE | (8,393) | (6,961) | (9,822) |
| GENERAL REVENUES: | | | |
| Unrestricted Investment Income..... | — | (13) | 116 |
| State Assistance..... | 7,270 | 6,746 | 6,184 |
| Other..... | — | — | 2,959 |
| TOTAL GENERAL REVENUES..... | 7,270 | 6,733 | 9,259 |
| ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL..... | — | 78 | — |
| CHANGE IN NET ASSETS..... | (1,123) | (150) | (563) |
| NET ASSETS (DEFICITS), JULY 1 (as restated)..... | 21,784 | 21,533 | 21,311 |
| NET ASSETS (DEFICITS), JUNE 30..... | \$ 20,661 | \$ 21,383 | \$ 20,748 |

| CINCINNATI STATE COMMUNITY COLLEGE | NORTHWEST STATE COMMUNITY COLLEGE | OWENS STATE COMMUNITY COLLEGE | TOTAL NONMAJOR COMPONENT UNITS |
|---|--|--|---|
| \$ — | \$ — | \$ — | \$ 29,905 |
| — | — | — | 27,827 |
| 27,412 | 8,126 | 45,999 | 1,481,502 |
| — | — | 284 | 186,909 |
| 2,124 | 1,030 | 2,762 | 134,908 |
| 4,340 | 972 | 4,592 | 404,127 |
| 6,665 | 944 | 7,408 | 216,819 |
| 14,998 | 4,564 | 16,398 | 428,892 |
| 6,626 | 1,108 | 10,865 | 302,512 |
| 1,524 | 1,887 | 2,834 | 201,731 |
| 2,630 | 2,154 | 8,364 | 569,950 |
| — | — | — | 286,021 |
| 2,338 | 3 | — | 74,295 |
| 3,308 | 1,034 | 4,494 | 274,038 |
| — | — | 37 | 31,231 |
| 71,965 | 21,822 | 104,037 | 4,650,667 |
| 36,741 | 10,180 | 38,959 | 2,773,193 |
| 6,312 | 366 | 2,351 | 463,787 |
| 2 | — | — | 48,325 |
| 43,055 | 10,546 | 41,310 | 3,285,305 |
| (28,910) | (11,276) | (62,727) | (1,365,362) |
| 716 | 336 | 917 | (47,915) |
| 29,959 | 8,890 | 48,184 | 1,244,218 |
| — | 2,793 | 16,565 | 210,033 |
| 30,675 | 12,019 | 65,666 | 1,406,336 |
| — | — | — | 36,871 |
| 1,765 | 743 | 2,939 | 77,845 |
| 56,606 | 22,102 | 97,426 | 6,407,509 |
| \$ 58,371 | \$ 22,845 | \$ 100,365 | \$ 6,485,354 |

STATE OF OHIO
COMBINING BALANCE SHEET
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2008
(dollars in thousands)

| | SPECIAL REVENUE FUND | | |
|---|-----------------------------|---|---------------------------------------|
| | ADMINISTRATION | SCHOOL BUILDING ASSISTANCE PROGRAM | PUBLIC SCHOOL BUILDING PROGRAM |
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 1,851 | \$ 3,431,401 | \$ 152,929 |
| Collateral on Lent Securities..... | 707 | 1,046,629 | 28,031 |
| Loans Receivable, Net..... | — | — | 7,493 |
| Receivable from Primary Government..... | 1 | 23 | 101 |
| Other Receivables..... | 10 | — | — |
| Other Assets..... | 38 | — | — |
| TOTAL ASSETS..... | \$ 2,607 | \$ 4,478,053 | \$ 188,554 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable..... | \$ 94 | \$ 11,331 | \$ 376 |
| Accrued Liabilities..... | 387 | — | — |
| Obligations Under Securities Lending..... | 707 | 1,046,629 | 28,031 |
| Intergovernmental Payable..... | — | 1,694,296 | 1,768 |
| Payable to Primary Government..... | — | 4,014,630 | — |
| Refund and Other Liabilities..... | — | — | 1,000 |
| TOTAL LIABILITIES..... | 1,188 | 6,766,886 | 31,175 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances..... | 392 | 121,926 | 13,295 |
| Noncurrent Portion of Loans Receivable..... | — | — | 7,223 |
| Loans Commitments..... | — | — | 1,655 |
| Other: | | | |
| Prepays..... | 36 | — | — |
| Primary, Secondary and Other Education..... | — | — | 10,822 |
| Compensated Absences..... | 54 | — | — |
| Unreserved/Undesignated..... | 937 | (2,410,759) | 124,384 |
| TOTAL FUND BALANCES (DEFICITS)..... | 1,419 | (2,288,833) | 157,379 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 2,607 | \$ 4,478,053 | \$ 188,554 |

| EDUCATIONAL FACILITIES | | TOTAL | |
|-------------------------------|---------------|--------------|------------------|
| \$ | 46,741 | \$ | 3,632,922 |
| | 17,857 | | 1,093,224 |
| | — | | 7,493 |
| | 75 | | 200 |
| | — | | 10 |
| | — | | 38 |
| \$ | 64,673 | \$ | 4,733,887 |

| | | | |
|----|--------|----|-----------|
| \$ | 943 | \$ | 12,744 |
| | — | | 387 |
| | 17,857 | | 1,093,224 |
| | 23,504 | | 1,719,568 |
| | — | | 4,014,630 |
| | — | | 1,000 |
| | 42,304 | | 6,841,553 |

| | | | |
|-----------|---------------|-----------|------------------|
| | 12,117 | | 147,730 |
| | — | | 7,223 |
| | — | | 1,655 |
| | — | | 36 |
| | — | | 10,822 |
| | — | | 54 |
| | 10,252 | | (2,275,186) |
| | 22,369 | | (2,107,666) |
| \$ | 64,673 | \$ | 4,733,887 |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2008
(dollars in thousands)

**SCHOOL
FACILITIES
COMMISSION**

Total Fund Balances..... **\$ (2,107,666)**

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:

Machinery and Equipment, net of \$127 accumulated depreciation..... 801

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

Refund and Other Liabilities-Compensated Absences..... (705)

Total Net Assets..... **\$ (2,107,570)**

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

| | SPECIAL REVENUE FUND | | |
|--|-----------------------------|---|---------------------------------------|
| | ADMINISTRATION | SCHOOL BUILDING ASSISTANCE PROGRAM | PUBLIC SCHOOL BUILDING PROGRAM |
| REVENUES: | | | |
| State Assistance..... | \$ — | \$ 97,370 | \$ — |
| Sales, Services and Charges..... | 2 | — | — |
| Investment Income..... | 102 | 170,331 | 6,964 |
| Other..... | 4 | 1,397 | 234 |
| TOTAL REVENUES..... | 108 | 269,098 | 7,198 |
| EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Primary, Secondary and Other Education..... | 7,391 | 617,283 | 50,051 |
| TOTAL EXPENDITURES..... | 7,391 | 617,283 | 50,051 |
| EXCESS (DEFICIENCY) OF REVENUES | | | |
| OVER (UNDER) EXPENDITURES..... | (7,283) | (348,185) | (42,853) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers-in..... | 7,830 | — | 15,677 |
| Transfers-out..... | — | (2,730) | (9,866) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 7,830 | (2,730) | 5,811 |
| NET CHANGES IN FUND BALANCES..... | 547 | (350,915) | (37,042) |
| FUND BALANCES (DEFICITS), JULY 1..... | 872 | (1,937,918) | 194,421 |
| FUND BALANCES (DEFICITS), JUNE 30..... | \$ 1,419 | \$ (2,288,833) | \$ 157,379 |

| EDUCATIONAL FACILITIES | VOCATIONAL SCHOOL BUILDING ASSISTANCE | TOTAL |
|-----------------------------------|--|-----------------------|
| \$ — | \$ — | \$ 97,370 |
| — | — | 2 |
| 5,521 | — | 182,918 |
| 599 | — | 2,234 |
| 6,120 | — | 282,524 |
| 125,941 | — | 800,666 |
| 125,941 | — | 800,666 |
| (119,821) | — | (518,142) |
| — | — | 23,507 |
| — | (10,911) | (23,507) |
| — | (10,911) | — |
| (119,821) | (10,911) | (518,142) |
| 142,190 | 10,911 | (1,589,524) |
| \$ 22,369 | \$ — | \$ (2,107,666) |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

(dollars in thousands)

| | <u>SCHOOL FACILITIES COMMISSION</u> |
|--|---|
| Net Change in Fund Balances..... | \$ (518,142) |
| <p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p> <p>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.</p> | |
| <i>Capital Outlay Expenditures.....</i> | 811 |
| <i>Depreciation Expense.....</i> | <u>(6)</u> |
| <i>Excess of Capital Outlay Over Depreciation Expense.....</i> | <u>805</u> |
| Change in Net Assets | <u>\$ (517,337)</u> |

STATE OF OHIO
COMBINING BALANCE SHEET
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2008
(dollars in thousands)

| | SPECIAL REVENUE FUND | | |
|---|-----------------------------|---|------------------------------|
| | ADMINISTRATION | CULTURAL & SPORTS FACILITIES BUILDING IMPROVEMENTS | CAPITAL DONATIONS |
| ASSETS: | | | |
| Cash Equity with Treasurer..... | \$ 1,570 | \$ 7,979 | \$ 240 |
| Collateral on Lent Securities..... | 600 | 3,048 | 92 |
| Receivable from Primary Government..... | 1 | 10 | — |
| Other Receivables..... | 1 | — | — |
| Other Assets..... | 4 | — | — |
| TOTAL ASSETS..... | \$ 2,176 | \$ 11,037 | \$ 332 |
| LIABILITIES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable..... | \$ 151 | \$ 3,407 | \$ — |
| Accrued Liabilities..... | 58 | — | — |
| Obligations Under Securities Lending..... | 600 | 3,048 | 92 |
| TOTAL LIABILITIES..... | 809 | 6,455 | 92 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances..... | 2 | 17,475 | — |
| Other: | | | |
| Prepays..... | 5 | — | — |
| Compensated Absences..... | 9 | — | — |
| Unreserved/Undesignated..... | 1,351 | (12,893) | 240 |
| TOTAL FUND BALANCES..... | 1,367 | 4,582 | 240 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 2,176 | \$ 11,037 | \$ 332 |

TOTAL

\$ 9,789
3,740
11
1
4

\$ 13,545

\$ 3,558
58

3,740

7,356

17,477

5
9

(11,302)

6,189

\$ 13,545

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2008
(dollars in thousands)

| | <u>CULTURAL FACILITIES COMMISSION</u> |
|--|---|
| Total Fund Balances | \$ 6,189 |
| 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: | |
| <i>Land</i> | 11,858 |
| <i>Buildings, net of \$17,077 accumulated depreciation</i> | <u>43,195</u> |
| | <u>55,053</u> |
| The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | |
| <i>Refund and Other Liabilities-Compensated Absences</i> | (74) |
| Total Net Assets | \$ 61,168 |

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

| | SPECIAL REVENUE FUND | | |
|---|-----------------------------|---|------------------------------|
| | ADMINISTRATION | CULTURAL & SPORTS FACILITIES BUILDING IMPROVEMENTS | CAPITAL DONATIONS |
| REVENUES: | | | |
| Sales, Services and Charges..... | \$ 53 | \$ — | \$ — |
| Investment Income..... | 64 | 750 | 10 |
| Other..... | — | 3 | — |
| TOTAL REVENUES..... | 117 | 753 | 10 |
| EXPENDITURES: | | | |
| CURRENT OPERATING: | | | |
| Community and Economic Development..... | 1,455 | 16,481 | — |
| TOTAL EXPENDITURES..... | 1,455 | 16,481 | — |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (1,338) | (15,728) | 10 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers-in..... | 2,026 | — | — |
| Transfers-out..... | — | (2,026) | — |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 2,026 | (2,026) | — |
| NET CHANGES IN FUND BALANCES..... | 688 | (17,754) | 10 |
| FUND BALANCES, JULY 1..... | 679 | 22,336 | 230 |
| FUND BALANCES, JUNE 30..... | \$ 1,367 | \$ 4,582 | \$ 240 |

TOTAL

\$ 53
824
3
880

17,936
17,936

(17,056)

2,026
(2,026)
—

(17,056)

23,245

\$ 6,189

STATE OF OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

| | <u>CULTURAL FACILITIES COMMISSION</u> |
|--|---|
| Net Change in Fund Balances | \$ (17,056) |
| <p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p> <p>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.</p> | |
| <i>Depreciation Expense</i> | <u>(1,339)</u> |
| Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds. | <u>(8)</u> |
| Change in Net Assets | <u><u>\$ (18,403)</u></u> |

STATE OF OHIO
BALANCE SHEET
eTECH OHIO COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2008
(dollars in thousands)

| | <u>eTECH OHIO COMMISSION</u> |
|--|----------------------------------|
| ASSETS: | |
| Cash Equity with Treasurer..... | \$ 6,692 |
| Collateral on Lent Securities..... | 2,557 |
| Receivable from Primary Government..... | 878 |
| Other Receivables..... | 1 |
| Other Assets..... | 2 |
| TOTAL ASSETS..... | <u>\$ 10,130</u> |
| LIABILITIES AND FUND BALANCE: | |
| LIABILITIES: | |
| Accounts Payable..... | \$ 619 |
| Accrued Liabilities..... | 378 |
| Obligations Under Securities Lending..... | 2,557 |
| TOTAL LIABILITIES..... | <u>3,554</u> |
| FUND BALANCE: | |
| Reserved for: | |
| Encumbrances..... | 158 |
| Federal Programs..... | 22 |
| Other: | |
| Prepays..... | 2 |
| Compensated Absences..... | 4 |
| Unreserved/Undesignated..... | 6,390 |
| TOTAL FUND BALANCE..... | <u>6,576</u> |
| TOTAL LIABILITIES AND FUND BALANCE..... | <u>\$ 10,130</u> |

STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
eTECH OHIO COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2008
(dollars in thousands)

| | <u>eTECH OHIO COMMISSION</u> |
|--|--------------------------------------|
| Total Fund Balance | \$ 6,576 |
| 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: | |
| <i>Machinery and Equipment, net of \$3,906 accumulated depreciation</i> | <u>2,460</u> |
| The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | |
| <i>Refund and Other Liabilities-Compensated Absences</i> | <u>(36)</u> |
| Total Net Assets | \$ 9,000 |

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
eTECH OHIO COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

| | <u>eTECH OHIO COMMISSION</u> |
|---|----------------------------------|
| REVENUES: | |
| State Assistance..... | \$ 23,270 |
| Federal Government..... | 130 |
| Investment Income..... | 3 |
| Other..... | 7,417 |
| TOTAL REVENUES..... | <u>30,820</u> |
| EXPENDITURES: | |
| CURRENT OPERATING: | |
| Primary, Secondary and Other Education..... | 31,053 |
| TOTAL EXPENDITURES..... | <u>31,053</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | <u>(233)</u> |
| NET CHANGES IN FUND BALANCE..... | (233) |
| FUND BALANCE, JULY 1..... | <u>6,809</u> |
| FUND BALANCE, JUNE 30..... | <u>\$ 6,576</u> |

STATE OF OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
eTECH OHIO COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(dollars in thousands)

**eTECH
OHIO
COMMISSION**

Net Change in Fund Balance..... **\$ (233)**

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.

| | |
|--|---------|
| <i>Capital Outlay Expenditures</i> | 1,148 |
| <i>Depreciation Expense</i> | (1,097) |
| | 51 |

Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.

Change in Net Assets..... **\$ (182)**

STATISTICAL SECTION

STATISTICAL SECTION

This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

| | <u>Pages</u> |
|--|--------------|
| Financial Trends | 256-269 |
| <p>These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.</p> | |
| Revenue Capacity | 270-285 |
| <p>These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.</p> | |
| Debt Capacity | 286-294 |
| <p>These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and its ability to issue additional debt in the future.</p> | |
| Economic and Demographic Information | 296-298 |
| <p>These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.</p> | |
| Operating Information | 300-307 |
| <p>These schedules contain service and infrastructure data to assist the reader in understanding how the information in the State's financial report relates to the services the State provides and to the activities it performs.</p> | |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. In fiscal year 2002, the State implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; consequently, schedules presenting government-wide information commence with that year.

STATE OF OHIO
NET ASSETS BY COMPONENT
FOR THE LAST SEVEN YEARS
(accrual basis of accounting)
(dollars in thousands)

| | 2008 | 2007 | 2006 | 2005 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Invested in Capital Assets, Net of Related Debt..... | \$21,983,900 | \$21,477,381 | \$20,889,063 | \$20,285,186 |
| Restricted for: | | | | |
| Constitutional Provisions: | | | | |
| Primary, Secondary and Other Education..... | 41,842 | 34,019 | 9,607 | 8,200 |
| Transportation and Highway Safety..... | 844,666 | 1,032,112 | 921,993 | 744,913 |
| State and Local Highway Construction..... | 118,011 | 126,323 | 127,121 | 129,299 |
| Externally Imposed Constraints: | | | | |
| Federal Programs..... | 76,396 | 81,639 | 75,776 | 38,656 |
| Coal Research and Development Program..... | — | — | — | — |
| Clean Ohio Program..... | 90,485 | 85,209 | 93,682 | 41,673 |
| Community and Economic Development and Capital Purposes..... | 1,420,180 | 991,094 | 883,385 | 935,842 |
| Enterprise Bond Program..... | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Restricted Net Assets..... | <u>2,601,580</u> | <u>2,360,396</u> | <u>2,121,564</u> | <u>1,908,583</u> |
| Unrestricted..... | <u>(3,999,321)</u> | <u>(4,307,323)</u> | <u>(4,067,042)</u> | <u>(3,988,883)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS..... | <u>\$20,586,159</u> | <u>\$19,530,454</u> | <u>\$18,943,585</u> | <u>\$18,204,886</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Invested in Capital Assets, Net of Related Debt..... | \$ 32,068 | \$ 19,322 | \$ 10,363 | \$ (1,839) |
| Restricted for: | | | | |
| Externally Imposed Constraints: | | | | |
| Workers' Compensation..... | — | — | — | — |
| Deferred Lottery Prizes..... | 44,126 | 13,272 | 56,669 | 102,614 |
| Unemployment Compensation..... | 452,082 | 608,364 | 675,666 | 663,921 |
| Ohio Building Authority..... | 25,558 | 28,390 | 28,041 | 26,996 |
| Tuition Trust Authority..... | — | 32,100 | — | — |
| Auditor of State's Office..... | — | — | — | — |
| Total Restricted Net Assets..... | <u>521,766</u> | <u>682,126</u> | <u>760,376</u> | <u>793,531</u> |
| Unrestricted..... | <u>2,582,265</u> | <u>2,425,083</u> | <u>(247,241)</u> | <u>(1,141,542)</u> |
| TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS..... | <u>\$ 3,136,099</u> | <u>\$ 3,126,531</u> | <u>\$ 523,498</u> | <u>\$ (349,850)</u> |
| PRIMARY GOVERNMENT: | | | | |
| Invested in Capital Assets, Net of Related Debt..... | \$22,015,968 | \$21,496,703 | \$20,899,426 | \$20,283,347 |
| Restricted..... | 3,123,346 | 3,042,522 | 2,881,940 | 2,702,114 |
| Unrestricted..... | <u>(1,417,056)</u> | <u>(1,882,240)</u> | <u>(4,314,283)</u> | <u>(5,130,425)</u> |
| TOTAL PRIMARY GOVERNMENT NET ASSETS..... | <u>\$23,722,258</u> | <u>\$22,656,985</u> | <u>\$19,467,083</u> | <u>\$17,855,036</u> |

Note:

When practical, net assets reported on the above table have been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Assets" table may not have been determined for presentation on that table.

| 2004 | 2003 | 2002 |
|---------------------|---------------------|---------------------|
| \$19,941,259 | \$19,261,553 | \$18,653,976 |
| 15,862 | 5,128 | 5,759 |
| 698,428 | 638,615 | 819,829 |
| 126,517 | 124,022 | 124,957 |
| 32,858 | 75,967 | 48,997 |
| — | 8,488 | 17,340 |
| 80,530 | 79,457 | 51,358 |
| 924,533 | 929,213 | 810,275 |
| 10,000 | 10,000 | — |
| <u>1,888,728</u> | <u>1,870,890</u> | <u>1,878,515</u> |
| <u>(4,331,377)</u> | <u>(4,277,649)</u> | <u>(2,979,838)</u> |
| <u>\$17,498,610</u> | <u>\$16,854,794</u> | <u>\$17,552,653</u> |
| \$ 5,873 | \$ 19,827 | \$ 24,197 |
| 866,307 | 545,756 | 1,880,808 |
| 83,603 | 169,822 | 97,040 |
| 809,037 | 1,286,679 | 1,912,422 |
| 28,457 | 24,600 | 28,003 |
| — | — | — |
| — | — | 406 |
| <u>1,787,404</u> | <u>2,026,857</u> | <u>3,918,679</u> |
| <u>(223,611)</u> | <u>(264,186)</u> | <u>(12,846)</u> |
| <u>\$ 1,569,666</u> | <u>\$ 1,782,498</u> | <u>\$ 3,930,030</u> |
| \$19,947,132 | \$19,281,380 | \$18,678,173 |
| 3,676,132 | 3,897,747 | 5,797,194 |
| <u>(4,554,988)</u> | <u>(4,541,835)</u> | <u>(2,992,684)</u> |
| <u>\$19,068,276</u> | <u>\$18,637,292</u> | <u>\$21,482,683</u> |

STATE OF OHIO
CHANGES IN NET ASSETS
FOR THE LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(dollars in thousands)

| | 2008 | 2007 | 2006 | 2005 |
|---|----------------------|----------------------|----------------------|----------------------|
| EXPENSES: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Primary, Secondary and Other Education..... | \$ 11,304,014 | \$ 11,467,076 | \$ 11,157,283 | \$ 10,500,807 |
| Higher Education Support..... | 2,729,423 | 2,546,530 | 2,608,007 | 2,475,281 |
| Public Assistance and Medicaid..... | 16,003,345 | 15,782,074 | 14,909,149 | 14,247,598 |
| Health and Human Services..... | 3,651,313 | 3,538,858 | 3,526,763 | 3,333,997 |
| Justice and Public Protection..... | 3,127,726 | 3,102,172 | 3,111,577 | 2,972,666 |
| Environmental Protection and Natural Resources..... | 394,459 | 435,235 | 406,632 | 397,852 |
| Transportation..... | 2,078,872 | 1,998,166 | 1,925,841 | 2,080,958 |
| General Government..... | 746,490 | 884,590 | 952,248 | 670,146 |
| Community and Economic Development..... | 4,017,838 | 3,789,404 | 3,618,550 | 3,432,302 |
| Intergovernmental..... | — | — | — | — |
| Interest on Long-Term Debt (excludes interest charged as program expense)..... | 173,934 | 169,776 | 175,732 | 175,700 |
| TOTAL GOVERNMENTAL ACTIVITIES EXPENSES..... | 44,227,414 | 43,713,881 | 42,391,782 | 40,287,307 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Workers' Compensation..... | 2,675,254 | 2,760,313 | 2,011,480 | 3,232,669 |
| Lottery Commission..... | 1,704,848 | 1,696,881 | 1,625,309 | 1,581,100 |
| Unemployment Compensation..... | 1,333,180 | 1,175,682 | 1,161,776 | 1,194,040 |
| Ohio Building Authority..... | 28,117 | 28,188 | 25,797 | 27,327 |
| Tuition Trust Authority..... | 121,673 | 91,416 | 67,162 | 30,214 |
| Liquor Control..... | 460,398 | 444,119 | 423,373 | 401,187 |
| Underground Parking Garage..... | 2,665 | 2,519 | 2,993 | 2,692 |
| Office of Auditor of State..... | 73,225 | 74,487 | 71,729 | 73,501 |
| TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES..... | 6,399,360 | 6,273,605 | 5,389,619 | 6,542,730 |
| TOTAL PRIMARY GOVERNMENT EXPENSES..... | \$ 50,626,774 | \$ 49,987,486 | \$ 47,781,401 | \$ 46,830,037 |
| PROGRAM REVENUES: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Charges for Services, Fees, Fines and Forfeitures: | | | | |
| Public Assistance and Medicaid..... | \$ 1,021,341 | \$ 832,275 | \$ 639,821 | \$ 612,629 |
| Justice and Public Protection..... | 879,534 | 929,689 | 912,421 | 850,032 |
| General Government..... | 694,492 | 455,656 | 474,975 | 405,805 |
| Community and Economic Development..... | 362,388 | 338,337 | 288,490 | 313,724 |
| Other Activities..... | 582,208 | 545,050 | 494,550 | 372,243 |
| Operating Grants, Contributions and Restricted Investment Income/(Loss)..... | 15,123,481 | 14,964,098 | 14,336,540 | 13,774,602 |
| Capital Grants, Contributions and Restricted Investment Income/(Loss)..... | 1,070,309 | 1,286,426 | 1,288,100 | 1,088,146 |
| TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES..... | 19,733,753 | 19,351,531 | 18,434,897 | 17,417,181 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Charges for Services, Fees, Fines and Forfeitures: | | | | |
| Workers' Compensation..... | 2,160,649 | 4,288,636 | 2,118,571 | 2,213,121 |
| Lottery Commission..... | 2,332,866 | 2,267,134 | 2,227,386 | 2,164,857 |
| Unemployment Compensation..... | 1,174,979 | 1,112,423 | 1,163,397 | 1,044,500 |
| Liquor Control..... | 663,830 | 639,664 | 606,905 | 556,213 |
| Other Activities..... | 86,327 | 81,693 | 81,555 | 77,414 |
| Operating Grants, Contributions and Restricted Investment Income/(Loss)..... | 877,482 | 1,339,887 | 883,003 | 1,183,511 |
| Capital Grants, Contributions and Restricted Investment Income/(Loss)..... | — | — | — | — |
| TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES..... | 7,296,133 | 9,729,437 | 7,080,817 | 7,239,616 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES..... | \$ 27,029,886 | \$ 29,080,968 | \$ 25,515,714 | \$ 24,656,797 |

| 2004 | 2003 | 2002 |
|----------------------|----------------------|----------------------|
| \$ 10,234,524 | \$ 8,498,696 | \$ 8,141,634 |
| 2,494,828 | 2,515,379 | 2,710,111 |
| 13,557,787 | 12,683,617 | 11,953,033 |
| 2,950,880 | 2,930,071 | 2,847,339 |
| 2,809,295 | 2,435,774 | 2,451,328 |
| 397,884 | 403,445 | 371,103 |
| 1,433,439 | 1,532,040 | 1,507,932 |
| 607,376 | 486,013 | 762,725 |
| 3,493,357 | 827,530 | 831,994 |
| — | 3,587,357 | 3,552,148 |
| 189,583 | 195,559 | 203,811 |
| 38,168,953 | 36,095,481 | 35,333,158 |
| 3,072,477 | 4,088,796 | 4,565,493 |
| 1,575,279 | 1,523,764 | 1,467,203 |
| 1,639,014 | 1,838,949 | 1,660,148 |
| 27,524 | 30,824 | 33,724 |
| 118,834 | 388,469 | 284,960 |
| 374,507 | 354,547 | 339,294 |
| 2,199 | 2,515 | 2,336 |
| 75,758 | 84,087 | 78,302 |
| 6,885,592 | 8,311,951 | 8,431,460 |
| \$ 45,054,545 | \$ 44,407,432 | \$ 43,764,618 |
| \$ 556,006 | \$ 526,679 | \$ 509,184 |
| 832,787 | 694,517 | 702,145 |
| 413,028 | 330,249 | 444,342 |
| 295,078 | 260,705 | 291,876 |
| 432,251 | 364,752 | 335,025 |
| 12,979,579 | 11,772,552 | 11,230,106 |
| 890,444 | 930,497 | 942,200 |
| 16,399,173 | 14,879,951 | 14,454,878 |
| 2,138,634 | 2,184,192 | 2,376,252 |
| 2,166,512 | 2,083,108 | 1,988,124 |
| 61,033 | 50,634 | 694,090 |
| 520,161 | 493,195 | 470,515 |
| 110,820 | 178,340 | 237,346 |
| 2,455,783 | 1,895,246 | (59,232) |
| 332 | 956 | — |
| 7,453,275 | 6,885,671 | 5,707,095 |
| \$ 23,852,448 | \$ 21,765,622 | \$ 20,161,973 |

(continued)

STATE OF OHIO
CHANGES IN NET ASSETS
FOR THE LAST SEVEN FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)
(continued)

| | 2008 | 2007 | 2006 | 2005 |
|--|------------------------|------------------------|------------------------|------------------------|
| NET (EXPENSE) REVENUE: | | | | |
| Governmental Activities..... | \$ (24,493,661) | \$ (24,362,350) | \$ (23,956,885) | \$ (22,870,126) |
| Business-Type Activities..... | 896,773 | 3,455,832 | 1,691,198 | 696,886 |
| TOTAL PRIMARY GOVERNMENT NET (EXPENSE)..... | \$ (23,596,888) | \$ (20,906,518) | \$ (22,265,687) | \$ (22,173,240) |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| TAXES: | | | | |
| Income..... | \$ 9,887,502 | \$ 9,630,983 | \$ 9,854,803 | \$ 9,450,119 |
| Sales..... | 7,863,969 | 7,755,604 | 7,623,513 | 8,135,552 |
| Corporate and Public Utility..... | 1,610,629 | 2,615,648 | 2,359,338 | 1,838,882 |
| Cigarette..... | 950,646 | 986,546 | 1,084,143 | 577,699 |
| Other..... | 1,732,034 | 672,598 | 645,856 | 651,646 |
| Restricted for Transportation Purposes: | | | | |
| Motor Vehicle Fuel Taxes..... | 1,820,336 | 1,835,478 | 1,850,939 | 1,753,390 |
| TOTAL TAXES..... | 23,865,116 | 23,496,857 | 23,418,592 | 22,407,288 |
| Tobacco Settlement..... | 362,897 | 361,552 | 336,044 | 321,335 |
| Escheat Property..... | 185,016 | 31,009 | 93,782 | 91,867 |
| Unrestricted Investment Income..... | 250,293 | 206,414 | 128,772 | 46,797 |
| Federal..... | 2 | — | — | — |
| Other..... | 200 | 383 | 295 | 287 |
| Transfers-Internal Activities..... | 885,842 | 853,171 | 818,636 | 807,653 |
| TOTAL GOVERNMENTAL ACTIVITIES..... | 25,549,366 | 24,949,386 | 24,796,121 | 23,675,227 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Unrestricted Investment Income..... | — | — | — | 2,040 |
| Federal..... | — | — | — | — |
| Other..... | 19 | 372 | 932 | 5,837 |
| Transfers-Internal Activities..... | (885,842) | (853,171) | (818,636) | (807,653) |
| TOTAL BUSINESS-TYPE ACTIVITIES..... | (885,823) | (852,799) | (817,704) | (799,776) |
| TOTAL PRIMARY GOVERNMENT..... | \$ 24,663,543 | \$ 24,096,587 | \$ 23,978,417 | \$ 22,875,451 |
| CHANGE IN NET ASSETS: | | | | |
| Governmental Activities..... | \$ 1,055,705 | \$ 587,036 | \$ 839,236 | \$ 805,101 |
| Business-Type Activities..... | 10,950 | 2,603,033 | 873,494 | (102,890) |
| TOTAL PRIMARY GOVERNMENT | \$ 1,066,655 | \$ 3,190,069 | \$ 1,712,730 | \$ 702,211 |

Notes:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

For comparative purposes, data for fiscal years 2002 and 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expense function to other functions.

| 2004 | 2003 | 2002 |
|-----------------------|-----------------------|-----------------------|
| \$(21,769,780) | \$(21,215,530) | \$(20,878,280) |
| 567,683 | (1,426,280) | (2,724,365) |
| \$(21,202,097) | \$(22,641,810) | \$(23,602,645) |

| | | |
|--------------|--------------|--------------|
| \$ 8,526,572 | \$ 8,231,233 | \$ 7,961,718 |
| 7,915,493 | 6,470,645 | 6,413,916 |
| 1,755,736 | 1,682,945 | 1,640,433 |
| 557,543 | 599,943 | — |
| 641,273 | 649,027 | 895,414 |

| | | |
|-------------------|-------------------|-------------------|
| 1,631,631 | 1,462,608 | 1,451,767 |
| 21,028,248 | 19,096,401 | 18,363,248 |

| | | |
|-------------------|-------------------|-------------------|
| 316,799 | 345,075 | 368,588 |
| 74,268 | 43,173 | 50,745 |
| 18,159 | 5,285 | 72,262 |
| 193,033 | 193,033 | — |
| 1,940 | 1,802 | 33 |
| 781,149 | 755,855 | 743,821 |
| 22,413,596 | 20,440,624 | 19,598,697 |

| | | |
|----------------------|----------------------|----------------------|
| 622 | 29,726 | — |
| 12 | 44 | 346,891 |
| — | 4,833 | 2,475 |
| (781,149) | (755,855) | (743,821) |
| (780,515) | (721,252) | (394,455) |
| \$ 21,633,081 | \$ 19,719,372 | \$ 19,204,242 |

| | | |
|-------------------|-----------------------|-----------------------|
| \$ 643,816 | \$ (774,906) | \$ (1,279,583) |
| (212,832) | (2,147,532) | (3,118,820) |
| \$ 430,984 | \$ (2,922,438) | \$ (4,398,403) |

STATE OF OHIO
CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES: | | | | | |
| Income Taxes..... | \$ 9,766,337 | \$ 9,700,901 | \$ 9,726,268 | \$ 9,398,979 | \$ 8,479,900 |
| Sales Taxes..... | 7,863,969 | 7,755,605 | 7,623,513 | 8,135,552 | 7,915,493 |
| Corporate and Public Utility Taxes..... | 2,679,751 | 2,615,649 | 2,359,337 | 1,838,883 | 1,755,736 |
| Motor Vehicle Fuel Taxes..... | 1,820,336 | 1,835,477 | 1,850,940 | 1,753,389 | 1,631,632 |
| Cigarette Taxes..... | 950,646 | 986,546 | 1,084,143 | 577,698 | 557,543 |
| Other Taxes..... | 662,913 | 672,598 | 645,857 | 651,647 | 641,274 |
| Licenses, Permits and Fees..... | 2,289,420 | 2,261,667 | 2,137,549 | 1,851,739 | 1,804,291 |
| Sales, Services and Charges..... | 83,167 | 78,807 | 77,071 | 83,846 | 85,547 |
| Federal Government..... | 15,740,008 | 15,663,148 | 15,421,095 | 14,640,717 | 13,893,741 |
| Tobacco Settlement..... | 334,270 | 308,488 | 294,725 | 321,050 | 316,322 |
| Escheat Property..... | 137,125 | 83,991 | 145,695 | 118,719 | 103,767 |
| Investment Income..... | 605,935 | 619,645 | 440,623 | 228,186 | 110,876 |
| Other | 1,198,425 | 762,191 | 627,312 | 640,076 | 577,637 |
| TOTAL REVENUES..... | 44,132,302 | 43,344,713 | 42,434,128 | 40,240,481 | 37,873,759 |
| EXPENDITURES: | | | | | |
| Current Operating: | | | | | |
| Primary, Secondary and | | | | | |
| Other Education..... | 10,962,026 | 11,300,752 | 11,026,085 | 10,377,748 | 10,127,804 |
| Higher Education Support..... | 2,587,466 | 2,437,150 | 2,499,074 | 2,369,279 | 2,386,570 |
| Public Assistance and Medicaid..... | 16,003,057 | 15,774,452 | 14,907,511 | 14,240,939 | 13,617,263 |
| Health and Human Services..... | 3,592,273 | 3,465,552 | 3,461,571 | 3,276,589 | 3,098,669 |
| Justice and Public Protection..... | 3,126,680 | 3,049,826 | 3,055,124 | 2,903,061 | 2,522,823 |
| Environmental Protection and | | | | | |
| Natural Resources..... | 409,643 | 419,324 | 395,016 | 379,273 | 365,511 |
| Transportation..... | 2,080,166 | 2,186,036 | 2,185,928 | 2,077,669 | 1,807,912 |
| General Government..... | 648,774 | 754,441 | 792,645 | 585,161 | 493,237 |
| Community and Economic | | | | | |
| Development..... | 3,906,709 | 3,664,551 | 3,549,065 | 3,362,574 | 3,380,557 |
| Intergovernmental | — | — | — | — | — |
| Capital Outlay..... | 547,825 | 453,761 | 485,904 | 466,913 | 458,118 |
| Debt service: | | | | | |
| Principal..... | 1,154,719 | 1,321,527 | 1,126,643 | 1,162,970 | 877,116 |
| Interest..... | 719,856 | 285,557 | 332,622 | 253,260 | 458,330 |
| TOTAL EXPENDITURES..... | 45,739,194 | 45,112,929 | 43,817,188 | 41,455,436 | 39,593,910 |
| EXCESS (DEFICIENCY) OF | | | | | |
| REVENUES OVER (UNDER) | | | | | |
| EXPENDITURES..... | (1,606,892) | (1,768,216) | (1,383,060) | (1,214,955) | (1,720,151) |

| 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------------|--------------------|-------------------|-------------------|-------------------|
| \$ 8,210,130 | \$ 7,982,461 | \$ 8,302,892 | \$ 8,098,155 | \$ 7,143,344 |
| 6,470,643 | 6,385,248 | 6,248,705 | 6,233,089 | 5,834,299 |
| 1,682,943 | 1,640,433 | 1,726,263 | 1,697,970 | 1,817,641 |
| 1,462,608 | 1,451,767 | 1,457,454 | 1,459,374 | 1,445,679 |
| 599,943 | 281,292 | 282,481 | 287,710 | 290,566 |
| 649,027 | 614,122 | 647,857 | 625,376 | 626,939 |
| 1,564,429 | 1,521,736 | 1,219,605 | 1,156,379 | 1,137,577 |
| 87,628 | 94,597 | 83,891 | 86,981 | 81,731 |
| 12,791,973 | 11,734,436 | 10,433,668 | 9,321,234 | 8,697,800 |
| 369,619 | 368,588 | 315,812 | 412,270 | — |
| 84,642 | 52,628 | — | — | — |
| 121,592 | 282,457 | 486,817 | 443,566 | 554,915 |
| 526,164 | 635,812 | 514,544 | 481,856 | 481,748 |
| <u>34,621,341</u> | <u>33,045,577</u> | <u>31,719,989</u> | <u>30,303,960</u> | <u>28,112,239</u> |
| 8,451,164 | 8,142,972 | 7,194,883 | 6,634,181 | 6,403,978 |
| 2,408,059 | 2,449,614 | 506,511 | 439,137 | 377,868 |
| 12,731,148 | 11,854,582 | 10,894,942 | 9,488,379 | 8,561,652 |
| 2,894,321 | 2,792,890 | 2,555,221 | 2,613,853 | 2,548,360 |
| 2,348,232 | 2,378,120 | 2,232,421 | 2,167,402 | 2,035,739 |
| 369,119 | 355,576 | 340,574 | 354,180 | 330,069 |
| 1,942,040 | 1,897,807 | 1,756,201 | 1,680,736 | 1,497,553 |
| 501,966 | 733,591 | 468,791 | 575,576 | 661,011 |
| 718,088 | 748,185 | 541,166 | 452,516 | 398,905 |
| 3,573,227 | 3,563,306 | 3,361,184 | 3,257,632 | 2,898,094 |
| 498,066 | 465,843 | 411,817 | 629,753 | 1,256,271 |
| 815,034 | 783,411 | 765,832 | 697,880 | 673,592 |
| 435,970 | 410,193 | 371,705 | 356,115 | 350,533 |
| <u>37,686,434</u> | <u>36,576,090</u> | <u>31,401,248</u> | <u>29,347,340</u> | <u>27,993,625</u> |
| <u>(3,065,093)</u> | <u>(3,530,513)</u> | <u>318,741</u> | <u>956,620</u> | <u>118,614</u> |

(continued)

STATE OF OHIO
CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)
(continued)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|---------------------|-------------------|---------------------|---------------------|-------------------|
| OTHER FINANCING SOURCES (USES): | | | | | |
| Bonds and Certificates of Participation Issued..... | \$ 6,214,699 | \$ 1,482,830 | \$ 1,524,269 | \$ 1,347,285 | \$ 1,574,566 |
| Refunding Bonds Issued..... | — | 259,205 | 156,240 | 706,835 | 247,297 |
| Payment to Refunded Bond Escrow Agents..... | — | (279,651) | (172,770) | (768,952) | (260,146) |
| Premiums..... | 24,139 | 87,878 | 71,475 | 142,926 | 111,270 |
| Discounts..... | (66,884) | — | — | (94) | (7,923) |
| Capital Leases..... | 1,533 | 18,942 | 4,959 | 335 | 400 |
| Transfers-in..... | 3,663,030 | 3,548,419 | 3,319,821 | 3,323,250 | 3,246,329 |
| Transfers-out..... | (2,777,188) | (2,695,248) | (2,501,185) | (2,515,597) | (2,465,180) |
| Transfers to Component Units..... | — | — | — | — | — |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 7,059,329 | 2,422,375 | 2,402,809 | 2,235,988 | 2,446,613 |
| NET CHANGE IN FUND BALANCES..... | \$ 5,452,437 | \$ 654,159 | \$ 1,019,749 | \$ 1,021,033 | \$ 726,462 |
| Debt Service as a Percentage of Noncapital Expenditures..... | 4.1% | 3.6% | 3.4% | 3.5% | 3.4% |
| Additional Information: | | | | | |
| Increase (Decrease) for Changes in Inventories..... | \$ 24,571 | \$ (3,216) | \$ 12,636 | \$ (1,102) | \$ 1,710 |
| Residual Equity Transfers (Net)..... | N/A | N/A | N/A | N/A | N/A |

Notes:

Revenues, expenditures, and other financing sources (uses) have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

For comparative purposes, data for fiscal years 1999 through 2001 have not been restated for the following items, which impacted the governmental funds amounts shown for fiscal year 2002 and thereafter:

- The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*.
- The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had been reported in the General Fund.
- Expenditure data presented after fiscal year 2001 includes payments to colleges and universities that were reported as "Transfers to Component Units" in previous years.

For comparative purposes, data for fiscal years 1999 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.

The expenditure data for fiscal year 1999 have not been restated for a reclassification of capital outlay expenditures to the "Higher Education Support" function and the "Intergovernmental" expenditure character.

Therefore, the debt service as a percentage of non-capital expenditures is not presented for these years since the resulting percentages would not be compatible with subsequent years.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------|----------------|--------------|--------------|--------------|
| \$ 1,405,000 | \$ 1,200,000 | \$ 903,828 | \$ 1,102,374 | \$ 1,270,485 |
| 1,025,040 | 341,451 | 504,786 | — | 173,500 |
| (1,091,881) | (339,042) | (499,750) | — | (173,376) |
| 188,952 | 37,124 | — | — | — |
| (33,649) | (2) | — | — | — |
| 3,391 | 1,480 | — | 4,924 | 2,257 |
| 3,250,997 | 3,203,580 | 3,121,285 | 3,409,874 | 3,470,045 |
| (2,495,142) | (2,459,759) | (2,361,079) | (2,648,146) | (2,698,223) |
| — | — | (2,250,914) | (1,671,985) | (1,564,910) |
| 2,252,708 | 1,984,832 | (581,844) | 197,041 | 479,778 |
| \$ (812,385) | \$ (1,545,681) | \$ (263,103) | \$ 1,153,661 | \$ 598,392 |
| 3.4% | 3.3% | 3.7% | 3.7% | N/A |
| \$ (8,143) | \$ 105 | \$ (3,961) | \$ 1,367 | \$ (2,792) |
| N/A | N/A | \$ (2,168) | \$ (3,732) | \$ (5,656) |

STATE OF OHIO
FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|
| GENERAL FUND: | | | | | |
| Reserved | \$ 744,371 | \$ 687,131 | \$ 617,733 | \$ 627,395 | \$ 661,238 |
| Unreserved..... | 1,857,001 | 1,568,395 | 1,291,950 | 649,420 | 105,333 |
| TOTAL GENERAL FUND..... | 2,601,372 | 2,255,526 | 1,909,683 | 1,276,815 | 766,571 |
| ALL OTHER GOVERNMENTAL FUNDS: | | | | | |
| Reserved..... | 11,237,699 | 5,391,969 | 6,371,192 | 6,194,524 | 5,240,145 |
| Unreserved, reported in: | | | | | |
| Special Revenue Funds..... | (1,387,802) | (688,422) | (2,048,150) | (2,369,192) | (1,614,473) |
| Debt Service Funds..... | 140 | (20) | — | — | — |
| Capital Projects Funds..... | (256,324) | (240,976) | (165,591) | 33,139 | (178,063) |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS..... | 9,593,713 | 4,462,551 | 4,157,451 | 3,858,471 | 3,447,609 |
| TOTAL GOVERNMENTAL FUNDS..... | \$ 12,195,085 | \$ 6,718,077 | \$ 6,067,134 | \$ 5,135,286 | \$ 4,214,180 |

Note:

When practical, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications; however, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances for Governmental Funds" table and the "Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 557,638 | \$ 556,036 | \$ 2,154,861 | \$ 1,485,966 | \$ 1,562,040 |
| (452,491) | 206,214 | (46,466) | 1,035,085 | 1,078,032 |
| 105,147 | 762,250 | 2,108,395 | 2,521,051 | 2,640,072 |
| 4,863,068 | 4,684,021 | 5,149,718 | 6,009,038 | 4,653,153 |
| (1,229,230) | (586,200) | (1,068,729) | (1,764,304) | (159,344) |
| (49) | (21) | (473) | — | 558 |
| (252,928) | (331,359) | (94,797) | (355,200) | (180,739) |
| 3,380,861 | 3,766,441 | 3,985,719 | 3,889,534 | 4,313,628 |
| \$ 3,486,008 | \$ 4,528,691 | \$ 6,094,114 | \$ 6,410,585 | \$ 6,953,700 |

STATE OF OHIO

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|
| REVENUES: | | | | | |
| Income Taxes..... | \$ 8,955,642 | \$ 8,863,302 | \$ 8,889,463 | \$ 8,563,376 | \$ 7,645,597 |
| Sales Taxes..... | 7,556,034 | 7,432,423 | 7,302,441 | 7,816,395 | 7,596,254 |
| Corporate and Public Utility Taxes | 1,198,202 | 1,583,791 | 1,774,113 | 1,468,576 | 1,381,752 |
| Cigarette Taxes | 950,644 | 986,546 | 1,084,142 | 577,671 | 557,532 |
| Other Taxes | 601,557 | 612,304 | 584,689 | 591,998 | 580,143 |
| Licenses, Permits and Fees | 328,260 | 288,648 | 209,054 | 148,877 | 121,953 |
| Sales, Services and Charges | 51,351 | 48,876 | 46,067 | 41,911 | 44,233 |
| Federal Government | 5,626,381 | 5,362,256 | 5,526,049 | 5,724,597 | 5,904,388 |
| Tobacco Settlement..... | 1,135 | — | — | — | — |
| Escheat Property | 137,125 | 83,991 | 145,695 | 118,719 | 103,767 |
| Investment Income | 395,408 | 416,563 | 305,425 | 140,891 | 43,029 |
| Other | 582,672 | 252,599 | 177,066 | 259,019 | 240,020 |
| TOTAL REVENUES | 26,384,411 | 25,931,299 | 26,044,204 | 25,452,030 | 24,218,668 |
| EXPENDITURES: | | | | | |
| Current Operating | 25,122,530 | 25,129,616 | 25,215,213 | 24,439,150 | 23,696,295 |
| Intergovernmental | — | — | — | — | — |
| Capital Outlay | 10 | 114 | 204 | — | — |
| Debt Service | — | 14,575 | 536 | 543 | 541 |
| TOTAL EXPENDITURES | 25,122,540 | 25,144,305 | 25,215,953 | 24,439,693 | 23,696,836 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | |
| | 1,261,871 | 786,994 | 828,251 | 1,012,337 | 521,832 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Bonds Issued | 7,998 | 525,000 | 629,392 | 419,349 | 613,000 |
| Premiums | — | — | 921 | 26 | — |
| Capital Leases | 1,533 | 9,999 | 4,959 | 122 | 260 |
| Transfers-in | 496,538 | 346,399 | 365,326 | 366,376 | 543,443 |
| Transfers-out | (1,424,672) | (1,322,012) | (1,201,618) | (1,216,051) | (1,019,566) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (918,603) | (440,614) | (201,020) | (430,178) | 137,137 |
| NET CHANGE IN FUND BALANCES..... | | | | | |
| | 343,268 | 346,380 | 627,231 | 582,159 | 658,969 |
| FUND BALANCES, JULY 1 | 2,255,526 | 1,909,683 | 1,276,815 | 695,788 | 105,147 |
| Increase (Decrease) for Changes in Inventories | 2,578 | (537) | 5,637 | (1,132) | 2,455 |
| Residual Equity Transfers-out | — | — | — | — | — |
| FUND BALANCES, JUNE 30 | \$ 2,601,372 | \$ 2,255,526 | \$ 1,909,683 | \$ 1,276,815 | \$ 766,571 |

Notes:

The July 1 fund balances, revenues, and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- For comparative purposes, revenue data for fiscal years 1999 through 2001 have been restated for the effects of reclassifications of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had not been reported in the General Fund.
- Current expenditures presented for fiscal years 1999 through 2001 have been restated to include amounts previously reported as "Transfers to Component Units."
- For comparative purposes, data for fiscal years 1999 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|-------------------|--------------------|---------------------|---------------------|---------------------|
| \$ 7,374,239 | \$ 7,129,512 | \$ 7,446,990 | \$ 7,243,856 | \$ 6,389,926 |
| 6,153,743 | 6,066,023 | 5,922,333 | 5,919,129 | 5,539,780 |
| 1,302,968 | 1,276,159 | 1,604,402 | 1,604,604 | 1,718,482 |
| 599,941 | 281,290 | 282,481 | 287,709 | 290,563 |
| 595,498 | 556,946 | 590,225 | 573,888 | 578,993 |
| 115,199 | 100,858 | 101,352 | 96,954 | 94,789 |
| 44,899 | 51,211 | 40,895 | 45,738 | 43,586 |
| 5,251,885 | 4,563,370 | 4,508,747 | 3,993,184 | 3,658,824 |
| — | — | — | — | — |
| 84,642 | 52,628 | — | — | — |
| 33,095 | 145,483 | 234,590 | 287,937 | 399,520 |
| 192,573 | 273,750 | 197,029 | 189,241 | 183,221 |
| 21,748,682 | 20,497,230 | 20,929,044 | 20,242,240 | 18,897,684 |
| 21,131,783 | 20,547,608 | 19,522,704 | 17,894,051 | 16,711,404 |
| 1,294,797 | 1,227,313 | 1,189,845 | 1,081,828 | 1,033,066 |
| — | — | — | 24,862 | 15,607 |
| 2,300 | 2,286 | 2,276 | 2,320 | 1,794 |
| 22,428,880 | 21,777,207 | 20,714,825 | 19,003,061 | 17,761,871 |
| (680,198) | (1,279,977) | 214,219 | 1,239,179 | 1,135,813 |
| 470,000 | 400,000 | — | — | — |
| — | 6,029 | — | — | — |
| 2,692 | 1,451 | — | 2,668 | 1,575 |
| 630,122 | 617,185 | 207,488 | 142,267 | 201,151 |
| (991,261) | (977,731) | (1,061,119) | (1,302,412) | (1,308,827) |
| 111,553 | 46,934 | (853,631) | (1,157,477) | (1,106,101) |
| (568,645) | (1,233,043) | (639,412) | 81,702 | 29,712 |
| 762,250 | 2,108,395 | 2,521,051 | 2,640,072 | 2,611,195 |
| (818) | 105 | (741) | 511 | (835) |
| — | — | — | — | — |
| \$ 192,787 | \$ 875,457 | \$ 1,880,898 | \$ 2,722,285 | \$ 2,640,072 |

STATE OF OHIO

TAX REVENUES OF GOVERNMENTAL FUNDS BY MAJOR SOURCE FOR THE LAST TEN FISCAL YEARS

*(modified accrual basis of accounting)
(dollars in thousands)*

| <u>Year</u> | <u>State Income Taxes</u> | <u>State Sales Taxes</u> | <u>Total</u> |
|-------------|-------------------------------|------------------------------|---------------|
| 2008 | \$ 9,766,337 | \$ 7,863,969 | \$ 17,630,306 |
| 2007 | 9,700,901 | 7,755,605 | 17,456,506 |
| 2006 | 9,726,268 | 7,623,513 | 17,349,781 |
| 2005 | 9,398,979 | 8,135,552 | 17,534,531 |
| 2004 | 8,479,900 | 7,915,493 | 16,395,393 |
| 2003 | 8,210,130 | 6,470,643 | 14,680,773 |
| 2002 | 7,982,461 | 6,385,248 | 14,367,709 |
| 2001 | 8,302,892 | 6,248,705 | 14,551,597 |
| 2000 | 8,098,155 | 6,233,089 | 14,331,244 |
| 1999 | 7,143,344 | 5,834,299 | 12,977,643 |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
PERSONAL INCOME BY INDUSTRY
AND DIRECT STATE INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(dollars in millions)

| Industry | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|------------|------------|------------|------------|------------|
| Services..... | \$ 107,901 | \$ 102,092 | \$ 97,988 | \$ 93,224 | \$ 82,694 |
| Manufacturing..... | 55,365 | 55,876 | 55,000 | 54,686 | 55,520 |
| Government..... | 45,811 | 44,563 | 43,648 | 42,545 | 38,966 |
| Wholesale and Retail Trade..... | 35,563 | 34,343 | 34,049 | 33,379 | 32,395 |
| Finance, Insurance, and Real Estate..... | 22,906 | 22,522 | 22,251 | 22,179 | 20,850 |
| Construction..... | 15,499 | 15,790 | 15,459 | 14,730 | 14,110 |
| Transportation and Public Utilities..... | 13,655 | 13,420 | 12,055 | 11,164 | 10,725 |
| Other | 99,010 | 92,654 | 84,869 | 84,867 | 87,273 |
| Total Personal Income..... | \$ 395,710 | \$ 381,260 | \$ 365,319 | \$ 356,774 | \$ 342,533 |
| Direct State Income Tax Rates..... | 2.48% | 2.54% | 2.66% | 2.63% | 2.48% |

Sources:
U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Department of Taxation

| 2002 | 2001 | 2000 | 1999 | 1998 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 84,835 | \$ 82,306 | \$ 58,012 | \$ 55,182 | \$ 51,987 |
| 52,775 | 52,703 | 54,255 | 54,358 | 53,928 |
| 37,656 | 35,906 | 33,385 | 31,380 | 26,041 |
| 31,910 | 31,735 | 36,309 | 34,230 | 33,276 |
| 19,534 | 18,912 | 16,107 | 15,163 | 13,974 |
| 13,891 | 13,865 | 13,075 | 12,555 | 11,667 |
| 10,438 | 10,332 | 12,972 | 12,306 | 11,710 |
| 80,929 | 79,960 | 98,317 | 90,469 | 80,337 |
| <u>\$ 331,968</u> | <u>\$ 325,719</u> | <u>\$ 322,432</u> | <u>\$ 305,643</u> | <u>\$ 282,920</u> |

| | | | | |
|-------|-------|-------|-------|-------|
| 2.47% | 2.46% | 2.57% | 2.65% | 2.51% |
|-------|-------|-------|-------|-------|

STATE OF OHIO
SALES TAX REVENUE BY TYPE
FOR THE LAST TEN FISCAL YEARS
(cash basis of accounting)
(dollars in thousands)

| Type | 2008 | 2007 | 2006 | 2005 | 2004 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Vendors' Sales..... | \$ 6,794,114 | \$ 6,677,060 | \$ 6,621,450 | \$ 6,957,051 | \$ 6,601,482 |
| Motor Vehicles and Watercraft..... | 975,833 | 978,029 | 994,121 | 1,122,538 | 1,183,196 |
| Alcoholic Beverages..... | 31,435 | 29,132 | 27,118 | 26,878 | 24,918 |
| Delinquencies and Assessments..... | 64,293 | 46,366 | 30,354 | 24,867 | 25,099 |
| Permissive Taxes: | | | | | |
| County Levies..... | 14,250 | 13,921 | 13,044 | 12,157 | 11,984 |
| Transit Authorities..... | 3,088 | 2,940 | 2,929 | 2,907 | 2,835 |
| Total Sales Tax Revenue..... | <u>\$ 7,883,013</u> | <u>\$ 7,747,448</u> | <u>\$ 7,689,016</u> | <u>\$ 8,146,398</u> | <u>\$ 7,849,514</u> |

Source:
Ohio Office of Budget and Management

| <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 5,630,678 | \$ 5,322,500 | \$ 4,710,651 | \$ 4,680,221 | \$ 4,385,969 |
| 1,024,026 | 965,261 | 1,470,319 | 1,474,251 | 1,352,136 |
| 20,341 | 19,562 | 18,671 | 17,547 | 16,626 |
| 26,389 | 36,215 | 37,468 | 47,663 | 66,853 |
| 11,360 | 10,910 | 10,854 | 10,737 | 10,218 |
| 2,764 | 2,662 | 2,748 | 2,670 | 2,497 |
| <u>\$ 6,715,558</u> | <u>\$ 6,357,110</u> | <u>\$ 6,250,711</u> | <u>\$ 6,233,089</u> | <u>\$ 5,834,299</u> |

STATE OF OHIO

RATES FOR STATE INDIVIDUAL INCOME TAX AND SALES TAX FOR THE LAST TEN YEARS

MARGINAL INCOME TAX RATES BY CALENDAR YEAR

| Ohio Taxable Income | 2007 | 2006 | 2005 | 2004 | 2003 |
|-----------------------|--------|--------|--------|--------|--------|
| \$0 - \$5,000 | 0.649% | 0.681% | 0.712% | 0.743% | 0.743% |
| \$5,001 - \$10,000 | 1.299% | 1.361% | 1.424% | 1.486% | 1.486% |
| \$10,001 - \$15,000 | 2.598% | 2.722% | 2.847% | 2.972% | 2.972% |
| \$15,001 - \$20,000 | 3.247% | 3.403% | 3.559% | 3.715% | 3.715% |
| \$20,001 - \$40,000 | 3.895% | 4.083% | 4.270% | 4.457% | 4.457% |
| \$40,001 - \$80,000 | 4.546% | 4.764% | 4.983% | 5.201% | 5.201% |
| \$80,001 - \$100,000 | 5.194% | 5.444% | 5.693% | 5.943% | 5.943% |
| \$100,001 - \$200,000 | 6.031% | 6.320% | 6.610% | 6.900% | 6.900% |
| \$200,001 & above | 6.555% | 6.870% | 7.185% | 7.500% | 7.500% |

SALES TAX RATES BY FISCAL YEAR

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|----------------------------|-------|-------|-------|-------|-------|
| Base State Sales Tax Rates | 5.50% | 5.50% | 5.50% | 6.00% | 6.00% |

Source:
Ohio Department of Taxation

| <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|-------------|-------------|-------------|-------------|-------------|
| 0.743% | 0.743% | 0.691% | 0.716% | 0.673% |
| 1.486% | 1.486% | 1.383% | 1.432% | 1.347% |
| 2.972% | 2.972% | 2.766% | 2.864% | 2.694% |
| 3.715% | 3.715% | 3.458% | 3.580% | 3.368% |
| 4.457% | 4.457% | 4.148% | 4.295% | 4.040% |
| 5.201% | 5.201% | 4.841% | 5.012% | 4.715% |
| 5.943% | 5.943% | 5.531% | 5.727% | 5.388% |
| 6.900% | 6.900% | 6.422% | 6.650% | 6.255% |
| 7.500% | 7.500% | 6.980% | 7.228% | 6.799% |

| <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--------------|--------------|--------------|--------------|--------------|
| <u>5.00%</u> | <u>5.00%</u> | <u>5.00%</u> | <u>5.00%</u> | <u>5.00%</u> |

STATE OF OHIO
STATE INDIVIDUAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS

| Year | Top Rate for Income in Excess of \$200,000 | Personal Exemption for Taxpayer and Spouse | Dependent Exemption | Exemption Credit per Taxpayer, Spouse, and Dependent | Average Effective Rate(A) |
|------|---|---|------------------------|--|---------------------------------|
| 2007 | 6.555% | \$1,450 | \$1,450 | \$20 | 2.48% |
| 2006 | 6.870% | 1,400 | 1,400 | 20 | 2.54% |
| 2005 | 7.185% | 1,350 | 1,350 | 20 | 2.66% |
| 2004 | 7.500% | 1,300 | 1,300 | 20 | 2.63% |
| 2003 | 7.500% | 1,250 | 1,250 | 20 | 2.48% |
| 2002 | 7.500% | 1,200 | 1,200 | 20 | 2.47% |
| 2001 | 7.500% | 1,150 | 1,150 | 20 | 2.46% |
| 2000 | 6.980% | 1,100 | 1,100 | 20 | 2.57% |
| 1999 | 7.228% | 1,050 | 1,050 | 20 | 2.65% |
| 1998 | 6.799% | 950 | 1,050 | 20 | 2.51% |

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Department of Taxation

Note:

(A) The average effective rate is calculated by dividing individual income tax revenue (cash basis) for the subsequent fiscal year by personal income for the calendar year.

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

STATE INDIVIDUAL INCOME TAX RETURNS AND LIABILITY BY INCOME LEVEL FOR TAX YEAR 2006 WITH COMPARATIVES FOR TAX YEAR 1997 (NINE YEARS AGO)

| 2006 TAX YEAR (most recent information available) | | | |
|---|--|------------------|-----------------------------------|
| Income Level | Federal Adjusted Gross Income (in thousands) | Ohio Tax Returns | |
| | | Number | Percentage of Total Returns |
| \$200,001 & Above | \$122,754,496 | 128,985 | 2.41% |
| \$100,001-\$200,000 | 50,489,027 | 385,999 | 7.22% |
| \$80,001-\$100,000 | 29,550,211 | 331,699 | 6.20% |
| \$40,001-\$80,000 | 79,252,107 | 1,391,731 | 26.02% |
| \$20,001-\$40,000 | 40,513,779 | 1,377,901 | 25.76% |
| \$15,001-\$20,000 | 7,249,289 | 414,712 | 7.75% |
| \$10,001-\$15,000 | 5,328,513 | 426,571 | 7.98% |
| \$5,001-\$10,000 | 3,340,830 | 448,276 | 8.38% |
| \$5,000 & Under | 865,832 | 442,855 | 8.28% |
| | \$339,344,084 | 5,348,729 | 100.00% |

| 1997 TAX YEAR | | | |
|---------------------|--|------------------|-----------------------------------|
| Income Level | Federal Adjusted Gross Income (in thousands) | Ohio Tax Returns | |
| | | Number | Percentage of Total Returns |
| \$200,001 & Above | \$50,467,472 | 69,635 | 1.33% |
| \$100,001-\$200,000 | 23,212,573 | 175,614 | 3.36% |
| \$80,001-\$100,000 | 14,459,031 | 163,181 | 3.13% |
| \$40,001-\$80,000 | 68,025,530 | 1,226,888 | 23.48% |
| \$20,001-\$40,000 | 43,916,864 | 1,519,402 | 29.08% |
| \$15,001-\$20,000 | 8,840,227 | 505,675 | 9.68% |
| \$10,001-\$15,000 | 6,427,886 | 513,541 | 9.83% |
| \$5,001-\$10,000 | 3,814,846 | 510,797 | 9.78% |
| \$5,000 & Under | 1,508,027 | 539,796 | 10.33% |
| | \$220,672,456 | 5,224,529 | 100.00% |

Source:
Ohio Department of Taxation

Note:

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

| Ohio Income Tax Liability | | |
|--------------------------------|---------------------------------|---------------------------|
| Tax Receipts (in thousands) | Percentage of Total Taxes | Effective Tax Rate (A) |
| \$3,219,353 | 35.23% | 2.62% |
| 1,939,922 | 21.23% | 3.84% |
| 971,098 | 10.63% | 3.29% |
| 2,160,207 | 23.64% | 2.73% |
| 760,173 | 8.31% | 1.88% |
| 66,723 | 0.73% | 0.92% |
| 21,023 | 0.23% | 0.39% |
| 88 | 0.00% | 0.00% |
| 259 | 0.00% | 0.03% |
| \$9,138,846 | 100.00% | 2.69% |

| Ohio Income Tax Liability | | |
|--------------------------------|---------------------------------|---------------------------|
| Tax Receipts (in thousands) | Percentage of Total Taxes | Effective Tax Rate (A) |
| \$1,798,674 | 28.16% | 3.56% |
| 960,225 | 15.04% | 4.14% |
| 514,191 | 8.05% | 3.56% |
| 2,011,430 | 31.50% | 2.96% |
| 940,225 | 14.72% | 2.14% |
| 103,143 | 1.62% | 1.17% |
| 44,898 | 0.70% | 0.70% |
| 12,892 | 0.20% | 0.34% |
| 596 | 0.01% | 0.04% |
| \$6,386,274 | 100.00% | 2.89% |

STATE OF OHIO

WORKERS' COMPENSATION ENTERPRISE FUND ACTIVE EMPLOYERS, PREMIUM AND ASSESSMENT INCOME AND ACTUAL AVERAGE COLLECTED PREMIUM RATE FOR THE LAST TEN FISCAL YEARS

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Active Employers by Type | | | | | |
| Private..... | 264,870 | 270,499 | 283,038 | 283,733 | 283,620 |
| Public (Local)..... | 3,810 | 3,783 | 3,771 | 3,765 | 3,733 |
| Public (State)..... | 125 | 126 | 126 | 129 | 126 |
| Self-Insured..... | 1,174 | 1,139 | 1,136 | 1,127 | 1,104 |
| Black Lung..... | 39 | 37 | 36 | 37 | 36 |
| Marine Fund..... | 92 | 95 | 91 | 82 | 90 |
| Total..... | <u>270,110</u> | <u>275,679</u> | <u>288,198</u> | <u>288,873</u> | <u>288,709</u> |

Premium & Assessment Income (dollars in thousands)

| | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Premium Income..... | \$1,851,763 | \$1,802,634 | \$1,762,823 | \$1,732,563 | \$1,743,766 |
| Assessment Income..... | 383,329 | 2,526,728 | 410,504 | 536,641 | 488,889 |
| Provision for Uncollectibles..... | (96,690) | (58,429) | (70,038) | (68,070) | (105,873) |
| Total Premium & Assessment Income..... | <u>\$2,138,402</u> | <u>\$4,270,933</u> | <u>\$2,103,289</u> | <u>\$2,201,134</u> | <u>\$2,126,782</u> |

Actual Average Collected Premium Rate per \$100 of Payroll:

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Private Employers..... | \$1.66 | \$1.67 | \$1.74 | \$1.77 | \$1.71 |
| Public Employers-Taxing Districts..... | 1.89 | 1.71 | 1.60 | 1.77 | 1.74 |

Sources:

Ohio Bureau of Workers' Compensation Year-End Statistics Report
Ohio Bureau of Workers' Compensation Actuarial Report

Note:

In June 2007, House Bill 100 passed granting BWC the authority to assess employers in future periods for amounts needed to fund the Disabled Worker's Relief Fund. The net impact of this change was a \$1.9 billion increase in assessment income during fiscal year 2007.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|----------------|----------------|----------------|----------------|----------------|
| 278,494 | 272,195 | 268,485 | 268,539 | 263,384 |
| 3,717 | 3,687 | 3,655 | 3,649 | 3,809 |
| 129 | 128 | 129 | 127 | 123 |
| 1,092 | 1,181 | 1,163 | 1,327 | 1,245 |
| 36 | 37 | 39 | 37 | 41 |
| 87 | 78 | 97 | 93 | 86 |
| <u>283,555</u> | <u>277,306</u> | <u>273,568</u> | <u>273,772</u> | <u>268,688</u> |

| | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$1,723,294 | \$1,880,463 | \$1,606,123 | \$2,287,884 | \$1,642,210 |
| 508,039 | 482,222 | 414,935 | 432,398 | 389,817 |
| (56,395) | (66,553) | (65,454) | (77,270) | (29,387) |
| <u>\$2,174,938</u> | <u>\$2,296,132</u> | <u>\$1,955,604</u> | <u>\$2,643,012</u> | <u>\$2,002,640</u> |

| | | | | |
|--------|--------|--------|--------|--------|
| \$1.65 | \$1.65 | \$1.69 | \$1.83 | \$2.00 |
| 1.66 | 1.53 | 1.49 | 1.41 | 1.46 |

STATE OF OHIO
LOTTERY COMMISSION ENTERPRISE FUND
TICKET SALES BY MAJOR GAME TYPE
FOR THE LAST TEN FISCAL YEARS
(dollars in millions)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Online Games: | | | | | |
| Pick 3..... | \$ 387.1 | \$ 370.9 | \$ 377.3 | \$ 387.7 | \$ 396.8 |
| Pick 4..... | 198.8 | 183.0 | 175.7 | 170.1 | 165.2 |
| Buckeye 5/Rolling Cash 5 | 70.5 | 72.9 | 72.6 | 74.8 | 66.6 |
| Super Lotto/Classic Lotto* | - | 21.8 | 76.3 | 113.0 | 143.8 |
| Classic Lotto*..... | 41.2 | 21.8 | — | — | — |
| Raffle**..... | 10.0 | 17.8 | — | — | — |
| Kicker..... | 21.4 | 21.3 | 21.6 | 19.9 | 24.5 |
| Mega Millions..... | 201.0 | 196.1 | 223.4 | 176.4 | 191.8 |
| EZ Play***..... | 12.3 | — | — | — | — |
| Ten-OH!****..... | 18.0 | — | — | — | — |
| Total Online Games..... | <u>960.3</u> | <u>905.6</u> | <u>946.9</u> | <u>941.9</u> | <u>988.7</u> |
| Instant Games..... | <u>1,364.8</u> | <u>1,353.8</u> | <u>1,274.0</u> | <u>1,217.2</u> | <u>1,166.0</u> |
| Total Ticket Sales..... | <u>\$ 2,325.1</u> | <u>\$ 2,259.4</u> | <u>\$ 2,220.9</u> | <u>\$ 2,159.1</u> | <u>\$ 2,154.7</u> |

Source: Ohio Lottery Commission

Notes:

* - In January 2007, the Classic Lotto game replaced the Super Lotto game.

** - Raffle to Riches was a new game started in 2007.

*** - In April 2008, the new EZ Play game was introduced.

**** - In August 2007, the game Ten-OH! was introduced.

| <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| \$ 401.8 | \$ 409.2 | \$ 419.0 | \$ 427.3 | \$ 399.4 |
| 154.2 | 154.6 | 150.7 | 144.6 | 125.1 |
| 68.9 | 62.4 | 56.5 | 62.2 | 69.9 |
| 160.7 | 297.9 | 262.5 | 336.6 | 364.4 |
| — | — | — | — | — |
| — | — | — | — | — |
| 27.3 | 45.0 | 42.9 | 52.9 | 57.2 |
| 176.2 | 16.5 | — | — | — |
| — | — | — | — | — |
| — | — | — | — | — |
| <u>989.1</u> | <u>985.6</u> | <u>931.6</u> | <u>1,023.6</u> | <u>1,016.0</u> |
| <u>1,089.1</u> | <u>997.5</u> | <u>988.3</u> | <u>1,126.8</u> | <u>1,128.7</u> |
| <u><u>\$ 2,078.2</u></u> | <u><u>\$ 1,983.1</u></u> | <u><u>\$ 1,919.9</u></u> | <u><u>\$ 2,150.4</u></u> | <u><u>\$ 2,144.7</u></u> |

STATE OF OHIO
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

| Governmental Activities | | | | | |
|-------------------------|--------------------------------|------------------|--------------------------------|-------------------------------------|-------------------|
| As of June 30, | General Obligation Bonds | Revenue Bonds | Special Obligation Bonds | Certificates of Participation | Capital Leases |
| 2008 | \$ 7,310,376 | \$ 6,413,182 | \$ 2,585,319 | \$ 187,336 | \$ 9,804 |
| 2007 | 7,583,266 | 811,910 | 2,966,105 | 122,182 | 18,737 |
| 2006 | 6,893,521 | 720,675 | 3,317,325 | 90,389 | 3,366 |
| 2005 | 6,039,203 | 591,888 | 3,699,936 | 92,142 | 2,471 |
| 2004 | 5,420,711 | 607,958 | 3,914,168 | 6,480 | 3,460 |
| 2003 | 4,603,842 | 450,598 | 4,093,614 | 7,370 | 4,888 |
| 2002 | 3,771,129 | 297,638 | 4,389,102 | 9,900 | 3,933 |
| 2001 | 3,034,037 | 218,900 | 4,731,842 | 12,305 | 4,722 |
| 2000 | 2,461,673 | 232,785 | 4,973,657 | 14,590 | 6,190 |
| 1999 | 1,962,402 | 224,760 | 5,062,344 | 16,765 | 6,087 |

Note:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

(dollars in thousands)

| <u>Business-Type Activities</u> | | | | |
|---------------------------------|---------------------------|---|--|-----------------------|
| <u>Revenue Bonds</u> | <u>Capital Leases</u> | <u>Total Primary Government</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
| \$ 97,286 | \$ 12 | \$ 16,603,315 | 4.20% | \$ 1,448 |
| 115,740 | 22 | 11,617,962 | 3.05% | 1,012 |
| 135,215 | 12 | 11,160,503 | 3.06% | 974 |
| 151,063 | 205 | 10,576,908 | 2.96% | 923 |
| 158,578 | 30,368 | 10,141,723 | 2.96% | 887 |
| 167,310 | 44,151 | 9,371,773 | 2.82% | 821 |
| 190,723 | 57,171 | 8,719,596 | 2.68% | 766 |
| 202,614 | 199 | 8,204,619 | 2.54% | 722 |
| 213,963 | 3,072 | 7,905,930 | 2.59% | 697 |
| 223,679 | 3,733 | 7,499,770 | 2.65% | 663 |

STATE OF OHIO

RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING FOR THE LAST TEN FISCAL YEARS

| As of June 30, | Bonded Debt (dollars in thousands) | | | | | Percentage of Personal Income | Per Capita Net Bonded Debt |
|-------------------|------------------------------------|--------------------------------|---|-----------------------|-------|-------------------------------------|-------------------------------------|
| | General Obligation Bonds | Special Obligation Bonds | Less Amount Reserved for Debt Service | Net Bonded Debt | | | |
| 2008 | \$7,310,376 | \$2,585,319 | \$8,954 | \$9,886,741 | 2.50% | \$862 | |
| 2007 | 7,583,266 | 2,966,105 | 11,680 | 10,537,691 | 2.76% | 918 | |
| 2006 | 6,893,521 | 3,317,325 | 10,994 | 10,199,852 | 2.79% | 890 | |
| 2005 | 6,039,203 | 3,699,936 | 39,877 | 9,699,262 | 2.72% | 846 | |
| 2004 | 5,420,711 | 3,914,168 | 71,736 | 9,263,143 | 2.70% | 810 | |
| 2003 | 4,603,842 | 4,093,614 | 102,055 | 8,595,401 | 2.59% | 753 | |
| 2002 | 3,771,129 | 4,389,102 | 94,323 | 8,065,908 | 2.48% | 708 | |
| 2001 | 3,034,037 | 4,731,842 | 108,591 | 7,657,288 | 2.37% | 674 | |
| 2000 | 2,461,673 | 4,973,657 | 112,300 | 7,323,030 | 2.40% | 646 | |
| 1999 | 1,962,402 | 5,062,344 | 118,549 | 6,906,197 | 2.44% | 611 | |

Note:

This table includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service and Capital Projects Funds. Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

Debt Service Fund:

- Coal Research/Development General Obligations
- Highway General Obligations
- Local Infrastructure Improvements General Obligations
- State Projects General Obligations
- Highway Capital Improvements General Obligations
- Higher Education Capital Facilities General Obligations
- Common Schools Capital Facilities General Obligations
- Conservation Projects General Obligations
- Third Frontier Research/Development General Obligations
- Job Ready Site Development General Obligations
- Chapter 154 Special Obligations
- Higher Education Facilities Special Obligations**
- Mental Health Facilities Special Obligations**
- Parks and Recreation Facilities Special Obligations**
- School Building Program Special Obligations
- Ohio Building Authority Special Obligations
- Ohio Public Facilities Commission Special Obligations

Capital Projects Fund:

- Mental Health/Mental Retardation Facilities Improvements
- Parks and Recreation Improvements
- Adult Correctional Building Improvements
- Highway Safety Building Improvements
- Ohio Parks and Natural Resources
- Highway Capital Improvement
- Administrative Service Building Improvements
- Youth Services Building Improvements

** - The activity previously reported in these Debt Service Funds is now reported in the Chapter 154 Special Obligations Fund

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS) FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|---------------|--------------|--------------|--------------|--------------|
| Debt Service Expenditures..... | \$ 1,231,640 | \$ 1,216,382 | \$ 1,128,592 | \$ 1,097,800 | \$ 1,013,200 |
| General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund..... | \$ 27,331,442 | \$26,447,719 | \$26,492,278 | \$26,195,600 | \$24,678,900 |
| Calculation of Annual 5% Debt Service Cap..... | \$ 1,366,572 | \$ 1,322,386 | \$ 1,324,614 | \$ 1,309,780 | \$ 1,233,945 |
| Amount Under the Debt Service Expenditure Cap..... | \$ 134,932 | \$ 106,004 | \$ 196,022 | \$ 211,980 | \$ 220,745 |
| Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers..... | 4.51% | 4.60% | 4.26% | 4.19% | 4.11% |

Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

Source: Debt Section, Ohio Office of Budget and Management

| <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--------------|--------------|--------------|--------------|--------------|
| \$ 959,490 | \$ 926,142 | \$ 918,248 | \$ 871,314 | \$ 843,207 |
| \$23,055,920 | \$22,072,703 | \$21,921,276 | \$20,711,678 | \$19,736,608 |
| \$ 1,152,796 | \$ 1,103,635 | \$ 1,096,064 | \$ 1,035,584 | \$ 986,830 |
| \$ 193,306 | \$ 177,493 | \$ 177,816 | \$ 164,270 | \$ 143,623 |
| 4.16% | 4.20% | 4.19% | 4.21% | 4.27% |

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)

Economic Development and Revitalization Project Revenue Bonds
Issuer: Treasurer of State

| Fiscal Year | Liquor Control Enterprise Fund | | | Debt Service Requirements | | | |
|-------------|--------------------------------|---|--|---------------------------|----------|----------|----------|
| | Gross Liquor Revenues | Direct Operating Expenses Exclusive of Depreciation | Net Revenue Available For Debt Service | Principal | Interest | Total | Coverage |
| 2008 | \$663,830 | \$459,638 | \$204,192 | \$16,480 | \$23,094 | \$39,574 | 5.16 |
| 2007 | 639,664 | 443,708 | 195,956 | 15,445 | 23,810 | 39,255 | 4.99 |
| 2006 | 606,905 | 422,577 | 184,328 | 10,950 | 20,914 | 31,864 | 5.78 |
| 2005 | 556,213 | 400,878 | 155,335 | 9,130 | 19,170 | 28,300 | 5.49 |
| 2004 | 520,161 | 374,275 | 145,886 | 8,195 | 15,627 | 23,822 | 6.12 |
| 2003 | 493,195 | 354,318 | 138,877 | 5,415 | 11,898 | 17,313 | 8.02 |
| 2002 | 470,515 | 338,926 | 131,589 | 5,060 | 11,074 | 16,134 | 8.16 |
| 2001 | 454,268 | 327,083 | 127,185 | 4,740 | 11,392 | 16,132 | 7.88 |
| 2000 | 428,085 | 310,620 | 117,465 | 4,450 | 11,685 | 16,135 | 7.28 |
| 1999 | 397,018 | 289,853 | 107,165 | 4,175 | 11,952 | 16,127 | 6.65 |

Infrastructure Bank Revenue Bonds
Issuer: Treasurer of State

| Fiscal Year | Highway Operating Fund | | | Debt Service Requirements | | | |
|-------------|------------------------|---------------------------|--|---------------------------|----------|-----------|----------|
| | Gross Revenues(A) | Direct Operating Expenses | Net Revenue Available For Debt Service | Principal | Interest | Total | Coverage |
| 2008 | \$119,077 | N/A | \$119,077 | \$104,960 | \$23,092 | \$128,052 | 0.93 |
| 2007 | 92,167 | N/A | 92,167 | 80,520 | 18,876 | 99,396 | 0.93 |
| 2006 | 73,373 | N/A | 73,373 | 60,840 | 13,628 | 74,468 | 0.99 |
| 2005 | 66,592 | N/A | 66,592 | 53,045 | 14,020 | 67,065 | 0.99 |
| 2004 | 65,542 | N/A | 65,542 | 38,380 | 11,459 | 49,839 | 1.32 |
| 2003 | 49,409 | N/A | 49,409 | 37,965 | 11,653 | 49,618 | 1.00 |
| 2002 | 27,414 | N/A | 27,414 | 20,690 | 7,417 | 28,107 | 0.98 |
| 2001 | 11,454 | N/A | 11,454 | 7,825 | 3,606 | 11,431 | 1.00 |
| 2000 | 10,140 | N/A | 10,140 | 6,320 | 3,816 | 10,136 | 1.00 |
| 1999 | 10,931 | N/A | 10,931 | 6,775 | 4,001 | 10,776 | 1.01 |

(continued)

Notes:

(A) The State first issued the Infrastructure Bank Revenue Bonds in fiscal year 1999. The gross revenue for these bonds includes GARVEE receipts, which stands for Grant Anticipation Revenue Vehicles, and other revenue. GARVEE receipts are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

STATE OF OHIO
REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)
(continued)

Ohio Building Authority Revenue Bonds

| Fiscal Year | Ohio Building Authority Enterprise Fund | | | Debt Service Requirements | | | |
|-------------|--|---|--|---------------------------|----------|---------|----------|
| | Gross Revenues(B) | Direct Operating Expenses Exclusive of Depreciation | Net Revenue Available For Debt Service | Principal | Interest | Total | Coverage |
| 2008 | \$27,527 | \$28,078 | (\$551) | \$2,686 | \$30 | \$2,716 | N/A |
| 2007 | 27,581 | 27,923 | (342) | 4,653 | 149 | 4,802 | N/A |
| 2006 | 27,980 | 25,165 | 2,815 | 2,047 | 298 | 2,345 | 1.20 |
| 2005 | 27,257 | 26,562 | 695 | 1,691 | 408 | 2,099 | 0.33 |
| 2004 | 26,484 | 26,881 | (397) | 3,730 | 5,544 | 9,274 | N/A |
| 2003 | 27,388 | 29,330 | (1,942) | 3,531 | 1,394 | 4,925 | N/A |
| 2002 | 32,488 | 32,031 | 457 | 3,359 | 1,565 | 4,924 | 0.09 |
| 2001 | 31,106 | 30,598 | 508 | 3,194 | 1,728 | 4,922 | 0.10 |
| 2000 | 30,999 | 33,862 | (2,863) | 3,039 | 1,882 | 4,921 | N/A |
| 1999 | 29,797 | 29,097 | 700 | 2,893 | 2,029 | 4,922 | 0.14 |

Bureau of Workers' Compensation Revenue Bonds
Issuer: Ohio Building Authority

| Fiscal Year | Workers' Compensation Enterprise Fund | | | Debt Service Requirements | | | |
|-------------|--|---|--|---------------------------|----------|----------|----------|
| | Gross Revenues(B) | Direct Operating Expenses Exclusive of Depreciation | Net Revenue Available For Debt Service | Principal | Interest | Total | Coverage |
| 2008 | \$2,880,519 | \$2,663,456 | \$217,063 | \$15,055 | \$5,291 | \$20,346 | 10.67 |
| 2007 | 5,200,066 ** | 2,749,217 | 2,450,849 | 14,150 | 5,901 | 20,051 | 122.23 |
| 2006 | 2,882,383 | 2,002,722 | 879,661 | 13,190 | 6,472 | 19,662 | 44.74 |
| 2005 | 3,201,561 | 3,229,197 | (27,636) | 5,300 | 6,578 | 11,878 | N/A |
| 2004 | 3,388,523 | 3,056,227 | 332,296 | — | 6,183 | 6,183 | 53.74 |
| 2003 | 2,759,594 | 4,070,231 | (1,310,637) | 10,000 | 8,175 | 18,175 | N/A |
| 2002 | 1,946,105 | 4,547,191 | (2,601,086) | 9,000 | 8,571 | 17,571 | N/A |
| 2001 | 2,549,227 | 4,460,581 | (1,911,354) | 8,000 | 8,915 | 16,915 | N/A |
| 2000 | 4,361,511 | 3,128,723 | 1,232,788 | 7,000 | 9,209 | 16,209 | 76.06 |
| 1999 | 3,625,174 | 2,462,056 | 1,163,118 | 6,000 | 9,455 | 15,455 | 75.26 |

Notes (continued):

(B) Gross revenues consist of operating revenues and investment income.

** - In June 2007, House Bill 100 passed granting BWC the authority to assess employers in future periods for amounts needed to fund the Disabled Worker's Relief Fund. The net impact of this change was a \$1.9 billion increase in operating revenues during fiscal year 2007.

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

| Calendar Year | Population <i>(in thousands)</i> | | | | Per Capita Personal Income | | |
|---------------|-------------------------------------|--------------------------|--------|--------------------------|----------------------------|----------|------------------------------|
| | U.S. | Change from Prior Period | Ohio | Change from Prior Period | U.S. | Ohio | Ohio as a Percentage of U.S. |
| 2007 | 301,621 | 2,223 | 11,467 | (11) | \$38,611 | \$34,874 | 90.3% |
| 2006 | 299,398 | 2,988 | 11,478 | 14 | 36,276 | 33,338 | 91.9% |
| 2005 | 296,410 | 2,755 | 11,464 | 5 | 34,495 | 31,867 | 92.4% |
| 2004 | 293,655 | 2,866 | 11,459 | 21 | 33,041 | 31,135 | 94.2% |
| 2003 | 290,789 | 2,848 | 11,438 | 28 | 31,487 | 29,947 | 95.1% |
| 2002 | 287,941 | 2,839 | 11,410 | 22 | 30,814 | 29,094 | 94.4% |
| 2001 | 285,102 | 2,910 | 11,388 | 24 | 30,575 | 28,602 | 93.5% |
| 2000 | 282,192 | 3,152 | 11,364 | 29 | 29,845 | 28,373 | 95.1% |
| 1999 | 279,040 | 3,186 | 11,335 | 23 | 27,939 | 26,965 | 96.5% |
| 1998 | 275,854 | 3,207 | 11,312 | 35 | 26,883 | 25,011 | 93.0% |

Sources:

- U.S. Census Bureau for population information
- Bureau of Economic Analysis for personal income and employment information
- Ohio Department of Job and Family Services for unemployment rates
- Ohio Department of Education for school enrollment
- Ohio Department of Public Safety for motor vehicle registrations

Civilian Labor Force

| Ohioans Employed | Ohio's Unemployment Rate | Public School Enrollment in Ohio <i>(in thousands)</i> | Motor Vehicles Registered in Ohio |
|---------------------|--------------------------------|--|--|
| 6,828,905 | 5.6% | 1,890 | 12,021,879 |
| 6,893,966 | 5.5% | 1,835 | 12,127,645 |
| 6,792,314 | 5.9% | 1,845 | 12,017,517 |
| 6,732,896 | 6.1% | 1,844 | 12,192,202 |
| 6,668,862 | 6.1% | 1,838 | 12,083,529 |
| 6,688,303 | 5.7% | 1,831 | 12,064,420 |
| 6,757,667 | 4.3% | 1,835 | 11,888,533 |
| 6,835,688 | 4.1% | 1,836 | 11,740,513 |
| 6,746,632 | 4.3% | 1,842 | 11,581,700 |
| 6,660,094 | 4.3% | 1,847 | 11,399,641 |

STATE OF OHIO
PRINCIPAL EMPLOYERS
FOR CALENDAR YEARS 2007 AND 1997

| Employer | 2007 | | | 1997 (A) | | |
|------------------------------------|-----------|------|--------------------------------------|-----------|------|--------------------------------------|
| | Employees | Rank | Percentage of Total State Employment | Employees | Rank | Percentage of Total State Employment |
| United States Government | 76,973 | 1 | 1.13% | 84,152 | 1 | 1.29% |
| State of Ohio | 58,226 | 2 | 0.85% | 61,923 | 2 | 0.95% |
| Wal-Mart Stores | 52,000 | 3 | 0.76% | 17,500 | 9 | 0.27% |
| Cleveland Clinic Health System | 37,354 | 4 | 0.55% | 19,500 | 6 | 0.30% |
| Kroger Company | 36,500 | 5 | 0.53% | 25,000 | 4 | 0.38% |
| The Ohio State University | 24,400 | 6 | 0.36% | 21,727 | 5 | 0.33% |
| Catholic Healthcare Partners | 23,000 | 7 | 0.34% | | | |
| University Hospitals Health System | 21,800 | 8 | 0.32% | | | |
| Bob Evans Farms, Inc | 17,500 | 9 | 0.26% | | | |
| JP Morgan Chase & Co | 17,100 | 10 | 0.25% | | | |
| General Motors Corporation | | | | 60,000 | 3 | 0.92% |
| Ford Motor Company | | | | 18,800 | 7 | 0.29% |
| General Electric Company | | | | 18,500 | 8 | 0.28% |
| Honda Motor Company, LTD | | | | 17,500 | 9 | 0.27% |
| Banc One Corporation | | | | 15,500 | 10 | 0.24% |

Sources:

- U.S. Department of Commerce, Bureau of Economic Analysis
- U.S. Census Bureau
- Ohio Department of Development, Office of Strategic Research
- Ohio Department of Administrative Services
- The Ohio State University, University Resource Planning and Institutional Analysis

Note:

(A) Calendar year 1997 was the most recent year for which data was available for the required nine year comparison

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

FULL-TIME AND PART-TIME PERMANENT STATE EMPLOYEES DURING THE MONTH OF JUNE BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

| Function/Program | Number of Employees | | | | |
|---|---------------------|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Primary, Secondary and Other Education..... | 1,174 | 1,207 | 1,194 | 1,186 | 1,201 |
| Higher Education Support..... | 93 | 98 | 91 | 81 | 83 |
| Public Assistance and Medicaid..... | 3,108 | 3,314 | 3,299 | 3,272 | 3,115 |
| Health and Human Services..... | 10,312 | 10,549 | 10,665 | 11,037 | 11,144 |
| Justice and Public Protection..... | 23,410 | 23,682 | 23,599 | 23,683 | 23,319 |
| Environmental Protection and Natural Resources..... | 3,058 | 3,086 | 3,095 | 3,146 | 3,232 |
| Transportation..... | 5,624 | 5,711 | 5,831 | 5,808 | 5,819 |
| General Government..... | 5,338 | 5,294 | 5,419 | 5,362 | 5,400 |
| Community and Economic Development..... | 902 | 914 | 955 | 1,029 | 1,007 |
| Workers' Compensation..... | 2,382 | 2,549 | 2,548 | 2,668 | 2,675 |
| Lottery Commission..... | 339 | 329 | 331 | 335 | 339 |
| Unemployment Compensation..... | 552 | 535 | 564 | 590 | 613 |
| Other..... | 981 | 958 | 979 | 972 | 1,018 |
| Total..... | <u>57,273</u> | <u>58,226</u> | <u>58,570</u> | <u>59,169</u> | <u>58,965</u> |

Source:

Ohio Department of Administrative Services

Note:

(A) For fiscal year 2003 and prior, the number of individuals employed in the Unemployment Compensation Program is included in the number of employees reported from the Public Assistance and Medicaid Function.

| <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1,168 | 1,182 | 1,129 | 1,052 | 1,001 |
| 94 | 89 | 83 | 78 | 79 |
| 3,621 | 3,493 | 3,673 | 3,746 | 3,791 |
| 10,984 | 11,036 | 11,443 | 11,511 | 11,682 |
| 23,705 | 24,138 | 25,627 | 25,229 | 24,797 |
| 3,253 | 3,311 | 3,514 | 3,492 | 3,510 |
| 5,899 | 5,905 | 5,912 | 6,064 | 6,396 |
| 5,350 | 5,439 | 5,537 | 5,382 | 5,386 |
| 1,009 | 1,095 | 1,097 | 1,077 | 1,052 |
| 2,759 | 2,815 | 2,938 | 3,029 | 3,044 |
| 345 | 358 | 358 | 352 | 359 |
| (A) | (A) | (A) | (A) | (A) |
| <u>1,060</u> | <u>1,080</u> | <u>1,056</u> | <u>992</u> | <u>958</u> |
| <u><u>59,247</u></u> | <u><u>59,941</u></u> | <u><u>62,367</u></u> | <u><u>62,004</u></u> | <u><u>62,055</u></u> |

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

| Function/Program | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|-----------|-----------|
| <i>Primary, Secondary and Other Education</i> | | | | | |
| Ohio Department of Education: | | | | | |
| Fall Student Enrollment (Public Schools)..... | 1,890,154 | 1,835,188 | 1,842,943 | 1,845,351 | 1,843,898 |
| Public School Districts (A)..... | 612 | 611 | 610 | 612 | 611 |
| Community School Districts (A)..... | 312 | 309 | 293 | 248 | 164 |
| Vocational School Districts..... | 49 | 49 | 49 | 49 | 49 |
| High School Graduation Rate (by School year)..... | (C) | 86.9% | 86.1% | 86.2% | 85.9% |
| <i>Higher Education Support</i> | | | | | |
| Ohio Board of Regents: | | | | | |
| Student Enrollment at State-Assisted Institutions... | 465,856 | 457,322 | 455,786 | 457,333 | 457,281 |
| State-Assisted Institutions..... | 38 | 38 | 39 | 39 | 38 |
| Ohio Instructional Grant Recipients (D)..... | 63,601 | 83,942 | 106,310 | 104,512 | 102,227 |
| Ohio College Opportunity Grant (D)..... | 52,130 | 25,567 | — | — | — |
| Student Choice Grant Program Recipients..... | 58,499 | 59,400 | 58,656 | 57,621 | 55,859 |
| <i>Public Assistance and Medicaid</i> | | | | | |
| Ohio Department of Job and Family Services: | | | | | |
| Individuals with Medicaid Coverage..... | 1,761,529 | 1,736,971 | 1,730,544 | 1,687,465 | 1,618,900 |
| Individuals Receiving Cash Assistance (OWF)..... | 170,570 | 169,135 | 180,253 | 190,265 | 193,943 |
| Individuals on ODJFS Medicaid Waiver..... | 12,029 | 11,606 | 10,135 | 10,391 | 10,066 |
| Ohio Department of Aging: | | | | | |
| Individuals on PASSPORT Waiver..... | 35,872 | 33,943 | 33,279 | 31,656 | 29,242 |
| Ohio Department of Mental Retardation and Developmental Disabilities: | | | | | |
| Individuals on DMR Waiver..... | 18,264 | 16,533 | 14,978 | 12,438 | 10,828 |
| <i>Health and Human Services</i> | | | | | |
| Ohio Department of Alcohol & Drug Addiction Services: | | | | | |
| Clients Treated (F)..... | (C) | 99,314 | 95,081 | 93,919 | 89,389 |
| Ohio Department of Aging: | | | | | |
| Clients Served-PASSPORT..... | 35,751 | 33,943 | 33,042 | 31,499 | 29,093 |
| Clients Served-Congregate Meals..... | 66,132 | 65,366 | 71,522 | 70,817 | 75,279 |
| Clients Served-Home Delivered Meals..... | 46,432 | 44,607 | 52,317 | 39,926 | 46,304 |
| Clients Served-Transportation Provided..... | 30,798 | 29,800 | 32,558 | 29,756 | 30,517 |
| Ohio Department of Health: | | | | | |
| Average Monthly Caseload-Women, Infants, & Children..... | 289,593 | 279,735 | 276,757 | 272,632 | 267,300 |
| Ohio Department of Mental Health: | | | | | |
| Clients Served..... | 7,189 | 7,419 | 7,728 | 7,669 | 7,486 |
| Facilities' Admissions..... | 6,111 | 6,424 | 6,715 | 6,584 | 6,399 |
| Facilities' Average Daily Residence Population..... | 1,036 | 1,053 | 1,050 | 1,034 | 1,046 |
| Ohio Department of Mental Retardation and Developmental Disabilities: | | | | | |
| Individuals Served (G)..... | 354,004 | 343,955 | 319,930 | 319,965 | 335,814 |
| Facilities' Average Daily Residence Population..... | 1,517 | 1,603 | 1,605 | 1,659 | 2,826 |
| <i>Justice and Public Protection</i> | | | | | |
| Ohio Department of Public Safety: | | | | | |
| Crashes Investigated..... | 71,295 | 67,850 | 70,893 | 78,952 | 82,964 |
| Total Arrests..... | (C) | (C) | (C) | (C) | (C) |
| Ohio Department of Rehabilitation and Correction: | | | | | |
| Inmate Population..... | 50,191 | 49,199 | 46,356 | 43,928 | 43,889 |

| 2003 | 2002 | 2001 | 2000 | 1999 |
|-----------|-----------|-----------|-----------|-----------|
| 1,838,068 | 1,830,958 | 1,834,888 | 1,836,491 | 1,842,102 |
| 611 | 611 | 611 | 611 | 611 |
| 129 | 93 | 71 | 48 | 15 |
| 49 | 49 | 49 | 49 | 49 |
| 84.3% | 82.7% | 81.1% | 80.6% | 80.6% |
| 450,470 | 445,879 | 428,880 | 415,948 | 420,458 |
| 38 | 38 | 38 | 38 | 38 |
| 100,737 | 95,070 | 88,473 | 92,070 | 86,020 |
| — | — | — | — | — |
| 54,959 | 53,646 | 51,966 | 50,254 | 48,400 |
| 1,527,076 | 1,380,196 | 1,676,157 | 1,409,705 | 1,387,581 |
| 194,320 | 198,451 | 215,821 | 255,229 | 294,035 |
| 9,433 | 7,608 | 8,062 | 7,531 | 6,869 |
| 26,698 | 24,689 | 24,488 | 22,720 | 21,920 |
| 9,859 | 6,410 | 5,661 | 5,593 | 5,588 |
| 89,894 | 92,941 | 80,216 | 73,024 | 97,007 |
| 27,055 | 24,742 | 24,488 | 22,720 | 21,920 |
| 77,478 | 75,883 | 68,859 | 66,921 | 65,547 |
| 44,853 | 44,726 | 39,721 | 39,339 | 37,533 |
| 31,421 | 30,670 | 32,951 | 34,519 | 33,514 |
| 255,804 | 253,923 | 247,092 | 245,195 | 245,994 |
| 7,427 | 7,775 | 6,990 | 7,223 | 7,153 |
| 6,307 | 6,641 | 5,847 | 6,006 | 5,950 |
| 1,056 | 1,084 | 1,109 | 1,156 | 1,187 |
| 342,678 | 375,503 | 390,130 | 332,351 | (E) |
| 2,979 | 3,017 | 3,079 | 3,154 | (E) |
| 84,340 | 80,641 | 79,204 | 83,493 | 79,364 |
| 900,213 | 995,817 | 947,785 | 907,198 | 900,238 |
| 45,216 | 44,729 | 45,505 | 46,619 | 48,171 |

(continued)

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS
(continued)

| Function/Program | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|-----------|-----------|-----------|-----------|-----------|
| <i>Transportation</i> | | | | | |
| Ohio Department of Transportation: | | | | | |
| Pavement Resurfacing (in miles): | | | | | |
| Two-Lane..... | 2,521 | 1,673 | 1,502 | 2,535 | 1,280 |
| Four-Lane..... | 871 | 506 | 252 | 563 | 234 |
| Interstate..... | 1,302 | 428 | 229 | 371 | 134 |
| <i>Workers' Compensation</i> | | | | | |
| Ohio Bureau of Workers' Compensation: | | | | | |
| Claims Filed..... | 159,611 | 171,692 | 185,232 | 197,083 | 207,847 |
| Open Claims..... | 1,415,491 | 1,540,543 | 1,664,368 | 1,792,944 | 1,930,550 |
| <i>Lottery</i> | | | | | |
| Ohio Lottery Commission: | | | | | |
| Prize Awards Paid (in billions)..... | \$ 1.40 | \$ 1.34 | \$ 1.31 | \$ 1.28 | \$ 1.28 |
| Bonuses and Commissions Paid (in millions)..... | \$ 143.9 | \$ 140.0 | \$ 139.8 | \$ 133.8 | \$ 132.8 |
| Transfers to | | | | | |
| Lottery Profits Education Fund (in millions)..... | \$ 672.2 | \$ 669.3 | \$ 646.2 | \$ 645.1 | \$ 655.6 |
| <i>Unemployment Compensation</i> | | | | | |
| Ohio Department of Job and Family Services: | | | | | |
| Initial Claims..... | 685,090 | 591,614 | 636,722 | 689,412 | 750,783 |
| Continuing Claims..... | 5,604,605 | 4,709,523 | 5,094,129 | 5,352,206 | 6,395,391 |

Sources: Various state agencies, as noted above.

Notes:

- (A) The number of school districts include only those with enrollment.
- (B) In fiscal year 1999, community schools began operating in the State.
- (C) Recent data from the source was not available, as of the date of publication.
- (D) In fiscal year 2007, the Ohio Instructional Grant began to be phased out and was replaced by the Ohio College Opportunity Grant.
- (E) Data for the year indicated was not readily available.
- (F) In fiscal year 2000, the Ohio Department of Alcohol & Drug Addiction Services began using the Multi-Agency Community Services Information System, which tracks clients served rather than services provided. The change in the tracking methodology resulted in the large decrease in the number of clients reported as being treated between fiscal years 1999 and 2000.
- (G) Represents clients served by the Department of Mental Health and Department of MRDD.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|-----------|-----------|-----------|-----------|-----------|
| 1,275 | 728 | 753 | 749 | (E) |
| 233 | 147 | 201 | 104 | (E) |
| 4 | 75 | 103 | 147 | (E) |
| 229,307 | 234,986 | 261,987 | 280,990 | 285,504 |
| 2,157,516 | 2,224,466 | 2,299,532 | 2,358,462 | 2,402,920 |
| \$ 1.21 | \$ 1.15 | \$ 1.11 | \$ 1.27 | \$ 1.26 |
| \$ 137.0 | \$ 126.6 | \$ 120.2 | \$ 135.0 | \$ 134.6 |
| \$ 641.4 | \$ 635.2 | \$ 637.0 | \$ 686.0 | \$ 696.3 |
| 812,169 | 842,819 | 724,569 | 483,674 | 542,961 |
| 6,733,498 | 6,895,871 | 4,823,773 | 3,521,349 | 3,798,915 |

STATE OF OHIO
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

| Function/Program | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---------|---------|---------|---------|---------|
| <i>Health and Human Services</i> | | | | | |
| Mental Retardation and Developmental Disabilities Institutions..... | 10 | 10 | 10 | 12 | 12 |
| Mental Health Institutions..... | 9 | 9 | 9 | 9 | 9 |
| <i>Justice and Public Protection</i> | | | | | |
| Rehabilitation and Correction Institutions..... | 30 | 30 | 28 | 28 | 28 |
| Youth Services Institutions..... | 8 | 8 | 8 | 8 | 9 |
| <i>Environmental Protection and Natural Resources</i> | | | | | |
| Number of State Parks..... | 74 | 74 | 74 | 74 | 74 |
| Area of State Parks, Natural & Wildlife Lands (in acres)..... | 323,215 | 315,381 | 315,611 | 314,646 | 310,964 |
| Area of State Forest Lands (in acres)..... | 191,144 | 191,142 | 191,142 | 191,117 | 185,838 |
| <i>Transportation (A)</i> | | | | | |
| Infrastructure Assets(B): | | | | | |
| Pavement (in lane-miles): | | | | | |
| Priority Subsystem..... | 12,718 | 12,655 | 12,500 | 12,355 | 12,225 |
| General Subsystem..... | 30,063 | 30,118 | 30,168 | 30,207 | 30,246 |
| Bridges: | | | | | |
| Number of Bridges..... | 14,242 | 12,793 | 12,531 | 12,544 | 12,416 |
| Deck Area (in thousand square feet)..... | 104,084 | 84,447 | 83,443 | 82,684 | 82,260 |

Sources:

- Ohio Department of Mental Retardation and Developmental Disabilities
- Ohio Department of Mental Health
- Ohio Department of Rehabilitation and Correction
- Ohio Department of Youth Services
- Ohio Department of Natural Resources
- Ohio Department of Transportation

Notes:

- (A) Data presented is for the calendar year.
- (B) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.
- (C) Information on infrastructure balances for years prior to fiscal year 2002 is unavailable.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 12 9 | 12 9 | 12 9 | 12 9 | 12 9 |
| 29 9 | 29 9 | 30 9 | 30 9 | 29 10 |
| 74 309,271 185,709 | 74 302,983 185,311 | 73 301,681 184,383 | 73 300,063 184,016 | 73 295,378 183,499 |
| 12,210 30,317 | 12,114 30,487 | (C) (C) | (C) (C) | (C) (C) |
| 12,394 80,608 | 12,489 81,012 | (C) (C) | (C) (C) | (C) (C) |

[BACK COVER]