

**Ohio Office of Budget
and Management**

State of Ohio
Bob Taft
Governor



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2004

ACKNOWLEDGMENTS

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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.

BOB TAFT
GOVERNOR

Thomas W. Johnson
Director
Office of Budget
and Management

Prepared by Division of
State Accounting



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2004

STATE OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal.....	5
State of Ohio Officials.....	11
State of Ohio Organization Chart.....	12
Certificate of Achievement.....	14

FINANCIAL SECTION

Independent Accountants' Report.....	15
Management's Discussion and Analysis.....	17
Basic Financial Statements	33
Government-wide Financial Statements:	
Statement of Net Assets.....	34
Statement of Activities.....	36
Fund Financial Statements:	
Balance Sheet — Governmental Funds.....	38
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	41
Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds.....	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	44
Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds.....	46
Statement of Net Assets — Proprietary Funds — Enterprise.....	50
Statement of Revenues, Expenses and Changes in Fund Net Assets — Proprietary Funds — Enterprise.....	52
Statement of Cash Flows — Proprietary Funds — Enterprise.....	54
Statement of Fiduciary Net Assets — Fiduciary Funds.....	58
Statement of Changes in Fiduciary Net Assets — Fiduciary Funds.....	61
Discretely Presented Component Unit Financial Statements:	
Combining Statement of Net Assets.....	62
Combining Statement of Activities.....	64
Notes to the Financial Statements.....	66
Required Supplementary Information on Infrastructure Assets Accounted for Using the Modified Approach	127
Combining Financial Statements and Schedules	130
Nonmajor Governmental Funds:	
Descriptions of the Nonmajor Governmental Funds.....	131
Combining Balance Sheet — Nonmajor Governmental Funds.....	132
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Governmental Funds.....	134

	Page
Nonmajor Special Revenue Funds:	
Descriptions of the Nonmajor Special Revenue Funds.....	137
Combining Balance Sheet.....	138
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	142
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis)	146
Nonmajor Debt Service Funds:	
Descriptions of the Nonmajor Debt Service Funds	154
Combining Balance Sheet.....	156
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	162
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis)	168
Nonmajor Capital Projects Funds:	
Descriptions of the Nonmajor Capital Projects Funds.....	175
Combining Balance Sheet.....	176
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	180
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis)	184
Fiduciary Funds:	
Descriptions of the Agency Funds	193
Combining Statement of Assets and Liabilities — Agency Funds.....	194
Combining Statement of Changes in Assets and Liabilities — Agency Funds	196
Nonmajor Discretely Presented Component Unit Funds:	
Descriptions of the Nonmajor Discretely Presented Component Unit Funds.....	198
Combining Statement of Net Assets — Nonmajor Discretely Presented Component Units.....	200
Combining Statement of Activities — Nonmajor Discretely Presented Component Units	206
Combining Balance Sheet — School Facilities Commission	212
Reconciliation of the Balance Sheet to the Statement of Net Assets — School Facilities Commission	215
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — School Facilities Commission	216
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — School Facilities Commission	219
Combining Balance Sheet — Arts and Sports Facilities Commission.....	220
Reconciliation of the Balance Sheet to the Statement of Net Assets — Arts and Sports Facilities Commission	223
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Arts and Sports Facilities Commission	224
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — Arts and Sports Facilities Commission	226
Balance Sheet — SchoolNet Commission	227
Reconciliation of the Balance Sheet to the Statement of Net Assets — SchoolNet Commission.....	228
Statement of Revenues, Expenditures and Changes in Fund Balances — SchoolNet Commission	229
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — SchoolNet Commission.....	230

STATISTICAL SECTION

	Page
Table 1 — General Governmental Revenues by Source for the General, Special Revenue, Debt Service, and Capital Projects Funds.....	231
Table 2 — General Governmental Expenditures by Function for the General, Special Revenue, Debt Service, and Capital Projects Funds.....	232
Table 3 — Government-wide Revenues — Primary Government.....	233
Table 4 — Government-wide Expenses — Primary Government	234
Table 5 — Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund.....	235
Table 6 — Ratio of Annual Debt Service Expenditures for General and Special Bonded Debt to Total General Governmental Revenues and Expenditures for the General, Special Revenue, Debt Service, and Capital Projects Funds	236
Table 7 — Net General and Special Bonded Debt per Capita.....	237
Table 8 — Annual Limitation on Debt Service Expenditures (Budgetary Basis) for General Obligation Bonds (Excluding Highway-Related Bonds) and Special Obligation Bonds.....	238
Table 9 — Revenue Bond Coverage	239
Table 10 — Personal Income — Ohio Compared to the United States.....	241
Table 11 — Annualized Average Monthly Unemployment Rates — Ohio Compared to the United States	242
Table 12 — List of Major Corporations with Headquarters in Ohio	243
Table 13 — Construction Contracts and Residential Building Activity.....	244
Table 14 — Assessed and Market Value of Taxable Real Property.....	245
Table 15 — Miscellaneous Statistics and Data.....	246

INTRODUCTORY SECTION



December 15, 2004

To the Governor, the Honorable Members of the General Assembly, and the Citizens of Ohio:

It is my privilege to issue the *Ohio Comprehensive Annual Financial Report* (CAFR) on the financial condition of the State of Ohio for the fiscal year ended June 30, 2004. The report is prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Ohio Office of Budget and Management pursuant to Section 126.21, Ohio Revised Code, which requires that an official financial report of the State be issued annually, prepared this report. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations.

The Office of Budget and Management is responsible for the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The State's basic financial statements include all funds that comprise the State's legal entity or primary government. The State's reporting entity is also comprised of its component units for which the elected officials of the State's primary government are financially accountable. We followed the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, 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 CAFR includes the following: introductory section; financial section that presents the management's discussion and analysis (MD&A), basic financial statements, required supplementary information, combining financial statements, supporting schedules, and fund descriptions; and a statistical section that presents financial, economic, and demographic data for Ohio.

The MD&A, which is required under GAAP to accompany the basic financial statements, provides a narrative, introduction, overview, and analysis.

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.

INDEPENDENT AUDIT RESULTS

The basic financial statements have been audited by the Office of the Auditor of State. The outcome of the audit conducted by the Auditor of State, in accordance with generally accepted auditing standards, was an unqualified auditors' 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.

PROFILE OF THE GOVERNMENT

The State of 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.

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. More than 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with three judicial and five legislative agencies. An organizational chart of state government can be found on pages 12 and 13.

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.

Along with the establishment of our state governmental structure, the Constitution requires Ohio to have a balanced budget. Ohio's budget is prepared for a period of two years – a biennium –, which begins on July 1 of odd-numbered years and ends 24 months later on June 30.

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.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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.

In fiscal year 1992, an executive order initiated the Internal Accounting Control Program (IACP). The IACP establishes written guidelines for state agencies to follow during periodic management reviews of their accounting operations. Under the program, agencies are required to formally establish, maintain, and annually evaluate and report on internal accounting control.

The State's Central Accounting System (CAS) achieves budgetary control over the various accounts of the State's funds. The General Assembly, authorizes expenditures by appropriating funds in biennial and supplemental appropriation acts. The Office of Budget and Management uses the CAS to control departmental obligation and expenditure activity to ensure authorized appropriations are not exceeded.

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 CAS maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the CAS 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.

CASH MANAGEMENT

In Ohio, with the exception of certain organizations within the State's reporting entity that have independent powers to manage and invest their funds,

the Treasurer of State is responsible for investing the State's cash and investments pool. During fiscal year 2004, cash management and investment transactions made by the Treasurer of State's Office, in accordance with the Uniform Depository Act, were limited to checking accounts and certificates of deposit with qualified public depositories, U.S. government and agency obligations, commercial paper, repurchase agreements, bankers' acceptances, bonds of foreign nations diplomatically recognized by the United States, and security lending agreements. Legal requirements for the investment of funds maintained in the State's cash and investments pool are discussed in NOTE 4 to the financial statements.

Quarterly, the Office of Budget and Management allocates the investment income earned on the cash and investments pool to the various funds designated by law to receive the earnings. The allocation is calculated in accordance with a formula based on average daily cash balances invested over the quarter. The Ohio Lottery Commission's investment portfolio, which is dedicated to the payment of deferred lottery prizes and is accounted for as part of the cash and investments pool, however, is not part of the investment earnings allocation just described. Instead, the Treasurer of State credits the investment earnings from the dedicated portfolio directly to the credit of the fund that accounts for this activity.

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 10. to the financial statements, the State's primary government is self-insured for claims under the Ohio Med Health and United 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. Also, the State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

ECONOMIC OVERVIEW AND OUTLOOK

The U.S. economic expansion gained strength from mid-2003 through the third quarter of 2004, and will mark its third anniversary at the end of the year.

Growth in real GDP exceeded expectations in the second half of 2003, and that momentum carried over into 2004. The economy expanded at an annual rate of 3.8 percent during the first three quarters of 2004, close to projections at the start of the year. After declining for almost three years, total employment turned up in September 2003, and increased by 1.78 million during the year ended in September 2004. Even though hiring has been slow, layoffs have subsided and the unemployment rate has declined from 6.1 percent to 5.4 percent. In response to modest gains in employment and hourly wages, personal income increased 4.8 percent during the year ending in the third quarter of 2004. Aided by federal tax cuts but hurt by higher inflation, real disposable personal income increased 1.9 percent.

Leading the economy forward were consumption expenditures and fixed investment. Purchases of services accounted for about half of the increase in consumer spending. Investment in new equipment and software accounted for about two-thirds of the growth in fixed investment, with the remainder coming from investment in residential structures. Exports, business inventory building, and federal defense spending made additional contributions. Despite the more than 20 percent depreciation in the U.S. dollar in 2002 and 2003, the market share of imported goods and services increased significantly during the past year.

Growth would likely have been stronger in 2004 if not for the near doubling in the price of oil since September 2003 to a record high. Higher energy costs subtracted as much as three-quarters of a percentage point from real GDP growth during the first three quarters of 2004, according to the Federal Reserve Board. The future course of the price of oil will play a major role in determining the pace of economic growth in the year ahead.

The Ohio economy is turning the corner. Growth in personal income has increased substantially, from near 1.0 percent at the end of the 2001 recession to 3.2 percent in 2003 and in the first half of 2004. Annual personal income growth was 0.9 percentage points faster in the U.S. than in Ohio during the decade ending in 2003. Most of the difference was due to slower population growth in Ohio. On a per capita basis, personal income growth in Ohio was within one-fifth of a percentage point of the national rate during the last ten years.

Labor markets turned up later in Ohio than on average across the nation. Total employment increased by 17,200, or 0.3 percent, from December 2003 to September 2004. Layoffs slowed markedly, the number of unemployed workers declined marginally, and the unemployment rate is little changed from a year earlier at 6.0 percent.

Exports contribute significantly to growth in the Ohio economy. In 2003, exports of goods from Ohio increased 7.4 percent to \$29.8 billion, making Ohio the nation's sixth largest exporter. Since the end of 2000, exports have grown faster in Ohio than in any other state. In rank order, the top four export markets for Ohio-made goods are Canada (57 percent), Mexico (7 percent), U.K. (4 percent), and Japan (4 percent). Recent and expected declines in the foreign exchange value of the dollar are projected to sustain the favorable exporting environment and add to growth in the Ohio economy.

The outlook is for the price of oil to decrease back to near \$40 per barrel and real GDP growth to average 3.25 percent to 3.50 percent through the end of 2005. Consistent with solid, but not rapid economic growth, the Federal Reserve is expected to continue to raise short-term interest rates in the year ahead. In November 2004, the central bank raised the fed funds rate, an overnight bank lending rate, to 2.0 percent from 1.75 percent, and in mid-December 2004, the Fed raised the rate another .25 percent to 2.25 percent. Rebuilding from the unusually costly hurricane season is expected to add marginally to economic growth in 2005. Corporate profit growth is projected to slow sharply, as higher input costs combine with stable prices to trim margins and unit growth slows.

In this environment, growth in national employment, personal income, and per capita personal income are projected to be 1.7 percent, 4.7 percent, and 4.0 percent, respectively. The experience in Ohio is projected to nearly match the national performance, with employment, personal income, and per capita personal income growing 1.6 percent, 4.4 percent, and 4.0 percent, respectively.

MAJOR INITIATIVES AND PROJECTS

State Operating Budget

In June 2003, the Governor signed Amended Substitute House Bill 95, the biennial budget bill. This budget provided growth in just a few areas of state spending. More than 75 percent of the growth in state share funding went to three primary areas, Medicaid, primary and secondary education, and higher education. The rest of the budget experienced very little growth.

In March 2004 revenue projections for FY 2004 and FY 2005 were revised downward after estimates projected a state revenue shortfall of \$247.1 million in FY 2004 and \$372.7 million in FY 2005. To offset the potential budget deficit, Governor Taft issued an Executive Order mandating a four percent cut to most state agencies for the remainder of the fiscal year. The state's prison, mental health and mental retardation systems received only a one percent cut. Due to the timing of the cuts in the fiscal year, they had an impact of 12 percent and three percent respectively of the remaining appropriations. On July

1, 2004, additional cuts were imposed for FY 2005. The budget reductions totaled \$118.2 million, with most agencies being cut by six percent, and institutional agencies by one percent. Major exemptions to the reductions included debt service, pension payments made by the Treasurer of State, property tax rollback, homestead exemption and tangible personal property tax exemptions as well as the state's primary job-creation programs; basic aid to primary and secondary education; higher education basic aid and student financial aid; the PASSPORT program, which provides in-home care for seniors, and other selected programs.

Since 2001, the state has reduced spending from appropriated levels by nearly \$1.3 billion, reduced the workforce by more than 3,500 employees, closed or is in the process of closing six institutions, and reduced or eliminated many government services. Agencies have been asked to cut costs through reductions in payroll, greater reliance on non-GRF state funds and federal funds, and the elimination of programs. More than one half of the agencies funded by the General Revenue Fund have fiscal year 2005 appropriations that are below actual fiscal year 2000 spending.

Primary and Secondary Education

In the past several years, the State of Ohio has made significant investments to improve student outcomes. The success of these efforts has come through the collaboration and cooperation of parents, educators, community leaders, and policy makers. Ohio continues to build on this success with a number of strategic investments in student success and accountability and in initiatives to improve teacher quality. In January, Ohio received an "A" rating for standards and accountability, and a "B" for efforts to improve teacher quality from *Education Week*.

In March, Governor Taft signed Senate Bill 2, implementing the recommendations from the Governor's Commission on Teaching Success. Convened by the Governor in November 2001, the Commission is an outgrowth of the Governor's Commission for Student Success. The teaching success legislation provides all students with high-quality teachers who have the competencies, motivation, and the support and incentives they need to help students succeed. The bill creates a mechanism for aligning standards for what students should know and be able to do with standards for what teachers should know and be able to do at all stages of their career.

Governor's Blue Ribbon Task Force on Financing Student Success

In order to continue to improve how Ohio funds its primary and secondary schools, the Governor is asking leaders from education and business, policymakers, teachers and parents to come together and adopt a shared vision for school funding. The

Governor's Blue Ribbon Task Force on Financing Student Success will recommend a new funding methodology for public primary and secondary schools — one that provides predictable and stable funding for school districts, allocates resources with a view toward helping every child achieve academic success, is affordable within the context of the state's economy, and ensures that resources are spent efficiently and appropriately. Recommendations from the Task Force are expected in December 2004.

Ohio Supreme Court Case Update

In May 2003, the Ohio Supreme Court ruled that there was no continuing jurisdiction by the courts in the DeRolph vs. Ohio school funding court case. The ruling concluded that the duty to remedy the educational system lies with the General Assembly.

School Building Assistance

Governor Taft, through the Rebuild Ohio Plan, has proposed spending over \$10.2 billion in state funding, matched by \$12.9 billion local funding, in a 12-year plan to address the facility needs of all Ohio school districts. The plan will allow every Ohio school child to learn in safe, modern facilities and give school districts the capability to create customized classrooms and instruction tailored to meet students' needs. The School Facilities Commission, charged with providing funding to public school districts and overseeing the construction and renovation of school facilities, spends approximately \$2 million daily on new school construction and repair. Since the inception of the Commission in May 1997, \$3.4 billion has been spent on school construction including 253 newly built or renovated open buildings and 75 districts with full facility projects completed.

Governor's Commission on Higher Education and the Economy

In his 2003 Inaugural Address, Governor Taft called for the creation of the Governor's Commission on Higher Education and the Economy (CHEE). The Commission was charged with recommending ways to maximize public investment in higher education and ensuring that the needs of students, parents, and the business community are being met. The Commission evaluated the structure, organization, location, and governance of Ohio's higher education institutions and evaluated state expenditures on higher education. The CHEE completed its work in 2004 and provided the state with a vision and goal for higher education and recommendations for attaining those goals. A summary of the recommendations is as follows:

- **Energize business leadership** - In recognition of higher education's positive impact on the economy, the Commission recommended the creation of a private sector-led Ohio Business Alliance to serve as a cata-

lyst, mediator and advocate for an enhanced and more strategic role for Ohio's colleges and universities as contributors to the state's economic growth.

- **Provide more Ohioans with the knowledge and skills to succeed** - Given the correlation between individual educational attainment and economic prosperity, CHEE members set a goal to significantly increase Ohio's undergraduate and graduate (particularly in the areas of math and science) enrollments by 180,000 by 2005 through efforts to heighten awareness, student aspirations, preparation and to reduce financial barriers to higher education.
- **Strengthen higher education's research base** - CHEE recognized the need to support Ohio's knowledge economy by strengthening higher education's research capacity. This can be achieved by attracting and retaining preeminent researchers, enhancing research capacity to drive economic growth and job creation, and transferring research into technology-driven products and services in the marketplace.
- **Strengthen accountability** - CHEE recommended a "compact" among higher education, the business community and state government to ensure a responsive, high-performing, and efficient higher education system that provides a significant return on the state's investment through increased college participation and the expansion of research and commercialization.

Jobs Cabinet

In his 2004 State of the State Address, Governor Bob Taft appointed a Jobs Cabinet. The Jobs Cabinet will work to help those who have lost jobs, enable companies to find the skilled workers they need to succeed, and cut red tape through regulatory reform. The Jobs Cabinet is focusing on the following:

- Building inter-agency strategies for bringing more employers and jobs to Ohio and keeping the jobs already here;
- Coordinating multi-agency efforts to help dislocated workers receive training and find new jobs;
- Developing and overseeing the implementation of an action plan for streamlining business permits and other regulatory reform;
- Building on the success of the Ohio Business Gateway by bringing more business services on-line;
- Coordinating state marketing efforts, including coordination with a new non-profit corporation created to promote and market Ohio's economic assets; and

- Assisting with Ohio's response to federal regulatory mandates that have the potential to impact business development in Ohio.

Jobs and Progress Plan

Ohio continues to make progress on the Jobs and Progress Plan, Ohio's largest transportation initiative since the original creation the interstate highway system. The basis for the majority of the funding for the plan is provided in the fiscal year 2004-2005 biennial transportation budget, an increase in the motor fuel tax by two cents per gallon per year for the next three years. Major components of Jobs and Progress Plan include: creating a \$5 billion, 10-year Ohio construction program to address the state's most pressing needs; addressing high-congestion, high-crash locations on freeways; improving state bridges and pavement conditions; and connecting all parts of Ohio by completing rural routes. The Plan will generate more than 4,000 highway construction jobs, ease freeway congestion, improve road safety and connect rural regions.

Jobs Bill

In June 2004, Governor Taft signed the Jobs Bill into law. The Jobs Bill will make Ohio more competitive by providing important new economic development tools for Ohio businesses. The bill provides for the investment of \$10 million in Third Frontier operating funding that will be available through competitive awards to existing Wright Centers of Innovation in Data Management, Fuel Cells and Power and Propulsion and other smaller technology innovation projects. The legislation expands the Ohio Enterprise Zone Program from 10 to 15 years to compete with neighboring states that already have extended zones and to help attract major projects that often have longer payback periods. The state's commitment to the Ohio Investment in Training Program, which provides worker training assistance to companies seeking to expand or locate economic development programs in Ohio, will be doubled. Finally, the bill creates the Ohio Workforce Guarantee Program, which will recruit, screen, and train workers for companies creating 100 or more good jobs in Ohio.

Third Frontier

The Third Frontier Project is the state's largest commitment ever to expanding Ohio's high-tech research capabilities and promoting start-up companies to build high-wage jobs for generations to come. The \$1.1 billion investment program currently has four components that are under way:

- The Third Frontier Action Fund will provide grants to encourage the commercialization of new technologies and to foster a climate of entrepreneurship within Ohio;

- The Biomedical Research and Technology Transfer Program will focus on large collaborative projects intended to improve the health of Ohioans as well as to increase job and business opportunities;
- The Wright Brothers Capital Program will build Wright Centers of Innovation which will pair world-class research with commercialization designed to maximize the economic impact of the research investment; and
- The Innovation Ohio Fund, a \$100 million revolving loan fund, will help existing Ohio companies, as well as new companies, invest in capital assets for the purpose of developing new "next generation" commercial products.

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, 2003. This was the 14th consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ADDITIONAL INFORMATION

The Ohio Office of Budget and Management provides access to the fiscal year 2004 *Ohio Comprehensive Annual Financial Report*, fiscal year 2004 *Ohio Budgetary Financial Report*, and other State-related financial data and information on the Internet at <http://www.obm.ohio.gov>.

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.

Sincerely,



Thomas W. Johnson
Director

STATE OF OHIO OFFICIALS

EXECUTIVE

Bob Taft
Governor

Jennette Bradley
Lieutenant Governor

Jim Petro
Attorney General

Betty Montgomery
Auditor of State

Joseph T. Deters
Treasurer of State

J. Kenneth Blackwell
Secretary of State

LEGISLATIVE

Doug White
President of the Senate

Larry Householder
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 Lieutenant Governor Attorney General Auditor of State Secretary of State Treasurer of State 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 Criminal Justice Services 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 Exposition Commission Public Works Commission Southern Ohio Agricultural & Community Development Foundation</p> <p>Business-Type Activities: Bureau of Workers' Compensation and Industrial Commission Capitol Square Review & Advisory Board —Underground Parking Garage Department of Commerce— Liquor Control Division Department of Job and Family Services— Unemployment Compensation Program Lottery Commission Office of the Auditor of State Tuition Trust Authority</p>	
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COMPONENT UNITS

<p>Blended Component Units: Ohio Building Authority (included in Governmental and Business-Type Activities) State Highway Patrol Retirement System (included as Fiduciary Activities)</p> <p>Discretely Presented Component Units: <i>Financing Authorities:</i> Ohio Air Quality Development Authority Ohio Water Development Authority</p> <p><i>Commissions:</i> Arts and Sports Facilities Commission School Facilities Commission SchoolNet 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 Medical College of Ohio at Toledo 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>
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JOINT VENTURES

RELATED ORGANIZATIONS

Great Lakes Protection Fund Local Community Colleges Technical Colleges	Higher Education Facility Commission Ohio Legal Assistance Foundation Ohio Turnpike Commission Petroleum Underground Storage Tank Release Compensation Board
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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, 2003

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Nancy L. Zjelke

President

Jeffrey R. Emen

Executive Director

FINANCIAL SECTION



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Bob Taft, 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, 2004, 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: Capitol Square Review and Advisory Board (Underground Parking Garage); Office of the Auditor of State; Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio; State Treasury Asset Reserve of Ohio; Treasurer of State Lease Revenue Bonds; Office of Credit and Finance; and Variable College Savings Plan.

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

Discretely Presented Component Units: Bowling Green 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 Medical College of Ohio at Toledo.

In addition, we did not audit the financial statements of the Public Employees Retirement System, 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%	0%
Business-Type Activities	86%	46%
Aggregate Discretely Presented Component Units	77%	89%
Aggregate Remaining Fund Information	90%	23%
Workers' Compensation	100%	100%
Ohio Building Authority	100%	100%
Underground Parking Garage	100%	100%
Office of Auditor of State	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.

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www.auditor.state.oh.us

The Honorable Bob Taft, Governor

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 on 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, 2004, 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.

As described in Note 2, during fiscal year 2004, the State of Ohio adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which required certain foundations of state colleges and universities to be reported as component units of their respective reporting entities.

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 required by the Governmental Accounting Standards Board. 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 form opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining fund statements, individual fund schedules and statistical tables 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 did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



BETTY MONTGOMERY
Auditor of State

December 15, 2004

State of Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

(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, 2004. 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 \$18.89 billion, as of June 30, 2004, increased \$333.4 million since the previous year. Net assets of the State's component units reported in the amount of \$10.85 billion, as of June 30, 2004, increased \$1.22 billion since the end of last fiscal year.

Fund Financial Statements

Governmental funds reported combined ending fund balances of \$4.23 billion that was comprised of \$283.7 million reserved for specific purposes, such as for debt service, state and local government highway construction, and federal programs; \$5.58 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans receivable, noncurrent interfund receivables, loan commitments, and inventories; \$104.3 million in designations for budget stabilization and compensated absences; and a \$1.74 billion deficit.

As of June 30, 2004, the General Fund's fund balance was approximately \$735.8 million, including \$20.7 million reserved for "other" specific purposes, as detailed in NOTE 17; \$617.4 million reserved for nonappropriable items; and \$74.6 million and \$23.2 million in designations for budget stabilization and for compensated absences, respectively. The General Fund's fund balance increased by \$543 million (including a \$2.5 million increase in inventories) or 281.7 percent during fiscal year 2004. Due to greater-than-expected personal income tax revenue for fiscal year 2004 and executive-ordered and other spending reductions, the General Fund ended the year with an overall positive fund balance. Various transfers-in from other funds, including a \$234.7 million transfer from the Tobacco Settlement Fund, and a \$193 million federal grant award under the Jobs and Growth Tax Relief Reconciliation Act of 2003 provided additional resources to cover anticipated spending in the General Fund during fiscal year 2004.

Proprietary funds reported net assets of \$1.57 billion, as of June 30, 2004, a decrease of \$212.8 million since June 30, 2003. Most of the net decline was due to the \$477.6 million and \$77.3 million net losses reported for the Unemployment Compensation and Lottery Commission enterprise funds, respectively, which offset increases in net assets of \$308.4 million and \$29.6 million in the Workers' Compensation and Tuition Trust Authority enterprise funds, respectively. The loss for the Unemployment Compensation Enterprise fund is attributable to benefits and claims expenses of \$1.63 billion that exceeded total operating and nonoperating revenues by approximately \$457.9 million. For the Lottery Commission Enterprise Fund, the decline is mainly due to a decline in investment income of \$161.1 million, which more than offsets an increase in lottery ticket sales of \$76.5 million for fiscal year 2004. The Workers' Compensation Enterprise Fund's increase is due to net investment income of \$1.25 billion, which more than offsets premium dividend reductions and refund expenses of \$415.5 million, and workers' compensation benefits and compensation adjustment expenses of \$2.55 billion, which exceeded net premium and assessment income of \$2.13 billion by \$422.4 million. The Tuition Trust Authority's increase in net assets resulted from a \$270.2 million reduction in tuition benefit expenses in fiscal year 2004 as compared to fiscal year 2003.

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

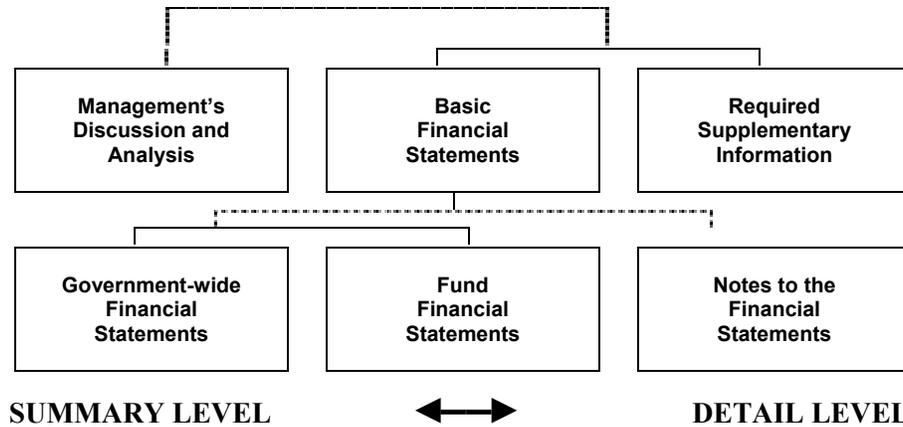
Overall, the carrying amount of total long-term debt for the State's primary government increased \$775.4 million or 8.3 percent during fiscal year 2004 to end the fiscal year with a reported balance of \$10.1 billion in long-term debt. During the year, the State issued at par \$1.22 billion in general obligation bonds, of which \$125.2 million were refunding bonds, \$221.1 million in revenue bonds, of which \$7.4 million were refunding bonds, and \$389.9 million in special obligation bonds, of which \$122.1 million were refunding bonds. Changes in the primary government's long-term debt for fiscal year 2004 can be found in NOTE 15.

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, 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 funds.

**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 funds statements report on the activities, which the State operates like private-sector businesses. Fiduciary funds 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 also 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 66 through 126 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 128 and 129 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 Balance 	<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 34 through 37 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, community and economic development, and intergovernmental. 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 insurance 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, Arts and Sports Facilities Commission, SchoolNet Commission, Ohio Water Development Authority, Ohio Air Quality Development Authority, and 23 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 14 special revenue funds, 22 debt service funds, and 10 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 42 governmental funds, which are classified as nonmajor funds, are combined into a single, aggregated presentation under a single column on the 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 38 through 49 of this report while the combining fund statements and schedules can be found on pages 132 through 191.

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 applying the accrual basis of accounting and an economic resources focus. The eight enterprise funds, all of which are considered to be major 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 50 through 57 of this report.

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 58 through 61 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets. During fiscal year 2004, as shown in the table on the following page, the combined net assets of the State’s primary government increased \$333.4 million or 1.80 percent. Net assets reported for governmental activities increased \$546.2 million or 3.26 percent and business-type activities decreased \$212.8 million or 11.94 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, 2004
With Comparatives as of June 30, 2003 (as restated)**
(dollars in thousands)

	As of June 30, 2004			As of June 30, 2003		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Assets:						
Current and Other Noncurrent Assets	\$12,172,731	\$23,832,701	\$36,005,432	\$10,416,761	\$24,213,259	\$34,630,020
Capital Assets	22,946,964	183,801	23,130,765	22,368,509	211,908	22,580,417
Total Assets	35,119,695	24,016,502	59,136,197	32,785,270	24,425,167	57,210,437
Liabilities:						
Current and Other Liabilities	7,296,528	3,452,725	10,749,253	6,101,273	3,836,997	9,938,270
Noncurrent Liabilities	10,499,232	18,994,111	29,493,343	9,906,250	18,805,672	28,711,922
Total Liabilities	17,795,760	22,446,836	40,242,596	16,007,523	22,642,669	38,650,192
Net Assets:						
Invested in Capital Assets, Net of Related Debt	19,868,078	5,873	19,873,951	19,261,553	19,827	19,281,380
Restricted	1,888,728	1,787,404	3,676,132	1,870,890	2,026,857	3,897,747
Unrestricted/(Deficits)	(4,432,871)	(223,611)	(4,656,482)	(4,354,696)	(264,186)	(4,618,882)
Total Net Assets	\$17,323,935	\$ 1,569,666	\$18,893,601	\$16,777,747	\$ 1,782,498	\$18,560,245

As of June 30, 2004, 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 \$19.87 billion. Restricted net assets were approximately \$3.68 billion, resulting in a \$4.66 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 \$4.43 billion deficit for 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 \$9.33 billion of outstanding general obligation and special obligation debt at June 30, 2004, \$5.71 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 Assets 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, 2004, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of \$382.2 million (see NOTE 14A.) and a \$795.7 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 2004 and 2003, follows.

**Primary Government
Statement of Activities
For the Fiscal Year Ended June 30, 2004
With Comparatives for the Fiscal Year Ended June 30, 2003 (as restated)**
(dollars in thousands)

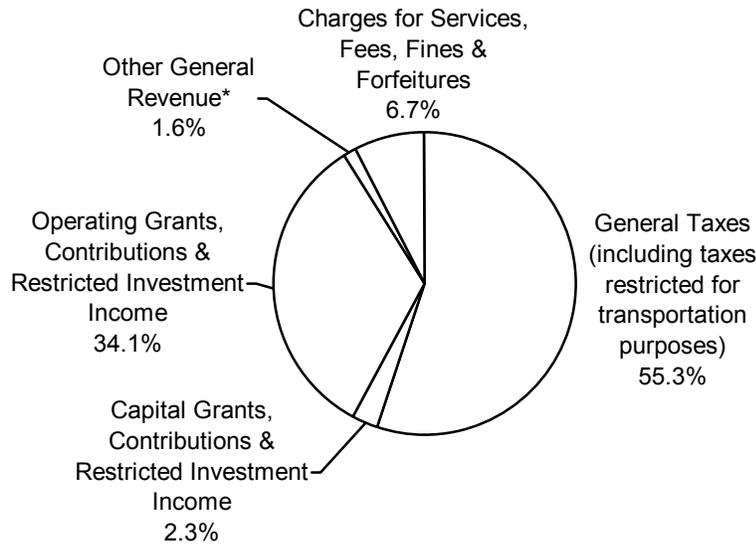
	Fiscal Year 2004			Fiscal Year 2003		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Program Revenues:						
Charges for Services, Fees, Fines and Forfeitures.....	\$ 2,529,150	\$4,997,160	\$ 7,526,310	\$ 2,176,902	\$4,989,469	\$ 7,166,371
Operating Grants, Contributions & Restricted Investment Income/(Loss).....	12,945,972	2,455,783	15,401,755	11,772,552	1,895,246	13,667,798
Capital Grants, Contributions & Restricted Investment Income/(Loss).....	890,444	332	890,776	930,497	956	931,453
Total Program Revenues.....	16,365,566	7,453,275	23,818,841	14,879,951	6,885,671	21,765,622
General Revenues:						
General Taxes	19,396,617	—	19,396,617	17,633,793	—	17,633,793
Taxes Restricted for Transportation	1,631,631	—	1,631,631	1,462,608	—	1,462,608
Tobacco Settlement.....	316,799	—	316,799	345,075	—	345,075
Escheat Property	74,268	—	74,268	43,173	—	43,173
Unrestricted Investment Income	18,159	622	18,781	5,285	29,726	35,011
Federal.....	193,033	12	193,045	193,033	44	193,077
Other.....	1,940	—	1,940	1,802	4,822	6,624
Total General Revenues.....	21,632,447	634	21,633,081	19,684,769	34,592	19,719,361
Total Revenues	37,998,013	7,453,909	45,451,922	34,564,720	6,920,263	41,484,983
Expenses:						
Primary, Secondary and Other Education	9,190,983	—	9,190,983	8,498,696	—	8,498,696
Higher Education Support.....	2,495,208	—	2,495,208	2,515,379	—	2,515,379
Public Assistance and Medicaid	13,573,040	—	13,573,040	12,683,617	—	12,683,617
Health and Human Services	3,247,382	—	3,247,382	2,930,071	—	2,930,071
Justice and Public Protection.....	2,452,891	—	2,452,891	2,435,774	—	2,435,774
Environmental Protection and Natural Resources.....	419,933	—	419,933	403,445	—	403,445
Transportation.....	1,463,959	—	1,463,959	1,532,040	—	1,532,040
General Government	607,374	—	607,374	486,013	—	486,013
Community and Economic Development.....	821,841	—	821,841	739,814	—	739,814
Intergovernmental.....	3,770,780	—	3,770,780	3,675,073	—	3,675,073
Interest on Long-Term Debt (excludes interest charged as program expense)	189,583	—	189,583	195,559	—	195,559
Workers' Compensation	—	3,072,477	3,072,477	—	4,088,796	4,088,796
Lottery Commission.....	—	1,575,279	1,575,279	—	1,523,764	1,523,764
Unemployment Compensation	—	1,639,014	1,639,014	—	1,838,949	1,838,949
Ohio Building Authority	—	27,524	27,524	—	30,824	30,824
Tuition Trust Authority.....	—	118,834	118,834	—	388,469	388,469
Liquor Control	—	374,507	374,507	—	354,547	354,547
Underground Parking Garage.....	—	2,199	2,199	—	2,515	2,515
Office of Auditor of State.....	—	75,758	75,758	—	84,087	84,087
Total Expenses.....	38,232,974	6,885,592	45,118,566	36,095,481	8,311,951	44,407,432
Surplus/(Deficiency) Before Special Items & Transfers						
	(234,961)	568,317	333,356	(1,530,761)	(1,391,688)	(2,922,449)
Special Items	—	—	—	—	11	11
Transfers-Internal Activities	781,149	(781,149)	—	755,855	(755,855)	—
Change in Net Assets	546,188	(212,832)	333,356	(774,906)	(2,147,532)	(2,922,438)
Net Assets, July 1 (as restated).....	16,777,747	1,782,498	18,560,245	17,552,653	3,930,030	21,482,683
Net Assets, June 30.....	\$17,323,935	\$1,569,666	\$18,893,601	\$16,777,747	\$1,782,498	\$18,560,245

Governmental Activities

The \$546.2 million increase in net assets during fiscal year 2004 primarily resulted from higher-than-expected personal income tax collections for the year, executive-ordered spending reductions in March 2004 totaling \$100 million, and an additional \$150 million in expected lapses that revised current spending estimates for the year downward. Effective July 2003, the State raised the sales and use tax rate by one cent to six percent. The tax increase, in combination with other general tax revenues, federal reimbursements for eligible program costs, and transfers from the State’s business-type activities, more than adequately offset spending increases over fiscal year 2003 largely in the Primary, Secondary and Other Education and the Public Assistance and Medicaid functions. Increased spending in the State’s largest public assistance-related program, Medicaid, most likely resulted from increases in health care costs and the continuation of a slowdown in the economy.

The following chart illustrates revenue sources of governmental activities as percentages of total revenues reported for the fiscal year ended June 30, 2004.

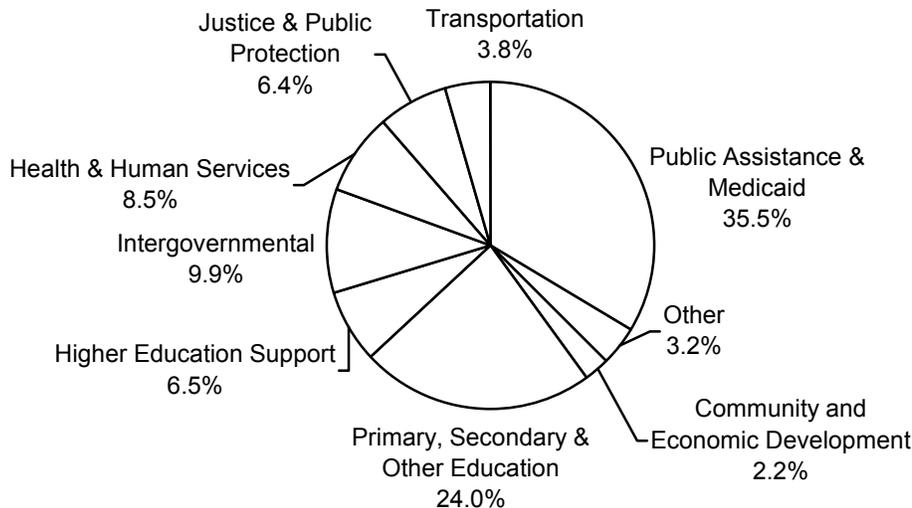
**Governmental Activities — Sources of Revenue
Fiscal Year 2004**



Total FY 04 Revenue for Governmental Activities = \$38.0 Billion

The following chart illustrates expenses by program of governmental activities as percentages of total program expenses reported for the fiscal year ended June 30, 2004.

**Governmental Activities — Expenses by Program
Fiscal Year 2004**



Total FY 04 Program Expenses for Governmental Activities = \$38.2 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, 2004 and 2003. 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, unrestricted investment income, and unrestricted federal revenue.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Year Ended June 30, 2004
With Comparatives for the Fiscal Year Ended June 30, 2003 (as restated)
(dollars in thousands)

Program	For the Fiscal Year Ended June 30, 2004			
	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	\$ 9,190,983	\$ 7,738,890	84.2%	20.2%
Higher Education Support	2,495,208	2,475,475	99.2	6.5
Public Assistance and Medicaid	13,573,040	3,936,213	29.0	10.3
Health and Human Services	3,247,382	1,265,232	39.0	3.3
Justice and Public Protection	2,452,891	1,415,166	57.7	3.7
Environmental Protection and Natural Resources	419,933	167,008	39.8	0.4
Transportation	1,463,959	509,473	34.8	1.3
General Government	607,374	191,603	31.5	0.5
Community and Economic Development	821,841	207,985	25.3	0.6
Intergovernmental	3,770,780	3,770,780	100.0	9.9
Interest on Long-Term Debt	189,583	189,583	100.0	0.5
Total Governmental Activities	\$38,232,974	\$21,867,408	57.2	57.2%

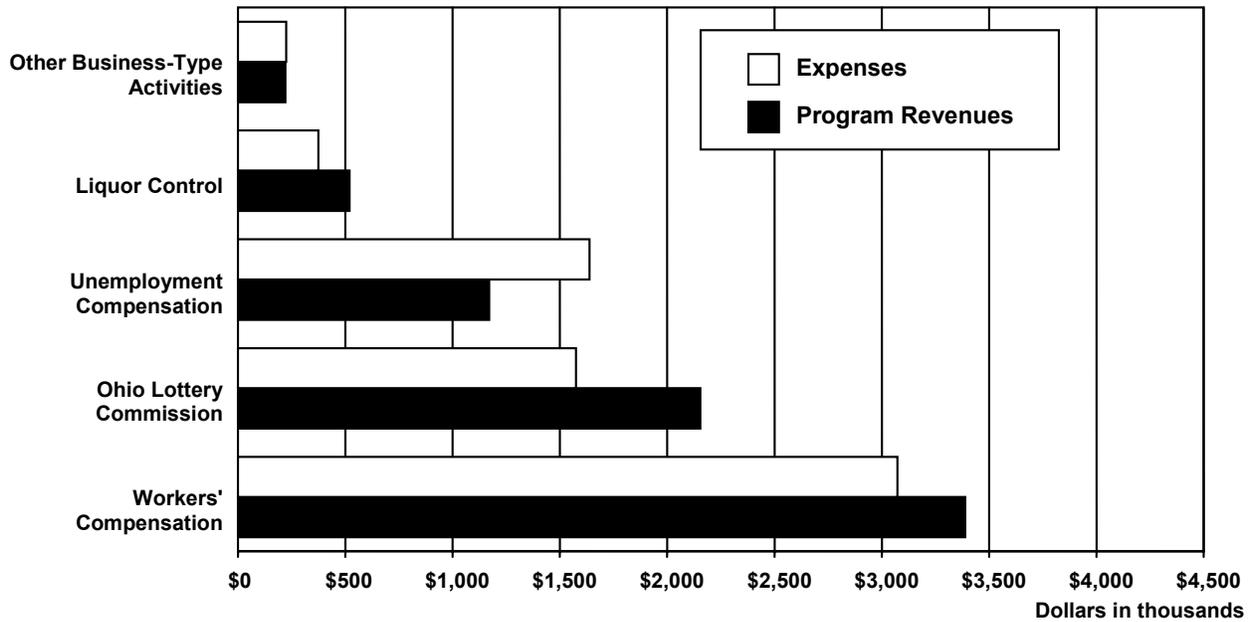
Program	For the Fiscal Year Ended June 30, 2003			
	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education	\$ 8,498,696	\$ 7,234,432	85.1%	20.0%
Higher Education Support	2,515,379	2,491,806	99.1	6.9
Public Assistance and Medicaid	12,683,617	3,937,383	31.0	10.9
Health and Human Services	2,930,071	1,164,789	39.8	3.2
Justice and Public Protection	2,435,774	1,584,283	65.0	4.4
Environmental Protection and Natural Resources	403,445	179,562	44.5	0.5
Transportation	1,532,040	515,201	33.6	1.4
General Government	486,013	77,450	15.9	0.2
Community and Economic Development	739,814	159,992	21.6	0.5
Intergovernmental	3,675,073	3,675,073	100.0	10.2
Interest on Long-Term Debt	195,559	195,559	100.0	0.6
Total Governmental Activities	\$36,095,481	\$21,215,530	58.8	58.8%

Business-Type Activities

The State's enterprise funds reported net assets of \$1.57 billion, as of June 30, 2004, as compared to \$1.78 billion in net assets, as of June 30, 2003. Contributing to the overall decline in business-type activities was the Unemployment Compensation Fund, which reported net assets of \$809 million, as of June 30, 2004, as compared to \$1.29 billion, a 37.1 percent decrease since June 30, 2003. The Lottery Commission Fund posted a \$77.3 million

or 38.5 percent reduction in net assets during fiscal year 2004 when the fund reported net assets of \$123.5 million, as of June 30, 2004. The Workers' Compensation Fund, however, reported net assets of \$860.8 million, as of June 30, 2004, as compared to \$552.4 million in net assets, as of June 30, 2003, a 55.8 percent increase. The chart below compares program expenses and program revenues for business-type activities.

**Business-Type Activities — Expenses and Program Revenues
Fiscal Year 2004**



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, 2004 and June 30, 2003 (dollars in thousands).

	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
<i>As of and for the Fiscal Year Ended June 30, 2004:</i>				
Unreserved/Undesignated				
Fund Balance (Deficit).....	\$ —	\$ (2,184,137)	\$ 443,440	\$ (1,740,697)
Designated Fund Balance.....	97,748	—	6,584	104,332
Total Fund Balance.....	735,836	690,876	2,805,192	4,231,904
Total Revenues.....	24,100,293	10,300,523	3,354,568	37,755,384
Total Expenditures.....	23,696,836	10,479,377	5,411,537	39,587,750
<i>As of and for the Fiscal Year Ended June 30, 2003 (as restated):</i>				
Unreserved/Undesignated				
Fund Balance (Deficit).....	\$ (364,851)	\$ (1,837,828)	\$ 393,979	\$ (1,808,700)
Designated Fund Balance.....	—	—	3,941	3,941
Total Fund Balance.....	192,787	762,870	2,660,290	3,615,947
Total Revenues.....	21,748,682	9,757,471	3,115,188	34,621,341
Total Expenditures.....	22,428,880	10,135,171	5,122,383	37,686,434

General Fund

Fund balance for the General Fund, the main operating fund of the State, had increased by \$543 million during the current fiscal year. Key factors for the increase were higher personal income tax and sales tax collections resulting from an expansion in the economy and a temporary increase (effective through June 30, 2005) in the sales and use tax rate by one cent to six percent, and from increased federal receipts due to a temporary increase in the reimbursement percentage under the federal Medicaid Program. These increases in revenues outpaced mandated spending increases in the Medicaid Program and increased spending for primary and secondary education.

General Fund Budgetary Highlights

The State ended the first year of its biennial budget period on June 30, 2004 with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$934.3 million. Total budgetary sources for the General Fund (including \$617.1 million in transfers from other funds) in the amount of \$25.76 billion were above final estimates by \$308.1 million or 1.2 percent during fiscal year 2004, while total tax receipts were above final estimates by \$191.6 million or 1.1 percent. The State also received a \$193.0 million federal grant award under the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003, which was deposited into the General Fund, and \$234.7 million from tobacco settlement revenues was transferred to the General Fund, as authorized under legislation. It was not necessary to use any of the \$180.7 million that had been designated for budget stabilization purposes at June 30, 2003 during fiscal year 2004.

The State also received the enhanced federal medical assistance percentage portion of federal Medicaid reimbursements allowed under the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003. This allows the State to receive reimbursement for an additional 2.95 percent of its eligible Medicaid disbursements paid during the last quarter of fiscal year 2003 and all four quarters of fiscal year 2004. During fiscal year 2004 the State received \$368.5 million under this program. Temporary legislation requires that \$18.6 million and \$90.9 million of this money be spent to pay eligible Medicaid claims during fiscal years 2004 and 2005, respectively. The remainder may be spent at the discretion of the State.

The State undertook several revenue enhancement actions in fiscal year 2003 that took effect in fiscal year 2004, including:

- A one-cent increase in the State sales tax (to six percent) for the biennium. The tax is currently set to expire June 30, 2005.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television. (The inclusion of satellite television in the sales tax base is subject to a legal challenge.)
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax.
- Elimination of the sales tax exemption for WATS and 800 telecom services coupled with the enactment of a more limited exemption for call centers.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax.

The better-than-expected revenue picture primarily resulted from higher-than-anticipated receipts from personal income tax which exceeded estimates by \$310.2 million and more than offset lower-than-anticipated sales tax receipts, which fell below estimates by \$104.4 million.

Total budgetary uses for the General Fund (including \$144 million in transfers to other funds) in the amount of \$25.77 billion were below final estimates by \$226.3 million or .9 percent for fiscal year 2004.

Based on regular monthly monitoring of revenues and expenditures, OBM on March 8, 2004 announced revised General Revenue Fund (GRF) revenue projections for fiscal years 2004 and 2005 based primarily on reduced revenue collections from personal income taxes. The GRF is the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund. In response to OBM reducing its GRF revenue projection by \$247.1 million (1.02%) for fiscal year 2004 and by \$372.7 million (1.48%) for fiscal year 2005, the Governor on March 8 ordered fiscal year 2004 expenditure reductions of approximately \$100 million, and the Office of Budget and Management revised the current spending estimates downward to account for an additional \$150 million in expected lapses.

Other Major Governmental Funds

Fund balance for the *Job, Family and Other Human Services Fund*, as of June 30, 2004, was a deficit in the amount of \$76.5 million, a decrease of \$94.5 million since June 30, 2003. Expenditures exceeded revenues by \$109.6 million, and of this deficiency of revenues under expenditures, \$15.2 million was offset by net transfers-in received from other funds.

Fund balance for the *Education Fund*, as of June 30, 2004, totaled \$48.3 million, an increase of \$25.8 million since June 30, 2003. Fiscal year 2004 net transfers-in for the fund in the amount of \$635.5 million was more than enough to cover the excess of expenditures over revenues reported for the fund in the amount of \$609.8 million.

Fund balance for the *Highway Operating Fund*, as of June 30, 2004, totaled \$600.2 million, a decrease of \$15.5 million (including a \$946 thousand decrease in inventories) since June 30, 2003. The decline was in spite of decreased transportation spending of \$1.78 billion for fiscal year 2004 compared with \$1.91 billion during the previous fiscal year, and an increase in the fund's revenues to \$1.52 billion in fiscal year 2004 from \$1.44 billion in fiscal year 2003. The revenue increase for this fund was due in part to a two-cent increase in the motor vehicle fuel tax rate from 22 cents a gallon to 24 cents a gallon, effective July 1, 2003. There was a slight increase in transfers-out for fiscal year 2004 of \$9.1 million when compared to fiscal year 2003 results.

Fund balance for the *Revenue Distribution Fund*, as of June 30, 2004, totaled \$118.8 million, an increase of \$12.2 million since June 30, 2003. Fiscal year 2004 net transfers-out to other governmental funds of \$790 million were lower than the \$825.9 million net transfers-out reported for fiscal year 2003, thus causing the increase in fund balance.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

For the *Workers' Compensation Fund*, the \$308.4 million increase in net assets was primarily due to an increase in investment income of approximately \$674.5 million. The Bureau of Worker's Compensation experienced net investment income of \$1.25 billion, compared to net investment income of \$575.4 million reported in the previous fiscal year. The increase in net investment income was primarily attributable to an increase of \$804 million in the fair value of the investment portfolio in fiscal year 2004 compared to a \$43 million increase in fair value during fiscal year 2003.

Workers' compensation benefits and claims expenses exceeded premium and assessment income by \$422.4 million in fiscal year 2004 as compared with \$1.19 billion in fiscal year 2003.

Net assets were reduced by premium dividend reductions and refunds expenses of \$415.5 million during fiscal year 2004 as compared to a \$640.6 million reduction in fiscal year 2003. The Workers Compensation Oversight Commission approved a one-time 20-percent premium reduction for Ohio private employers for the policy period, July 1, 2003 through December 31, 2003, and an additional 20-percent premium reduction was approved for the policy period January 1, 2004 through June 30, 2004.

Workers' compensation benefits and claims expense were \$2.55 billion in fiscal year 2004 as compared to \$3.36 billion in fiscal year 2003. The decrease in workers' compensation benefits is due largely to declines in the number of newly awarded permanent total disability claims. Medical costs in fiscal year 2004 were lower than expected by nearly \$80 million.

For fiscal year 2004, the *Lottery Commission Fund* reported \$578.9 million in income before transfers of \$655.6 million and \$623 thousand to the Education and General funds, respectively, posting a \$77.3 million dollar reduction in the fund's net assets. For fiscal year 2003, the Lottery Commission Fund reported approximately \$708.2 million in income before transfers of \$641.4 million and \$189 thousand to the Education and General funds, respectively, posting a \$66.6 million gain in the fund's net assets.

Unemployment benefits and claims expenses of \$1.63 billion exceeded total operating and nonoperating revenues by approximately \$457.9 million for the *Unemployment Compensation Fund*. As a result of the decline in the asset balance on deposit with the federal government relative to employer contributions during fiscal year 2004, investment income for the fund was \$53.3 million, down \$40.3 million or 43.1 percent from fiscal year 2003. As of June 30, 2004, the deposit with federal government was reported at \$711.0 million, as compared with \$1.19 billion, as of June 30, 2003, a 40.3 percent decline. Premium and assessment income reported for fiscal year 2004 in the amount of \$847.6 million increased by \$96.6 million, while federal government revenue in the amount of \$224.4 million decreased by \$116.2 million when compared to fiscal year 2003. For calendar year 2003, Ohio's annualized average monthly unemployment rate 6.1 percent versus 5.7 percent during the previous calendar year, according to the Ohio Department of Job and Family Services.

For fiscal year 2004, the *Tuition Trust Authority Fund* reduced its deficit by \$29.6 million or 9.3 percent. The deficit reduction was primarily due to an increase in investment income of \$79.9 million and a decrease in benefits and claims expenses of \$270.2 million. The investment income for the Authority was \$109 million in fiscal year

2004 as compared to \$29.1 million in fiscal year 2003. The increase in investment income was primarily attributable to improving market values of securities held by the Authority. Tuition benefit expense was \$111.0 million in fiscal year 2004, as compared to \$381.2 million in fiscal year 2003. The decrease in the tuition benefits expense was a result of more modest growth during fiscal year 2004 and the slower estimated increase in the projected future tuition growth due to the suspension of sales in the Guaranteed Savings Program. While the increase in investment income and the reduction in the benefits claims expenses contributed to the reduction in the Authority's deficit for fiscal year 2004, tuition unit sales decreased by \$71.2 million or 64.4 percent. The reduction in unit sales is attributable to the suspension of sales in the Guaranteed Savings Program.

The *Liquor Control* Fund reported a net gain of \$1.1 million after transferring \$118 million to the General Fund and \$26.6 million to other governmental funds.

In fiscal year 2004, transfers from proprietary funds to governmental funds totaled \$830.3 million, up \$3.8 million or .5 percent when compared to the \$826.5 million in transfers-out reported in fiscal year 2003.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2004 and June 30, 2003, the State had invested \$23.13 billion and \$22.58 billion, net of accumulated depreciation of \$1.99 billion and \$1.86 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, 2004
With Comparatives as of June 30, 2003
(dollars in thousands)

	As of June 30, 2004			As of June 30, 2003		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,573,861	\$ 12,631	\$ 1,586,492	\$ 1,530,958	\$ 12,631	\$ 1,543,589
Buildings.....	2,016,005	133,763	2,149,768	1,895,700	141,111	2,036,811
Land Improvements	143,262	17	143,279	110,112	18	110,130
Machinery and Equipment	141,704	34,928	176,632	141,766	54,799	196,565
Vehicles.....	125,976	2,462	128,438	125,321	2,393	127,714
Infrastructure:						
Highway Network:						
General Subsystem	8,232,748	—	8,232,748	8,059,076	—	8,059,076
Priority Subsystem.....	6,707,733	—	6,707,733	6,570,628	—	6,570,628
Bridge Network	2,287,175	—	2,287,175	2,255,567	—	2,255,567
Parks, Recreation, and Natural Resources System	23,424	—	23,424	17,836	—	17,836
	21,251,888	183,801	21,435,689	20,706,964	210,952	20,917,916
Construction-in-Progress	1,695,076	—	1,695,076	1,661,545	956	1,662,501
Total Capital Assets, Net	\$22,946,964	\$183,801	\$23,130,765	\$22,368,509	\$211,908	\$22,580,417

During fiscal year 2004, the State recognized \$179.5 million in annual depreciation expense relative to its general governmental capital assets as compared with \$156.2 million in depreciation expense recognized in fiscal year 2003.

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2004 totaling approximately \$615.6 million, as compared with \$435 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 2.44 percent (a 2.6 percent increase for governmental activities and a 13.3 percent decrease for business-type activities). As further detailed in NOTE 19D. of the notes to the financial statements, the State had \$226.2 million in major construction commitments (unrelated to infrastructure), as of June 30, 2004, as compared with the \$205.6 million balance reported for June 30, 2003.

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 pos-

asses 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 42,471 in lane miles of highway (12,225 in lane miles for the priority highway subsystem and 30,246 in lane miles for the general highway subsystem) and approximately 82.3 million square feet of deck area that comprises more than 12,000 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 2003, indicates that only 3.9 percent and 1.1 percent of the priority and general subsystems, respectively, were assigned a “poor” condition rating. For calendar year 2002, only 3.1 percent and 1.8 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 2003, indicates that only 2.7 percent and .02 percent of the number of square feet of bridge deck area were considered to be in “fair” and “poor” conditions, respectively. For calendar year 2002, only 3.0 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 2004, total actual maintenance and preservation costs for the priority and general subsystems were \$273.3 million and \$227.4 million, respectively, compared to estimated costs of \$195.3 million for the priority system and \$133.2 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$208.4 million compared to estimated costs of \$147.8 million. For the previous fiscal year, total actual maintenance and preservation costs for the priority and general subsystems were \$273.8 million and \$209.5 million, respectively, compared to estimated costs of \$243.7 million for the priority system and \$135.1 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$229.1 million compared to estimated costs of \$180.4 million.

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

As of June 30, 2004 and June 30, 2003, the State had total debt of approximately \$10.10 billion and \$9.32 billion, respectively, as shown in the table below.

**Bonds and Notes Payable and Certificates of Participation
As of June 30, 2004
With Comparatives as of June 30, 2003
(dollars in thousands)**

	As of June 30, 2004			As of June 30, 2003		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
Bonds and Notes Payable:						
General Obligation Bonds	\$5,420,711	\$ —	\$ 5,420,711	\$4,603,842	\$ —	\$4,603,842
Revenue Bonds and Notes	607,958	158,537	766,495	450,598	167,310	617,908
Special Obligation Bonds	3,904,480	—	3,904,480	4,093,614	—	4,093,614
Certificates of Participation	6,480	—	6,480	7,370	—	7,370
Total Debt	\$9,939,629	\$158,537	\$10,098,166	\$9,155,424	\$167,310	\$9,322,734

The State’s general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State, including the Ohio Building Authority (OBA), a blended component unit of 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 OBA 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 2004, the State issued at par \$1.22 billion in general obligation bonds, \$221.1 million in revenue bonds, and \$389.9 million in special obligation bonds. Of the general obligation bonds, revenue bonds, and special obligation bonds issued at par, \$125.2 million, \$7.4 million, and \$122.1 million, respectively, were refunding bonds. The total increase in the State's debt obligations for the current fiscal year, as based on carrying amount, was 8.3 percent (an 8.6 percent increase for governmental activities and a 5.2 percent decrease for business-type activities).

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 AA+, except for Highway Capital Improvement Obligations, which are rated AAA.

For state obligations, 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.

On November 8, 2004, Moody's changed its credit outlook on the State from "negative" to "stable." On July 9, 2003, S&P changed its credit outlook on the State from "negative" to "stable." The changes in outlook to "stable" do not constitute a rating change, but reflect an assessment by that particular rating agency that a change in the rating is not expected in the near term.

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.

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

As of the end of October, the national economy has pulled out of the mid-year soft patch, and is moving ahead on the back of a strong showing by consumer spending and a large increase in business equipment spending. Analysts expect the same or faster growth in the current quarter.

The forecast for the State of Ohio's economy is for a continuing, moderate economic recovery with moderate improvements in Ohio's labor markets. Growth in wages and salaries, which are a key determinant of revenue from income taxes and has an important effect on revenue from the sales and use tax, grew at an annualized rate of 6.4 percent for the first quarter of 2004. Through the end of October, actual tax revenues and disbursements for the GRF for fiscal year 2005 have been consistent with the Office of Budget and Management's projections.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the General Revenue Fund (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.

The GRF appropriations bill for the fiscal year 2004-05 biennium (beginning July 1, 2003) was passed by the General Assembly on June 19, 2003 and promptly signed (with selective vetoes) by the Governor June 26. Necessary GRF debt service and lease-rental appropriations (for special obligation debt) for the entire biennium were requested in the Governor's proposed budget, incorporated in the related appropriations bill as introduced and in the bill's versions as passed by the House and the Senate, and in the Act as passed and signed. (The same is true for the separate Department of Transportation (DOT) and Bureau of Workers' Compensation (BWC) appropriations acts containing lease-rental appropriations for certain Ohio Building Authority-financed projects at DOT, BWC, and the Department of Public Safety.)

The Act provides for total GRF biennial expenditures of approximately \$48.8 billion. Those authorized GRF expenditures for fiscal year 2005 are approximately 3.5 percent higher than for fiscal year 2004. The following are examples of increases in authorized GRF biennial expenditures compared with actual fiscal year 2002-03 expenditures in major program categories: primary and secondary education-5.1 percent; higher education-4.4 percent; mental health and mental retardation-4.1 percent; Medicaid-19.9 percent; and adult and juvenile corrections-5.7 percent.

The above expenditure levels reflect among other expenditure controls in the Act: Medicaid cost containment measures including pharmacy cost management initiatives, limited expenditure growth for institutional services and implementation of managed care for higher-cost populations; continued phase-out of certain tangible personal property tax relief payments to local governments; the closing by consolidation of three institutional facilities during the biennium; adjustments in eligibility guidelines for subsidized child care from 185 percent to 150 percent of the federal poverty level, and freezing certain reimbursement rates; no compensation increases for most state employees in fiscal year 2004 and limited one-time increases in fiscal year 2005; and continued limitation on local government assistance fund distributions to most subdivisions and local libraries to the lesser of the equivalent monthly payments in fiscal years 2000 and 2001 or the amount that would have been distributed under the standard formula.

On July 1, 2004, the Governor ordered fiscal year 2005 expenditure cuts of approximately \$118 million in addition to a reduction of \$50 million in state spending on Medicaid reflecting an increased federal share of certain Medicaid services. Those annualized reductions are one percent for corrections, youth services, mental health, and mental retardation and developmental disabilities; and four percent in fiscal year 2004 and six percent in fiscal year 2005 for other departments and agencies. Expressly excluded from those reductions are debt service and lease rental payments relating to state obligations, state basic aid to elementary and secondary education, instructional subsidies and scholarships for public higher education, in-home care for seniors, and certain job creation programs. The balance of those revenue reductions have been and will be offset by GRF expenditure lapses and, for fiscal year 2005, elimination of an anticipated \$100 million year-end set-aside for budget stabilization purposes, while maintaining a year-end GRF fund balance at June 30, 2005 equal to one-half percent of total revenues and transfers-in reported for this budgetary fund during fiscal year 2004.

Contacting the Ohio Office of Budget and Management

This financial report is designed to provide the State's citizens, taxpayers, customers, and 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.

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BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2004
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer.....	\$ 5,107,379	\$ 50,295	\$ 5,157,674	\$ 388,266
Cash and Cash Equivalents.....	94,120	1,716,627	1,810,747	730,630
Investments.....	742,645	14,973,939	15,716,584	5,189,911
Collateral on Lent Securities.....	2,108,403	2,673,153	4,781,556	153,934
Deposit with Federal Government.....	—	711,038	711,038	—
Taxes Receivable.....	1,076,897	—	1,076,897	—
Intergovernmental Receivable.....	1,508,497	4,828	1,513,325	46,022
Premiums and Assessments Receivable.....	—	1,410,658	1,410,658	—
Investment Trade Receivable.....	—	350,491	350,491	—
Loans Receivable, Net.....	907,439	—	907,439	249,326
Receivable from Primary Government.....	—	—	—	47,879
Other Receivables.....	518,257	318,045	836,302	746,130
Inventories.....	45,218	33,304	78,522	50,013
Other Assets.....	63,876	14,602	78,478	407,986
Restricted Assets:				
Cash and Cash Equivalents.....	—	1,768	1,768	121,243
Investments.....	—	1,573,953	1,573,953	1,260,909
Loans Receivable, Net.....	—	—	—	2,683,771
Capital Assets Being Depreciated, Net.....	2,394,839	171,170	2,566,009	5,905,188
Capital Assets Not Being Depreciated.....	20,552,125	12,631	20,564,756	1,206,072
TOTAL ASSETS.....	35,119,695	24,016,502	59,136,197	19,187,280
LIABILITIES:				
Accounts Payable.....	607,443	39,151	646,594	409,196
Accrued Liabilities.....	274,852	4,322	279,174	349,246
Medicaid Claims Payable.....	954,720	—	954,720	—
Obligations Under Securities Lending.....	2,108,403	2,673,153	4,781,556	153,934
Investment Trade Payable.....	—	1,451,130	1,451,130	—
Intergovernmental Payable.....	1,148,395	837	1,149,232	1,127
Internal Balances.....	802,254	(802,254)	—	—
Payable to Component Units.....	47,879	—	47,879	—
Unearned Revenue.....	574,918	2,822	577,740	144,722
Benefits Payable.....	—	2,290	2,290	—
Refund and Other Liabilities.....	777,664	81,274	858,938	100,976
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	907,383	6,991	914,374	613,017
Due in More Than One Year.....	9,025,766	151,546	9,177,312	3,707,024
Certificates of Participation:				
Due in One Year.....	945	—	945	810
Due in More Than One Year.....	5,535	—	5,535	28,930
Other Noncurrent Liabilities:				
Due in One Year.....	105,842	2,393,944	2,499,786	893,514
Due in More Than One Year.....	453,761	16,441,630	16,895,391	1,933,429
TOTAL LIABILITIES.....	17,795,760	22,446,836	40,242,596	8,335,925

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>	19,868,078	5,873	19,873,951	4,637,663
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education</i>	15,862	—	15,862	—
<i>Transportation and Highway Safety.....</i>	698,428	—	698,428	—
<i>State and Local Government</i>				
<i>Highway Construction.....</i>	126,517	—	126,517	—
<i>Federal Programs.....</i>	32,858	—	32,858	110
<i>Coal Research</i>				
<i>and Development Program.....</i>	—	—	—	4,518
<i>Clean Ohio Program.....</i>	80,530	—	80,530	—
<i>Debt Service.....</i>	—	—	—	1,961,617
<i>Intergovernmental and Capital Purposes..</i>	924,533	—	924,533	—
<i>Enterprise Bond Program.....</i>	10,000	—	10,000	—
<i>Workers' Compensation.....</i>	—	866,307	866,307	—
<i>Deferred Lottery Prizes.....</i>	—	83,603	83,603	—
<i>Unemployment Compensation.....</i>	—	809,037	809,037	—
<i>Ohio Building Authority.....</i>	—	28,457	28,457	—
<i>Nonexpendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	2,573,715
<i>Expendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,475,444
<i>Unrestricted (Deficits).....</i>	(4,432,871)	(223,611)	(4,656,482)	198,288
TOTAL NET ASSETS.....	\$ 17,323,935	\$ 1,569,666	\$ 18,893,601	\$ 10,851,355

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)		
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
Primary, Secondary						
and Other Education.....	\$ 9,190,983	\$ 35,932	\$ 1,416,161	\$ —	\$ (7,738,890)	
Higher Education Support	2,495,208	5,722	14,011	—	(2,475,475)	
Public Assistance and Medicaid	13,573,040	556,006	9,080,821	—	(3,936,213)	
Health and Human Services	3,247,382	200,636	1,780,344	1,170	(1,265,232)	
Justice and Public Protection	2,452,891	832,787	204,566	372	(1,415,166)	
Environmental Protection						
and Natural Resources.....	419,933	169,611	83,113	201	(167,008)	
Transportation	1,463,959	20,350	46,198	887,938	(509,473)	
General Government	607,374	413,028	1,980	763	(191,603)	
Community and Economic						
Development.....	821,841	295,078	318,778	—	(207,985)	
Intergovernmental.....	3,770,780	—	—	—	(3,770,780)	
Interest on Long-Term Debt						
(excludes interest charged as program expense).....	189,583	—	—	—	(189,583)	
TOTAL GOVERNMENTAL ACTIVITIES	38,232,974	2,529,150	12,945,972	890,444	(21,867,408)	
BUSINESS-TYPE ACTIVITIES:						
Workers' Compensation.....	3,072,477	2,138,634	1,249,889	—	316,046	
Lottery Commission.....	1,575,279	2,166,512	(12,294)	—	578,939	
Unemployment Compensation.....	1,639,014	61,033	1,109,081	—	(468,900)	
Ohio Building Authority.....	27,524	26,385	—	99	(1,040)	
Tuition Trust Authority.....	118,834	39,431	108,999	—	29,596	
Liquor Control.....	374,507	520,161	—	19	145,673	
Underground Parking Garage.....	2,199	2,570	30	206	607	
Office of Auditor of State.....	75,758	42,434	78	8	(33,238)	
TOTAL BUSINESS-TYPE ACTIVITIES...	6,885,592	4,997,160	2,455,783	332	567,683	
TOTAL PRIMARY GOVERNMENT.....	\$ 45,118,566	\$ 7,526,310	\$ 15,401,755	\$ 890,776	\$ (21,299,725)	
COMPONENT UNITS:						
School Facilities Commission.....	\$ 444,888	\$ 1,607	\$ 9,591	\$ —	\$ (433,690)	
Ohio Water Development Authority.....	91,543	128,688	84,321	—	121,466	
Ohio State University.....	2,794,873	1,753,935	508,974	80,147	(451,817)	
University of Cincinnati.....	826,737	304,345	440,847	8,263	(73,282)	
Other Component Units.....	3,772,765	2,210,417	506,593	56,800	(998,955)	
TOTAL COMPONENT UNITS.....	\$ 7,930,806	\$ 4,398,992	\$ 1,550,326	\$ 145,210	\$ (1,836,278)	

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
CHANGES IN NET ASSETS:				
Net Expense.....	\$ (21,867,408)	\$ 567,683	\$ (21,299,725)	\$ (1,836,278)
General Revenues:				
Taxes:				
Income.....	8,526,572	—	8,526,572	—
Sales.....	7,915,493	—	7,915,493	—
Corporate and Public Utility	1,755,736	—	1,755,736	—
Cigarette.....	557,543	—	557,543	—
Other.....	641,273	—	641,273	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,631,631	—	1,631,631	—
Total Taxes.....	21,028,248	—	21,028,248	—
Tobacco Settlement.....	316,799	—	316,799	—
Escheat Property.....	74,268	—	74,268	—
Unrestricted Investment Income.....	18,159	622	18,781	370,645
State Assistance	—	—	—	2,548,830
Federal.....	193,033	12	193,045	—
Other.....	1,940	—	1,940	44,222
Contributions.....	—	—	—	90,618
Transfers-Internal Activities.....	781,149	(781,149)	—	—
TOTAL GENERAL REVENUES, CONTRIBUTIONS, AND TRANSFERS...	22,413,596	(780,515)	21,633,081	3,054,315
CHANGE IN NET ASSETS.....	546,188	(212,832)	333,356	1,218,037
NET ASSETS, JULY 1 (as restated)..	16,777,747	1,782,498	18,560,245	9,633,318
NET ASSETS, JUNE 30.....	\$ 17,323,935	\$ 1,569,666	\$ 18,893,601	\$ 10,851,355

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004
(dollars in thousands)

	MAJOR FUNDS		
	<u>GENERAL</u>	<u>JOB, FAMILY AND OTHER HUMAN SERVICES</u>	<u>EDUCATION</u>
ASSETS:			
Cash Equity with Treasurer	\$ 1,505,364	\$ 219,625	\$ 57,401
Cash and Cash Equivalents	14,156	7,447	491
Investments	242,017	16,097	3,310
Collateral on Lent Securities	629,082	92,235	23,949
Taxes Receivable	811,159	—	—
Intergovernmental Receivable	454,312	572,397	127,753
Loans Receivable, Net	41,757	—	9,438
Interfund Receivable	269,421	6	—
Other Receivables	297,374	41,059	560
Inventories	21,614	—	—
Other Assets	16,919	1,994	4,577
TOTAL ASSETS	\$ 4,303,175	\$ 950,860	\$ 227,479
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 153,398	\$ 53,630	\$ 10,001
Accrued Liabilities	99,842	11,872	1,373
Medicaid Claims Payable	954,720	—	—
Obligations Under Securities Lending	629,082	92,235	23,949
Intergovernmental Payable	286,132	231,759	70,017
Interfund Payable	580,085	15,251	2,696
Payable to Component Units	10,728	1,498	1,043
Deferred Revenue	160,128	282,324	11,759
Unearned Revenue	—	330,740	58,335
Refund and Other Liabilities	686,075	8,006	—
Liability for Escheat Property	7,149	—	—
TOTAL LIABILITIES	3,567,339	1,027,315	179,173
FUND BALANCES:			
Reserved for:			
Debt Service	—	—	—
Encumbrances	290,374	1,268,135	32,421
Noncurrent Portion of Loans Receivable	39,529	—	9,170
Noncurrent Portion of Interfund Receivable	265,875	—	—
Loan Commitments	—	—	—
Inventories	21,614	—	—
State and Local Highway Construction	—	—	—
Federal Programs	—	410	8,704
Other	20,696	1,994	203
Unreserved/Designated	97,748	—	—
Unreserved/Undesignated (Deficits):			
Special Revenue Funds	—	(1,346,994)	(2,192)
Capital Projects Funds	—	—	—
TOTAL FUND BALANCES	735,836	(76,455)	48,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,303,175	\$ 950,860	\$ 227,479

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

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ 674,454	\$ 350,262	\$ 2,300,273	\$ 5,107,379
365	6,818	64,843	94,120
—	—	481,221	742,645
272,097	141,308	949,732	2,108,403
48,302	212,641	4,795	1,076,897
85,264	—	268,771	1,508,497
55,311	—	800,933	907,439
—	—	3,257	272,684
986	—	178,278	518,257
23,403	—	201	45,218
3,175	—	11,408	38,073
<u>\$ 1,163,357</u>	<u>\$ 711,029</u>	<u>\$ 5,063,712</u>	<u>\$ 12,419,612</u>
\$ 134,401	\$ —	\$ 256,013	\$ 607,443
19,046	—	34,576	166,709
—	—	—	954,720
272,097	141,308	949,732	2,108,403
1,386	356,021	203,080	1,148,395
100,045	56	376,805	1,074,938
682	—	33,928	47,879
850	16,289	253,710	725,060
34,629	8,162	143,052	574,918
—	70,389	7,624	772,094
—	—	—	7,149
<u>563,136</u>	<u>592,225</u>	<u>2,258,520</u>	<u>8,187,708</u>
—	—	83,398	83,398
1,346,264	—	1,438,773	4,375,967
54,617	—	690,574	793,890
—	—	—	265,875
—	—	103,629	103,629
23,403	—	201	45,218
—	126,517	—	126,517
—	—	12,205	21,319
3,175	—	26,388	52,456
—	—	6,584	104,332
(827,238)	(7,713)	621,503	(1,562,634)
—	—	(178,063)	(178,063)
<u>600,221</u>	<u>118,804</u>	<u>2,805,192</u>	<u>4,231,904</u>
<u>\$ 1,163,357</u>	<u>\$ 711,029</u>	<u>\$ 5,063,712</u>	<u>\$ 12,419,612</u>

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004
(dollars in thousands)

Total Fund Balances for Governmental Funds..... **\$ 4,231,904**

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>Infrastructure, net of \$1,101 accumulated depreciation.....</i>	17,251,080
<i>Land.....</i>	1,573,861
<i>Buildings and Improvements, net of \$1,205,986 accumulated depreciation.....</i>	2,016,005
<i>Land Improvements, net of \$126,924 accumulated depreciation.....</i>	143,262
<i>Machinery and Equipment, net of \$300,596 accumulated depreciation.....</i>	141,704
<i>Vehicles, net of \$107,789 accumulated depreciation.....</i>	125,976
<i>Construction-in-Progress.....</i>	1,695,076
	<u>22,946,964</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.

<i>Taxes Receivable.....</i>	155,129
<i>Intergovernmental Receivable.....</i>	390,414
<i>Other Receivables.....</i>	169,807
<i>Other Assets - Federal Commodities Programs.....</i>	9,710
	<u>725,060</u>

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

25,803

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

<i>Accrued Liabilities:</i>	
<i>Interest Payable.....</i>	(104,591)
<i>Other</i>	(3,552)
<i>Refund and Other Liabilities.....</i>	(5,570)
<i>Bonds and Notes Payable:</i>	
<i>General Obligation Bonds.....</i>	(5,420,711)
<i>Revenue Bonds.....</i>	(607,958)
<i>Special Obligation Bonds.....</i>	(3,904,480)
<i>Certificates of Participation.....</i>	(6,480)
<i>Other Noncurrent Liabilities:</i>	
<i>Compensated Absences.....</i>	(382,208)
<i>Capital Leases Payable.....</i>	(3,460)
<i>Liability for Escheat Property.....</i>	(166,786)
	<u>(10,605,796)</u>

Total Net Assets of Governmental Activities..... **\$ 17,323,935**

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, 2004
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
REVENUES:			
Income Taxes	\$ 7,645,597	\$ —	\$ —
Sales Taxes	7,596,254	—	—
Corporate and Public Utility Taxes	1,381,752	—	—
Motor Vehicle Fuel Taxes	—	—	—
Cigarette Taxes	557,532	—	—
Other Taxes	580,143	4,446	—
Licenses, Permits and Fees	121,953	423,731	1,139
Sales, Services and Charges	44,233	—	292
Federal Government	5,786,013	3,926,300	1,358,057
Tobacco Settlement	—	—	—
Escheat Property	103,767	—	—
Investment Income	43,029	8,593	1,354
Other	240,020	89,638	20,061
TOTAL REVENUES	24,100,293	4,452,708	1,380,903
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	7,042,643	56,152	1,949,883
Higher Education Support	2,094,674	264	23,327
Public Assistance and Medicaid	9,656,641	3,960,302	—
Health and Human Services	1,134,812	504,835	725
Justice and Public Protection	1,828,501	31,136	16,745
Environmental Protection and Natural Resources	108,268	—	—
Transportation	27,277	—	—
General Government	330,042	4,305	—
Community and Economic Development	131,895	4,204	—
INTERGOVERNMENTAL	1,341,542	—	—
CAPITAL OUTLAY	—	1,150	—
DEBT SERVICE	541	—	—
TOTAL EXPENDITURES	23,696,836	4,562,348	1,990,680
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	403,457	(109,640)	(609,777)
OTHER FINANCING SOURCES (USES):			
Bonds Issued	613,000	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Bond Premiums	—	—	—
Bond Discounts	—	—	—
Capital Leases	260	—	18
Transfers-in	543,443	24,942	667,352
Transfers-out	(1,019,566)	(9,776)	(31,843)
TOTAL OTHER FINANCING SOURCES (USES)	137,137	15,166	635,527
NET CHANGE IN FUND BALANCES	540,594	(94,474)	25,750
FUND BALANCES, JULY 1 (as restated)	192,787	18,019	22,556
Increase (Decrease) for Changes in Inventories	2,455	—	—
FUND BALANCES, JUNE 30 (DEFICITS)	\$ 735,836	\$ (76,455)	\$ 48,306

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

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ —	\$ 829,717	\$ 4,586	\$ 8,479,900
—	301,264	17,975	7,915,493
—	359,869	14,115	1,755,736
504,945	1,097,801	28,886	1,631,632
—	—	11	557,543
—	13,200	43,485	641,274
70,447	345,990	841,031	1,804,291
2,124	—	38,898	85,547
924,943	—	1,780,053	13,775,366
—	—	316,322	316,322
—	—	—	103,767
5,064	478	52,358	110,876
10,987	83	216,848	577,637
<u>1,518,510</u>	<u>2,948,402</u>	<u>3,354,568</u>	<u>37,755,384</u>
—	—	35,585	9,084,263
—	—	268,685	2,386,950
—	—	320	13,617,263
—	—	1,446,859	3,087,231
—	—	567,199	2,443,581
—	—	257,243	365,511
1,780,103	—	532	1,807,912
—	—	158,888	493,235
—	—	664,925	801,024
—	2,146,246	219,428	3,707,216
—	—	456,968	458,118
—	—	1,334,905	1,335,446
<u>1,780,103</u>	<u>2,146,246</u>	<u>5,411,537</u>	<u>39,587,750</u>
<u>(261,593)</u>	<u>802,156</u>	<u>(2,056,969)</u>	<u>(1,832,366)</u>
—	—	961,566	1,574,566
—	—	247,297	247,297
—	—	(260,146)	(260,146)
—	—	111,270	111,270
—	—	(7,923)	(7,923)
—	—	122	400
524,896	51,094	1,434,602	3,246,329
(277,825)	(841,052)	(285,118)	(2,465,180)
<u>247,071</u>	<u>(789,958)</u>	<u>2,201,670</u>	<u>2,446,613</u>
<u>(14,522)</u>	<u>12,198</u>	<u>144,701</u>	<u>614,247</u>
615,689	106,606	2,660,290	3,615,947
(946)	—	201	1,710
<u>\$ 600,221</u>	<u>\$ 118,804</u>	<u>\$ 2,805,192</u>	<u>\$ 4,231,904</u>

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, 2004

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds.....	\$ 614,247
Change in Inventories.....	1,710
	<u>615,957</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.....	757,990
Depreciation Expense.....	<u>(179,535)</u>
Excess of Capital Outlay Over Depreciation Expense.....	<u>578,455</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.....	(1,093,000)
Revenue Bonds.....	(213,765)
Special Obligation Bonds.....	(267,801)
Refunding Bonds, including Bond Premium/Discount, Net.....	(259,521)
Premiums and Discounts, Net:	
General Obligation Bonds.....	(62,722)
Revenue Bonds.....	(8,594)
Special Obligation Bonds.....	(17,639)
Deferred Refunding Loss.....	20,119
Capital Leases.....	<u>(400)</u>
Total Debt Proceeds.....	<u>(1,903,323)</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.....	461,345
Revenue Bonds.....	60,800
Special Obligation Bonds.....	596,238
Certificates of Participation.....	890
Capital Lease Payments.....	<u>1,828</u>
Total Long-Term Debt Repayment.....	<u>1,121,101</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.

153,575

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>	7,070	
<i>Increase in Accrued Interest and Other Accrued Liabilities.....</i>	(8,636)	
<i>Decrease in Payable to Component Units.....</i>	512	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	18,286	
<i>Amortization of Deferred Refunding Loss.....</i>	(18,841)	
<i>Decrease in Compensated Absences.....</i>	1,429	
<i>Decrease in Refund and Other Liabilities.....</i>	101	
<i>Decrease in Litigation Liabilities.....</i>	10,000	
<i>Increase in Liability for Escheat Property.....</i>	(29,498)	
	<hr/>	
<i>Total additional expenditures.....</i>		<u>(19,577)</u>
<i>Change in Net Assets of Governmental Activities.....</i>		<u>\$ 546,188</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, 2004

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes	\$ 7,602,000	\$ 7,386,700	\$ 7,696,895	\$ 310,195
Sales Taxes	7,633,700	7,635,001	7,530,590	(104,411)
Corporate and Public Utility Taxes	1,381,300	1,382,200	1,374,579	(7,621)
Motor Vehicle Fuel Taxes	—	—	—	—
Cigarette Taxes.....	560,000	558,000	557,532	(468)
Other Taxes	628,053	586,053	579,937	(6,116)
Licenses, Permits and Fees	126,708	126,708	132,765	6,057
Sales, Services and Charges	44,240	44,240	44,577	337
Federal Government	5,919,522	5,919,522	5,942,045	22,523
Tobacco Settlement.....	—	—	—	—
Investment Income	27,070	27,070	20,036	(7,034)
Other	1,296,874	1,296,874	1,264,442	(32,432)
TOTAL REVENUES.....	25,219,467	24,962,368	25,143,398	181,030
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	6,492,873	6,584,548	6,562,207	22,341
Higher Education Support	2,104,063	2,099,701	2,097,585	2,116
Public Assistance and Medicaid	10,404,031	10,465,243	10,413,047	52,196
Health and Human Services	1,316,594	1,305,174	1,286,806	18,368
Justice and Public Protection	2,011,641	2,008,933	1,972,163	36,770
Environmental Protection and Natural Resources	150,435	150,774	145,797	4,977
Transportation	54,260	54,753	54,055	698
General Government	667,908	714,108	608,395	105,713
Community and Economic Development	210,746	208,351	200,720	7,631
INTERGOVERNMENTAL.....	1,357,644	1,358,983	1,341,295	17,688
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE.....	1,053,714	1,042,163	948,210	93,953
TOTAL BUDGETARY EXPENDITURES.....	25,823,909	25,992,731	25,630,280	362,451
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(604,442)	(1,030,363)	(486,882)	543,481
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	—	—	—	—
Transfers-in	470,240	489,970	617,063	127,093
Transfers-out	(7,811)	(7,811)	(144,006)	(136,195)
TOTAL OTHER FINANCING SOURCES (USES).....	462,429	482,159	473,057	(9,102)
NET CHANGE IN FUND BALANCES.....	(142,013)	(548,204)	(13,825)	534,379
BUDGETARY FUND BALANCES (DEFICITS), JULY 1	536,953	536,953	536,953	—
Outstanding Encumbrances at Beginning of Fiscal Year	411,162	411,162	411,162	—
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	\$ 806,102	\$ 399,911	\$ 934,290	\$ 534,379

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

JOB, FAMILY AND OTHER HUMAN SERVICES

EDUCATION

JOB, FAMILY AND OTHER HUMAN SERVICES				EDUCATION			
BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL			ORIGINAL	FINAL		
		\$ —				\$ —	
		—				—	
		—				—	
		—				—	
		—				—	
		4,446				—	
		424,681				1,139	
		—				292	
		3,085,862				1,366,820	
		—				—	
		8,964				1,610	
		176,434				30,770	
		3,700,387				1,400,631	
\$ 57,504	\$ 57,504	57,249	\$ 255	\$ 2,065,760	\$ 2,154,022	2,062,571	\$ 91,451
2,151	2,151	650	1,501	13,656	24,428	20,059	4,369
5,153,017	5,276,592	4,672,886	603,706	—	—	—	—
558,260	580,106	558,282	21,824	279	1,041	781	260
61,501	65,223	37,072	28,151	27,581	29,371	19,944	9,427
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
2,163	2,163	2,109	54	—	—	—	—
5,137	5,137	5,137	—	—	—	—	—
—	—	—	—	—	—	—	—
18,846	18,846	2,004	16,842	—	—	—	—
—	—	—	—	—	—	—	—
\$ 5,858,579	\$ 6,007,722	5,335,389	\$ 672,333	\$ 2,107,276	\$ 2,208,862	2,103,355	\$ 105,507
		(1,635,002)				(702,724)	
		—				—	
		15				656,106	
		(1,595)				(29)	
		(1,580)				656,077	
		(1,636,582)				(46,647)	
		(1,266,672)				(36,468)	
		1,461,108				79,111	
		\$ (1,442,146)				\$ (4,004)	

(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, 2004

(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			488,683	
Cigarette Taxes.....			—	
Other Taxes			—	
Licenses, Permits and Fees			70,470	
Sales, Services and Charges			2,124	
Federal Government			922,980	
Tobacco Settlement.....			—	
Investment Income			8,882	
Other			92,412	
TOTAL REVENUES.....			1,585,551	
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	3,282,477	4,253,728	3,342,889	910,839
General Government	—	—	—	—
Community and Economic Development	—	—	—	—
INTERGOVERNMENTAL.....	—	—	—	—
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE.....	85,867	102,926	79,344	23,582
TOTAL BUDGETARY EXPENDITURES.....	\$ 3,368,344	\$ 4,356,654	3,422,233	\$ 934,421
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....			(1,836,682)	
OTHER FINANCING SOURCES (USES):				
Bond Proceeds			—	
Transfers-in			528,150	
Transfers-out			(200,525)	
TOTAL OTHER FINANCING SOURCES (USES).....			327,625	
NET CHANGE IN FUND BALANCES.....			(1,509,057)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			(637,175)	
Outstanding Encumbrances at Beginning of Fiscal Year			1,324,654	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			\$ (821,578)	

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

REVENUE DISTRIBUTION

<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>ORIGINAL</u>	<u>FINAL</u>		
		\$ 829,717	
		301,264	
		359,590	
		1,096,018	
		—	
		13,200	
		520,886	
		—	
		—	
		702	
		84	
		<u>3,121,461</u>	
\$ —	\$ —	—	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,363,993	2,451,414	2,282,556	168,858
—	—	—	—
—	—	—	—
<u>\$ 2,363,993</u>	<u>\$ 2,451,414</u>	<u>2,282,556</u>	<u>\$ 168,858</u>
		<u>838,905</u>	
		—	
		51,093	
		(822,077)	
		<u>(770,984)</u>	
		67,921	
		279,826	
		—	
		<u>\$ 347,747</u>	

STATE OF OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2004
(dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 2,429	\$ 27,602	\$ —
Cash and Cash Equivalents.....	1,615,478	19,770	75,032
Investments.....	—	—	1,000
Collateral on Lent Securities.....	2,041,501	11,135	228
Restricted Assets:			
Cash Equity with Treasurer.....	—	625	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	84,664	—
Collateral on Lent Securities.....	—	604,622	—
Other Receivables.....	—	2,910	—
Deposit with Federal Government.....	—	—	711,038
Intergovernmental Receivable.....	—	—	4,800
Premiums and Assessments Receivable.....	891,009	—	11,526
Investment Trade Receivable.....	350,491	—	—
Interfund Receivable.....	62,692	—	—
Other Receivables.....	237,868	38,033	10,447
Inventories.....	—	—	—
Other Assets.....	2,659	3,982	6,727
TOTAL CURRENT ASSETS.....	5,204,127	793,343	820,798
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	1,768	—	—
Investments.....	—	852,306	—
Investments.....	14,735,716	—	—
Premiums and Assessments Receivable.....	508,123	—	—
Interfund Receivable.....	740,160	—	—
Other Receivables.....	—	—	—
Capital Assets Being Depreciated, Net.....	129,411	30,543	—
Capital Assets Not Being Depreciated.....	12,631	—	—
TOTAL NONCURRENT ASSETS.....	16,127,809	882,849	—
TOTAL ASSETS.....	21,331,936	1,676,192	820,798
CURRENT LIABILITIES:			
Accounts Payable.....	7,814	6,722	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	2,041,501	615,757	228
Investment Trade Payable.....	1,451,130	—	—
Intergovernmental Payable.....	—	—	437
Deferred Prize Awards Payable.....	—	88,200	—
Interfund Payable.....	—	443	—
Unearned Revenue.....	16,930	2,813	—
Benefits Payable.....	1,764,828	—	2,290
Refund and Other Liabilities.....	488,659	48,220	8,806
Bonds and Notes Payable.....	5,300	—	—
TOTAL CURRENT LIABILITIES.....	5,776,162	762,155	11,761
NONCURRENT LIABILITIES:			
Deferred Prize Awards Payable.....	—	768,703	—
Interfund Payable.....	—	4,007	—
Unearned Revenue.....	377,389	—	—
Benefits Payable.....	12,855,045	—	—
Refund and Other Liabilities.....	1,319,480	17,852	—
Bonds and Notes Payable.....	143,090	—	—
TOTAL NONCURRENT LIABILITIES.....	14,695,004	790,562	—
TOTAL LIABILITIES.....	20,471,166	1,552,717	11,761
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	(5,537)	257	—
Restricted for Deferred Lottery Prizes.....	—	83,603	—
Unrestricted (Deficits).....	866,307	39,615	809,037
TOTAL NET ASSETS (DEFICITS).....	\$ 860,770	\$ 123,475	\$ 809,037

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

OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL	UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL
\$ —	\$ 120	\$ 10,335	\$ 2,262	\$ 6,922	\$ 49,670
461	499	5,316	—	—	1,716,556
26,359	46	—	—	—	27,405
7	11,115	3,638	907	—	2,068,531
—	—	—	—	—	625
—	71	—	—	—	71
—	54,729	—	—	—	139,393
—	—	—	—	—	604,622
—	—	—	—	—	2,910
—	—	—	—	—	711,038
—	—	—	—	28	4,828
—	—	—	—	—	902,535
—	—	—	—	—	350,491
—	—	12	—	1,738	64,442
2,881	5,046	—	—	8,734	303,009
—	—	33,304	—	—	33,304
578	—	172	35	449	14,602
30,286	71,626	52,777	3,204	17,871	6,994,032
—	—	—	—	—	1,768
—	721,647	—	—	—	1,573,953
—	71,425	—	—	—	14,807,141
—	—	—	—	—	508,123
—	—	—	—	7,385	747,545
12,126	—	—	—	—	12,126
—	116	1,065	7,091	2,944	171,170
—	—	—	—	—	12,631
12,126	793,188	1,065	7,091	10,329	17,834,457
42,412	864,814	53,842	10,295	28,200	24,828,489
3,582	329	20,296	21	387	39,151
114	191	913	59	3,045	4,322
7	11,115	3,638	907	—	2,673,153
—	—	—	—	—	1,451,130
—	—	400	—	—	837
—	—	—	—	—	88,200
—	—	2,798	2	—	3,243
—	—	—	9	—	19,752
—	54,800	—	—	—	1,821,918
105	833	2,584	16	1,237	550,460
1,691	—	—	—	—	6,991
5,499	67,268	30,629	1,014	4,669	6,659,157
—	—	—	—	—	768,703
—	—	2,310	173	—	6,490
—	—	—	—	—	377,389
—	1,086,900	—	—	—	13,941,945
—	—	2,325	109	13,827	1,353,593
8,456	—	—	—	—	151,546
8,456	1,086,900	4,635	282	13,827	16,599,666
13,955	1,154,168	35,264	1,296	18,496	23,258,823
—	116	1,065	7,091	2,881	5,873
—	—	—	—	—	83,603
28,457	(289,470)	17,513	1,908	6,823	1,480,190
\$ 28,457	\$ (289,354)	\$ 18,578	\$ 8,999	\$ 9,704	\$ 1,569,666

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS -- ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ —	\$ 2,154,715	\$ 20,175
Premium and Assessment Income.....	2,126,782	—	847,649
Federal Government.....	—	—	224,417
Investment Income.....	—	—	52,638
Other.....	11,852	11,797	25,235
TOTAL OPERATING REVENUES.....	2,138,634	2,166,512	1,170,114
OPERATING EXPENSES:			
Costs of Sales and Services.....	—	—	—
Administration.....	72,861	82,024	—
Premium Dividend Reductions and Refunds.....	415,523	—	—
Bonuses and Commissions.....	—	132,766	—
Prizes.....	—	1,275,994	—
Benefits and Claims.....	2,549,141	—	1,628,598
Depreciation.....	16,250	14,982	—
Other.....	18,702	141	10,416
TOTAL OPERATING EXPENSES.....	3,072,477	1,505,907	1,639,014
OPERATING INCOME (LOSS).....	(933,843)	660,605	(468,900)
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss).....	1,249,889	(12,294)	622
Interest Expense.....	—	(6,356)	—
Federal Grants.....	—	—	12
Other.....	—	(63,016)	—
TOTAL NONOPERATING REVENUES (EXPENSES).....	1,249,889	(81,666)	634
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	316,046	578,939	(468,266)
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
Capital Contributions.....	—	—	—
Transfers-in.....	—	—	1,419
Transfers-out.....	(7,655)	(656,229)	(10,795)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS..	(7,655)	(656,229)	(9,376)
NET INCOME (LOSS).....	308,391	(77,290)	(477,642)
NET ASSETS (DEFICITS), JULY 1	552,379	200,765	1,286,679
NET ASSETS (DEFICITS), JUNE 30.....	\$ 860,770	\$ 123,475	\$ 809,037

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

OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL	UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL
\$ 23,701	\$ 39,431	\$ 519,129	\$ 2,570	\$ 42,056	\$ 2,801,777
—	—	—	—	—	2,974,431
—	—	—	—	—	224,417
—	108,999	—	—	—	161,637
2,684	—	1,032	—	378	52,978
26,385	148,430	520,161	2,570	42,434	6,215,240
21,638	—	321,866	—	64,924	408,428
3,701	7,743	52,020	1,651	8,228	228,228
—	—	—	—	—	415,523
—	—	—	—	—	132,766
—	—	—	—	—	1,275,994
—	110,993	—	—	—	4,288,732
—	98	232	548	2,393	34,503
1,542	—	389	—	182	31,372
26,881	118,834	374,507	2,199	75,727	6,815,546
(496)	29,596	145,654	371	(33,293)	(600,306)
99	—	—	30	—	1,238,346
(643)	—	—	—	(5)	(7,004)
—	—	—	—	78	90
—	—	—	—	(26)	(63,042)
(544)	—	—	30	47	1,168,390
(1,040)	29,596	145,654	401	(33,246)	568,084
—	—	19	206	8	233
15,190	—	—	—	32,548	49,157
(10,293)	—	(144,578)	(756)	—	(830,306)
4,897	—	(144,559)	(550)	32,556	(780,916)
3,857	29,596	1,095	(149)	(690)	(212,832)
24,600	(318,950)	17,483	9,148	10,394	1,782,498
\$ 28,457	\$ (289,354)	\$ 18,578	\$ 8,999	\$ 9,704	\$ 1,569,666

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ —	\$ 2,162,703	\$ 36,491
Cash Received from Premiums and Assessments.....	1,820,694	—	875,769
Cash Received from Multi-State Lottery for Grand Prize Winner.....	—	97,955	—
Cash Received from Reciprocal Transactions with Other Funds.....	48,066	138	—
Cash Received from the Federal Government for Extended Benefits..	—	—	208,794
Other Operating Cash Receipts.....	12,988	11,658	13,424
Cash Payments to Suppliers for Goods and Services.....	(71,367)	(61,279)	—
Cash Payments to Employees for Services.....	(239,224)	(22,854)	—
Cash Payments for Benefits and Claims.....	(2,026,871)	—	(1,639,020)
Cash Payments for Lottery Prizes.....	—	(1,502,751)	—
Cash Payments for Bonuses and Commissions.....	—	(132,663)	—
Cash Payments for Premium Reductions and Refunds.....	(92,172)	—	—
Cash Payments for Reciprocal Transactions with Other Funds.....	(4)	(491)	—
Other Operating Cash Payments.....	—	(141)	(11,845)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(547,890)	552,275	(516,387)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	1,419
Transfers-out	(7,655)	(656,229)	(10,795)
Federal Grants.....	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	(7,655)	(656,229)	(9,376)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases.....	—	(13,835)	—
Interest Paid	(6,183)	(2,270)	—
Acquisition and Construction of Capital Assets	(3,762)	(745)	—
Principal Receipts on Capital Leases Receivable.....	—	—	—
Proceeds from Sales of Capital Assets	22	108	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(9,923)	(16,742)	—
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(36,249,877)	(341,162)	(16,730,049)
Proceeds from the Sales and Maturities of Investments	35,895,078	455,163	17,328,707
Investment Income Received	535,547	16,260	622
Borrower Rebates and Agent Fees.....	(75,137)	(4,168)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	105,611	126,093	599,280
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(459,857)	5,397	73,517
CASH AND CASH EQUIVALENTS, JULY 1.....	2,079,532	42,600	1,515
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 1,619,675	\$ 47,997	\$ 75,032

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

OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL	UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL
\$ 26,363	\$ 33,169	\$ 521,803	\$ 2,007	\$ 33,880	\$ 2,816,416
—	—	—	—	—	2,696,463
—	—	—	—	—	97,955
1,103	—	1	570	8,195	58,073
—	—	—	—	—	208,794
1,713	—	1,033	1	715	41,532
(25,696)	(13,212)	(357,290)	(632)	(8,331)	(537,807)
(1,086)	(5,112)	(17,534)	(1,049)	(65,365)	(352,224)
—	—	—	—	—	(3,665,891)
—	—	—	—	—	(1,502,751)
—	—	—	—	—	(132,663)
—	—	—	—	—	(92,172)
—	(83)	(68)	(1)	—	(647)
—	(33,533)	(123)	—	(55)	(45,697)
2,397	(18,771)	147,822	896	(30,961)	(410,619)
15,190	—	—	—	32,551	49,160
(10,293)	—	(144,577)	(756)	—	(830,305)
—	—	—	—	59	59
4,897	—	(144,577)	(756)	32,610	(781,086)
(3,730)	—	—	—	(13)	(17,578)
(5,544)	—	—	—	(5)	(14,002)
—	(96)	(288)	(24)	(1,476)	(6,391)
3,730	—	—	—	—	3,730
—	—	39	—	212	381
(5,544)	(96)	(249)	(24)	(1,282)	(33,860)
(68,707)	(319,306)	—	—	—	(53,709,101)
66,863	310,203	—	—	—	54,056,014
104	27,436	—	26	—	579,995
—	—	—	—	—	(79,305)
(1,740)	18,333	—	26	—	847,603
10	(534)	2,996	142	367	(377,962)
451	1,224	12,655	2,120	6,555	2,146,652
\$ 461	\$ 690	\$ 15,651	\$ 2,262	\$ 6,922	\$ 1,768,690

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)

(continued)

	<u>WORKERS'</u> <u>COMPENSATION</u>	<u>OHIO</u> <u>LOTTERY</u> <u>COMMISSION</u>	<u>UNEMPLOYMENT</u> <u>COMPENSATION</u>
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ (933,843)	\$ 660,605	\$ (468,900)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	(52,638)
Depreciation	16,250	14,982	—
Provision for Uncollectible Accounts.....	105,873	—	—
Amortization of Premiums and Discounts.....	(366)	—	—
Interest on Bonds, Notes and Capital Leases.....	6,194	—	—
Decrease (Increase) in Assets:			
Premiums and Assessments Receivable.....	138,673	—	18,640
Intergovernmental Receivable.....	—	—	692
Other Receivables	(84,731)	7,104	(1,956)
Interfund Receivable.....	(21,400)	—	—
Inventories	—	—	—
Other Assets	(654)	(358)	(65)
Increase (Decrease) in Liabilities:			
Accounts Payable	2,324	(2,227)	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	437
Deferred Prize Awards Payable.....	—	(135,256)	—
Interfund Payable.....	—	(83)	—
Unearned Revenue	(8,117)	884	—
Benefits Payable.....	312,502	—	(10,858)
Refund and Other Liabilities.....	(80,595)	6,624	(1,739)
NET CASH FLOWS PROVIDED (USED) BY			
OPERATING ACTIVITIES.....	<u>\$ (547,890)</u>	<u>\$ 552,275</u>	<u>\$ (516,387)</u>

NONCASH INVESTING,
CAPITAL AND FINANCING ACTIVITIES:

Change in Fair Value of Investments.....	\$ 803,577	\$ (73,452)	\$ —
Refunding Bond Proceeds for Defeasance of Debt.....	—	—	—
Contributions of Capital Assets from Other Funds.....	—	—	—

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

<u>OHIO BUILDING AUTHORITY</u>	<u>TUITION TRUST AUTHORITY</u>	<u>LIQUOR CONTROL</u>	<u>UNDERGROUND PARKING GARAGE</u>	<u>OFFICE OF AUDITOR OF STATE</u>	<u>TOTAL</u>
\$ (496)	\$ 29,596	\$ 145,654	\$ 371	\$ (33,293)	\$ (600,306)
—	(108,999)	—	—	—	(161,637)
—	98	232	548	2,393	34,503
—	—	—	—	—	105,873
1,019	—	—	—	—	653
—	—	—	—	—	6,194
—	—	—	—	—	157,313
—	—	—	—	—	692
559	(11,737)	—	—	(209)	(90,970)
—	—	(12)	—	—	(21,412)
—	—	(4,261)	—	—	(4,261)
18	—	(20)	(3)	(36)	(1,118)
1,382	(48)	3,440	6	(37)	4,840
—	131	169	7	341	648
—	—	25	—	—	462
—	—	—	—	—	(135,256)
—	—	1,400	(44)	—	1,273
(81)	—	—	3	—	(7,311)
—	61,200	—	—	—	362,844
(4)	10,988	1,195	8	(120)	(63,643)
<u>\$ 2,397</u>	<u>\$ (18,771)</u>	<u>\$ 147,822</u>	<u>\$ 896</u>	<u>\$ (30,961)</u>	<u>\$ (410,619)</u>

\$ —	\$ —	\$ —	\$ —	\$ —	\$ 730,125
7,368	—	—	—	—	7,368
—	—	19	206	63	288

STATE OF OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/03)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	12,856	234,942	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	26,885	—	3,489,778
Common and Preferred Stock.....	327,336	—	—
Corporate Bonds and Notes.....	58,139	—	—
Foreign Stocks and Bonds.....	88,671	—	—
Commercial Paper.....	—	—	476,955
Repurchase Agreements.....	—	—	25,666
Mutual Funds.....	—	2,826,597	—
Real Estate.....	63,901	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	44,073	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	166,950	—	910,096
Employer Contributions Receivable.....	1,552	—	—
Employee Contributions Receivable.....	1,329	—	—
Investment Trade Receivable.....	—	16,585	—
Other Receivables.....	1,448	—	—
Other Assets.....	68	—	—
Capital Assets, Net.....	41	—	—
TOTAL ASSETS.....	793,249	3,078,124	4,902,495
LIABILITIES:			
Accounts Payable.....	1,278	—	—
Accrued Liabilities.....	964	4,569	—
Obligations Under Securities Lending.....	166,950	—	910,096
Investment Trade Payable.....	—	16,543	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	70	174	2,227
TOTAL LIABILITIES.....	169,262	21,286	912,323
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits.....	535,235	—	—
Employees' Postemployment Healthcare Benefits.....	88,752	—	—
Individuals, Organizations and Other Governments.....	—	3,056,838	—
Pool Participants.....	—	—	3,990,172
TOTAL NET ASSETS.....	\$ 623,987	\$ 3,056,838	\$ 3,990,172

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

AGENCY

\$ 170,767
129,236

10,559,628
58,552,590
10,252,981
25,408,093
2,038,838
52,180
7,961,507
9,729,581
1,780,588
5,000,276
32,946
247,008
—
—
—
3,325
424,455
—

132,343,999

—
—
247,008
—
71,313
132,025,678

132,343,999

\$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(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 12/31/03)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer.....	\$ 19,757	\$ —	\$ —
Employees.....	8,137	—	—
Plan Participants.....	—	830,034	—
Other.....	763	—	—
Total Contributions.....	28,657	830,034	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	112,899	293,866	—
Interest, Dividends and Other.....	15,720	54,058	53,442
Total Investment Income.....	128,619	347,924	53,442
Less: Investment Expense.....	4,620	23,336	4,181
Net Investment Income.....	123,999	324,588	49,261
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	17,130,626
Reinvested Distributions.....	—	—	49,261
Shares Redeemed.....	—	—	(18,556,621)
Net Capital Share and Individual Account Transactions.....	—	—	(1,376,734)
TOTAL ADDITIONS.....	152,656	1,154,622	(1,327,473)
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries.....	33,075	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	7,181	—	—
Refunds of Employee Contributions.....	387	—	—
Administrative Expense.....	653	2	—
Transfers to Other Retirement Systems.....	789	—	—
Distributions to Shareholders and Plan Participants.....	—	516,543	49,261
TOTAL DEDUCTIONS.....	42,085	516,545	49,261
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits.....	95,564	—	—
Employees' Postemployment Healthcare Benefits.....	15,007	—	—
Individuals, Organizations and Other Governments.....	—	638,077	—
Pool Participants.....	—	—	(1,376,734)
TOTAL CHANGE IN NET ASSETS.....	110,571	638,077	(1,376,734)
NET ASSETS, JULY 1.....	513,416	2,418,761	5,366,906
NET ASSETS, JUNE 30.....	\$ 623,987	\$ 3,056,838	\$ 3,990,172

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, 2004
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/03)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 367,657	\$ —	\$ —
Cash and Cash Equivalents.....	—	308	180,446
Investments.....	—	89,340	948,124
Collateral on Lent Securities.....	148,325	—	—
Intergovernmental Receivable.....	6,704	577	943
Loans Receivable, Net.....	—	2,295	12,056
Receivable from Primary Government.....	—	—	19,926
Other Receivables.....	—	11	316,347
Inventories.....	—	—	18,770
Other Assets.....	27	—	43,220
TOTAL CURRENT ASSETS.....	522,713	92,531	1,539,832
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	—	11,559	34,030
Investments.....	—	852,579	—
Loans Receivable, Net.....	—	2,683,771	—
Investments.....	—	32,147	1,152,338
Loans Receivable, Net.....	—	18,698	59,324
Other Receivables.....	—	6,187	23,771
Other Assets.....	—	15,216	—
Capital Assets Being Depreciated, Net.....	73	1,568	1,669,040
Capital Assets Not Being Depreciated.....	—	539	419,625
TOTAL NONCURRENT ASSETS.....	73	3,622,264	3,358,128
TOTAL ASSETS.....	522,786	3,714,795	4,897,960
CURRENT LIABILITIES:			
Accounts Payable.....	7,836	30,205	196,386
Accrued Liabilities.....	202	6,351	127,082
Obligations Under Securities Lending.....	148,325	—	—
Intergovernmental Payable.....	638,909	746	—
Unearned Revenue.....	—	—	87,954
Refund and Other Liabilities.....	81	—	68,572
Bonds and Notes Payable.....	—	104,241	405,480
Certificates of Participation.....	—	—	720
TOTAL CURRENT LIABILITIES.....	795,353	141,543	886,194
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	1,352,000	—	—
Unearned Revenue.....	—	—	6,000
Refund and Other Liabilities.....	442	142	185,618
Bonds and Notes Payable.....	—	1,456,740	387,216
Certificates of Participation.....	—	—	6,180
TOTAL NONCURRENT LIABILITIES.....	1,352,442	1,456,882	585,014
TOTAL LIABILITIES.....	2,147,795	1,598,425	1,471,208
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	73	2,107	1,273,058
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Debt Service.....	—	1,961,617	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	966,758
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.....	—	—	14,784
Endowments and Quasi-Endowments.....	—	—	130,433
Current Operations.....	—	—	278,858
Loans, Grants and Other College and University Purposes.....	—	—	40,927
Unrestricted (Deficits).....	(1,625,082)	152,646	721,934
TOTAL NET ASSETS (DEFICITS).....	\$ (1,625,009)	\$ 2,116,370	\$ 3,426,752

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 20,609	\$ 388,266
87,355	462,521	730,630
104,006	811,325	1,952,795
—	5,609	153,934
—	37,798	46,022
3,201	23,894	41,446
671	27,282	47,879
71,815	231,678	619,851
4,938	26,305	50,013
18,702	57,812	119,761
290,688	1,704,833	4,150,597
—	75,654	121,243
—	408,330	1,260,909
—	—	2,683,771
1,125,696	926,935	3,237,116
29,179	100,679	207,880
31,979	64,342	126,279
246,916	26,093	288,225
993,186	3,241,321	5,905,188
224,182	561,726	1,206,072
2,651,138	5,405,080	15,036,683
2,941,826	7,109,913	19,187,280
45,257	129,512	409,196
67,934	147,677	349,246
—	5,609	153,934
—	381	640,036
12,945	207,008	307,907
38,492	85,251	192,396
60,387	42,909	613,017
90	—	810
225,105	618,347	2,666,542
—	8,992	1,360,992
—	5,923	11,923
188,180	186,132	560,514
700,683	1,162,385	3,707,024
750	22,000	28,930
889,613	1,385,432	5,669,383
1,114,718	2,003,779	8,335,925
547,502	2,814,923	4,637,663
—	110	110
—	4,518	4,518
—	—	1,961,617
105,423	90,467	195,890
77,477	3,515	80,992
552,341	502,770	2,021,869
223,355	51,609	274,964
34,297	108,677	142,974
99,999	14,217	114,216
28,480	63,443	91,923
23,700	12,587	36,287
29,779	72,714	102,493
120	6,783	6,903
9,054	46,028	69,866
119,263	55,531	305,227
38,631	76,504	393,993
9,766	160,869	211,562
(72,079)	1,020,869	198,288
\$ 1,827,108	\$ 5,106,134	\$ 10,851,355

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/03)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 10,374	\$ —	\$ —
Community and Economic Development.....	—	—	—
Intergovernmental	434,471	562	—
Cost of Services.....	—	77,518	—
Administration.....	—	10,269	—
Education and General:			
Instruction and Departmental Research.....	—	—	577,500
Separately Budgeted Research.....	—	—	317,310
Public Service.....	—	—	110,750
Academic Support.....	—	—	103,502
Student Services.....	—	—	65,906
Institutional Support.....	—	—	109,331
Operation and Maintenance of Plant.....	—	—	73,133
Scholarships and Fellowships.....	—	—	49,336
Auxiliary Services.....	—	—	178,645
Hospitals.....	—	—	1,039,526
Interest on Long-Term Debt.....	—	—	23,322
Depreciation.....	43	145	141,477
Other.....	—	3,049	5,135
TOTAL EXPENSES.....	444,888	91,543	2,794,873
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	1,607	126,954	1,753,935
Operating Grants, Contributions and Restricted Investment Income.....	9,591	84,321	508,974
Capital Grants, Contributions and Restricted Investment Income.....	—	—	80,147
TOTAL PROGRAM REVENUES.....	11,198	211,275	2,343,056
NET PROGRAM (EXPENSE) REVENUE	(433,690)	119,732	(451,817)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	1,477	244,013
State Assistance.....	620,562	—	536,693
Other.....	—	35	8,840
TOTAL GENERAL REVENUES.....	620,562	1,512	789,546
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	51,478
SPECIAL ITEMS.....	—	1,734	—
CHANGE IN NET ASSETS.....	186,872	122,978	389,207
NET ASSETS (DEFICITS), JULY 1 (as restated).....	(1,811,881)	1,993,392	3,037,545
NET ASSETS (DEFICITS), JUNE 30.....	\$ (1,625,009)	\$ 2,116,370	\$ 3,426,752

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

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 39,744	\$ 50,118
—	8,645	8,645
—	17,137	452,170
—	—	77,518
—	—	10,269
243,226	1,242,002	2,062,728
131,637	154,097	603,044
46,068	124,182	281,000
57,919	318,265	479,686
35,264	199,168	300,338
69,250	351,267	529,848
64,310	237,873	375,316
15,260	153,627	218,223
74,041	454,860	707,546
—	171,449	1,210,975
22,780	35,401	81,503
61,967	220,240	423,872
5,015	42,039	55,238
826,737	3,769,996	7,928,037
304,345	2,210,417	4,397,258
440,847	506,593	1,550,326
8,263	56,800	145,210
753,455	2,773,810	6,092,794
(73,282)	(996,186)	(1,835,243)
—	125,155	370,645
194,145	1,197,430	2,548,830
2,582	32,765	44,222
196,727	1,355,350	2,963,697
12,442	26,698	90,618
—	(2,769)	(1,035)
135,887	383,093	1,218,037
1,691,221	4,723,041	9,633,318
\$ 1,827,108	\$ 5,106,134	\$ 10,851,355



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2004, 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, *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 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 the organizations listed below. 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.

- School Facilities Commission
- Arts and Sports Facilities Commission
- SchoolNet Commission
- Ohio Air Quality Development Authority

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
- Medical College of Ohio at Toledo
- Terra State Community College
- Columbus State Community College
- Clark State Community College
- Edison State Community College
- Southern State Community College
- Washington State Community College
- Cincinnati State Community College
- Northwest State Community College
- Owens State Community College

The School Facilities Commission, Arts and Sports Facilities Commission, and SchoolNet 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.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Statement No. 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 nonexchange 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, unrestricted investment income, escheat property revenues, unrestricted federal grants, and state assistance are presented as general revenues.

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating revenues for the State's proprietary funds mainly consist of charges for 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, premium dividend reductions and refunds, 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.

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.

Ohio Building Authority Enterprise Fund — This 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.

Tuition Trust Authority Enterprise Fund — This fund accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

Liquor Control Enterprise Fund — This fund accounts for the State's liquor sales operations of the Ohio Department of Commerce's Division of Liquor Control.

Underground Parking Garage Enterprise Fund — This fund accounts for the operations of the State's underground parking facilities at Capitol Square in Columbus.

Office of Auditor of State Enterprise Fund — This 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.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2003.

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, 2003. The Ohio State University Fund accounts for the university's operations, including its health system, super-computer 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, 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, with exception to federal revenue reported in the Highway Operating Special Revenue Fund, to be available when the revenues are collectible within 60 days after year-



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

end or soon enough thereafter to be used to pay liabilities of the current period. The availability period for purposes of recognizing federal revenues for the Highway Operating Special Revenue Fund is 105 days after fiscal year-end or soon enough thereafter to pay liabilities of the current period.

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

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

The State recognizes assets from derived tax revenues (e.g., personal income, sales, 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 the 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, bond premiums, and acquisitions under capital leases are reported as other financing sources while bond discounts and payments to 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 fund type:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation
General Obligations
- Economic Development Revenue Bonds
- Infrastructure Bank Revenue Bonds
- Revitalization Project Revenue Bonds
- Higher Education Facilities Special Obligations
- Mental Health Facilities Special Obligations
- Parks and Recreation Facilities Special Obligations
- School Building Program Special Obligations



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ohio Building Authority Special Obligations
Transportation Certificates of Participation

For budgeted funds, the State's Central Accounting 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*, which is available for public inspection at the Ohio Office of Budget and Management and its web site, www.obm.ohio.gov, 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 effec-

tively 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 includes investments with original maturities of three months or less from the date of acquisition for the Bureau of Workers' Compensation enterprise fund.

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

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

F. Investments

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

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

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

G. Taxes Receivable

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Receivable

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

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 payment of deferred prize awards (Ohio Lotto) and tuition benefits in the enterprise funds for the Lottery Commission and Tuition Trust Authority, respectively.

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 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.

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:



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- € 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	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 capital assets, the State applies the straight-line method over the following estimated useful lives:

Buildings	20-45 years
Land Improvements	10-25 years
Machinery and Equipment....	2-15 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. Capital assets are depreciated using the straight-line method. Additional disclosures about the discretely presented component unit funds’ capital assets can be found in NOTE 8.

L. 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.

M. Compensated Absences

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

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

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Fund Balance

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

Reserved

Reservations represent balances that are not appropriate 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.

O. 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 Bureau of Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the gov-

ernmental funds as an interfund payable. (See NOTE 7).

P. Interfund Balances and Activities

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

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

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

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

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Q. Intra-Entity Balances and Activities

Balances due between the primary government and its discretely presented component units are re-

ported 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).

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2004, the State implemented the provisions of the following pronouncements of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*
- GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*

GASB Statement No. 39 amends GASB Statement No. 14, *The Financial Reporting Entity*, and establishes additional guidance on the application of existing standards during the assessment of potential component units when determining a government's financial reporting entity. GASB Statement No. 39 requires the reporting of a legally separate, tax-exempt organization, as a component unit,

when it raises and holds economic resources for the direct benefit of a governmental unit, and the organization in question meets certain other criteria set forth in the standard.

GASB Technical Bulletin No. 2004-1 clarifies the guidance for revenue recognition of payments to settling governments pursuant to the Master Settlement Agreement with the major tobacco companies.

Restatements for the primary government and its component units resulting from corrections, implementation of GASB 39, and changes in reporting entity are detailed in the following tables.

B. Restatements — Primary Government

Restatements of fund balances/net assets, as of June 30, 2003, for the primary government are presented in the following table (dollars in thousands).

	Governmental Funds		
	Job, Family and Other Human Services	Other Governmental Funds	Total
Fund Balance, as of June 30, 2003, As Previously Reported.....	\$288,975	\$3,597,928	\$3,886,903
Corrections:			
Decrease in Assets:			
Intergovernmental Receivable (Federal Temporary Assistance to Needy Families (TANF) Program).....	(59,983)	—	(59,983)
Increase in Liabilities:			
Unearned Revenue (Federal TANF Program)	(210,973)	—	(210,973)
Fund Balance, July 1, 2003, As Restated	\$ 18,019	\$3,597,928	\$3,615,947
			Governmental Activities
Net Assets, as of June 30, 2003, As Previously Reported			\$16,860,415
Corrections:			
Increase/(Decrease) in Assets:			
Intergovernmental Receivable (Federal Programs — TANF-(\$59,983) & Child Care Development-\$30,127).....			(29,856)
Other Receivables (Tobacco Settlement Revenue Recognition under GASB Technical Bulletin 2004-1)			158,161
Increase in Liabilities:			
Unearned Revenue (Federal TANF Program)			(210,973)
Net Assets, July 1, 2003, As Restated			\$16,777,747



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

C. Restatements — Nonmajor Component Units

Restatements of net assets, as of June 30, 2003, are summarized for the discretely presented nonmajor component unit funds below (dollars in thousands).

	Nonmajor Component Units
Net Assets, as of June 30, 2003, As Previously Reported	\$3,875,671
Change in Accounting Principle: Implementation of GASB 39	845,022
Change in Reporting Entity: Net Assets of the Air Quality Development Authority	3,972
Corrections to Net Assets, as previously reported	(1,624)
Net Increase	847,370
Net Assets, July 1, 2003, As Restated	\$4,723,041

D. Recently Issued GASB Pronouncements

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes accounting and financial reporting standards for disclosure of common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. This Statement's provisions are effective for financial statements for periods beginning after December 15, 2004.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and

supersedes guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties that administer them. The requirements of this Statement are effective *one year prior* to the effective date of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, for the employer (single-employer plan) or for the largest participating employer in the plan (multiple-employer plan). The effective dates by which governments are to implement the provisions of GASB Statement No. 45 are discussed below.

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This Statement amends portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more in the first fiscal year ending after June 15, 1999); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million in the first fiscal year ending after June 15, 1999); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million in the first fiscal year ending after June 15, 1999).

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 2004.

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

Final budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2004, whenever signed into law or otherwise legally authorized.

For fiscal year 2004, no excess of 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, 2004
(dollars in thousands)

	Major Special Revenue Funds				
	General	Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis	\$ 735,836	\$ (76,455)	\$ 48,306	\$ 600,221	\$ 118,804
Less: Reserved Fund Balances	638,088	1,270,539	50,498	1,427,459	126,517
Less: Designated Fund Balances	97,748	—	—	—	—
Unreserved/Undesignated Fund Balances —					
GAAP Basis	—	(1,346,994)	(2,192)	(827,238)	(7,713)
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer	(74,863)	(5,936)	(557)	(15,108)	(2,515)
Taxes Receivable	(811,159)	—	—	(48,302)	(212,641)
Intergovernmental Receivable	(454,312)	(572,397)	(127,753)	(85,264)	—
Loans Receivable, Net	(41,757)	—	(9,438)	(55,311)	—
Interfund Receivable	(269,421)	(6)	—	—	—
Other Receivables	(297,374)	(41,059)	(560)	(986)	—
Inventories	(21,614)	—	—	(23,403)	—
Other Assets	(16,919)	(1,994)	(4,577)	(3,175)	—
Deferred Revenue	160,128	282,324	11,759	850	16,289
Unearned Revenue	—	330,740	58,335	34,629	8,162
Total Revenue Accruals/Adjustments	(1,827,291)	(8,328)	(72,791)	(196,070)	(190,705)
Expenditure Accruals/Adjustments:					
Accounts Payable	153,398	53,630	10,001	134,401	—
Accrued Liabilities	99,842	11,872	1,373	19,046	—
Medicaid Claims Payable	954,720	—	—	—	—
Intergovernmental Payable	286,132	231,759	70,017	1,386	356,021
Interfund Payable	580,085	15,251	2,696	100,045	56
Payable to Component Units	10,728	1,498	1,043	682	—
Refund and Other Liabilities	686,075	8,006	—	—	70,389
Liability for Escheat Property	7,149	—	—	—	—
Total Expenditure Accruals/Adjustments	2,778,129	322,016	85,130	255,560	426,466
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis)					
to Reserved for:					
Noncurrent Portion of Loans Receivable	39,529	—	9,170	54,617	—
Noncurrent Portion of Interfund Receivable	265,875	—	—	—	—
Inventories	21,614	—	—	23,403	—
State and Local Highway Construction	—	—	—	—	126,517
Federal Programs	—	410	8,704	—	—
Other	20,696	1,994	203	3,175	—
From Undesignated (Non-GAAP Budgetary Basis) to Designated	97,748	—	—	—	—
Cash and Investments Held					
Outside of State Treasury	(256,173)	(23,544)	(3,801)	(365)	(6,818)
Total Other Adjustments	189,289	(21,140)	14,276	80,830	119,699
Total Basis Differences	1,140,127	292,548	26,615	140,320	355,460
TIMING DIFFERENCES					
Encumbrances	(205,837)	(387,700)	(28,427)	(134,660)	—
Budgetary Fund Balances (Deficits) —					
Non-GAAP Basis	\$ 934,290	\$(1,442,146)	\$ (4,004)	\$ (821,578)	\$ 347,747



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 a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in one of the following: a commercial account that is payable or withdrawable, 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:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
- Repurchase agreements in the securities enumerated above;
- Certificates of deposit in the eligible institutions applying for interim moneys;
- 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;
- The Treasurer of State's investment pool, as authorized under Section 135.45, Ohio Revised Code;

- Linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to small businesses, as authorized under Section 135.63, Ohio Revised Code;
- Agricultural linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to agricultural businesses, as authorized under Section 135.631, Ohio Revised Code;
- 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;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state, and rated in one of the two highest rating categories by two nationally recognized rating agencies and not exceeding five percent of the total average investment portfolio;
- Bankers' acceptances maturing in 270 days or less and not exceeding 10 percent of the total average investment portfolio;
- Debt of domestic corporations and direct obligations of foreign nations diplomatically recognized by the United States, rated investment grade by nationally recognized rating agencies and, in the aggregate, not exceeding 25 percent of the total average investment portfolio;
- Obligations of a board of education as authorized under Sections 133.10 or 133.301, Ohio Revised Code; and
- No-load money market funds consisting of U.S. government agency obligations or commercial paper, and repurchase agreements secured by such obligations.

The primary government's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized.

In some cases, deposit 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



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate/government bonds and notes, direct mortgages, 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. Deposits

1. Primary Government

As of June 30, 2004, the carrying amount of deposits was (dollars in thousands) \$941,596 and the bank balance was \$1,067,570. Of the bank balance, \$774,483 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$11,276 was collateralized with securities held by the pledging financial institution's trust department or its agent in the primary government's name (Category 2), and \$281,811, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units

As of June 30, 2004, the carrying amount of deposits was (dollars in thousands) \$618,492, and the bank balance was \$705,228. Of the bank balance, \$20,229 was fully insured or collateralized with securities

held by the respective component units or their agents in the component unit's name (Category 1), \$498,487 was collateralized with securities held by the pledging financial institution's trust department or its agent in the respective component unit's name (Category 2), and \$186,512, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

D. Investments

The State categorizes investments to give an indication of the levels of credit risk associated with the State's custodial arrangements at year-end. *Category 1* includes investments that are insured, registered, or held by the State or its agent in the State's name. *Category 2* includes uninsured and unregistered investments held by the counterparty's trust department or its agent in the State's name. *Category 3* includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the State's name.

Certain investments have not been categorized because the securities are not used as evidence of the investment. These uncategorized investments include ownership in mutual funds, real estate, venture capital and limited partnerships, direct mortgages, life insurance, investment contracts, charitable lead trusts, and the deposit with the federal government. In conformity with Governmental Accounting Standards Board Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lent at year-end for cash collateral have not been categorized by custodial credit risk, while securities lent for securities collateral have been categorized.

The levels of credit risk assumed by the primary government and its discretely presented component units and the carrying amount and fair value of investments, as of June 30, 2004, are detailed in the tables on the following page.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment Credit Risk
As of June 30, 2004
(dollars in thousands)

Primary Government:	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations:				
Not on Securities Loan.....	\$ 15,497,572	\$ —	\$ 5,189,802	\$ 20,687,374
On Securities Loan.....	—	—	94,538	94,538
Repurchase Agreements.....	118,117	—	339	118,456
Common and Preferred Stock.....				
Not on Securities Loan.....	58,508,478	—	3,790,566	62,299,044
On Securities Loan.....	—	—	863,698	863,698
Corporate Bonds and Notes:				
Not on Securities Loan.....	10,371,209	—	1,527,885	11,899,094
On Securities Loan.....	—	—	58,264	58,264
Foreign Stocks and Bonds.....	24,737,854	—	1,597,211	26,335,065
Commercial Paper.....	3,152,408	—	1,607,815	4,760,223
High-Yield & Emerging Markets Fixed Income.....	898,909	—	—	898,909
Mortgage and Asset-Backed Securities.....	5,033,132	—	—	5,033,132
Securities Lending Collateral:				
U.S. Government & Agency Obligations.....	10,628	—	1,348,409	1,359,037
Repurchase Agreements.....	1,083,669	—	—	1,083,669
Common and Preferred Stock.....	134,350	—	269,858	404,208
Corporate Bonds and Notes.....	2,305,871	—	222,870	2,528,741
Foreign Stocks and Bonds.....	—	—	199,384	199,384
Commercial Paper.....	464,612	—	—	464,612
Mortgage and Asset-Backed Securities.....	13,142	—	—	13,142
	<u>\$122,329,951</u>	<u>\$ —</u>	<u>\$16,770,639</u>	<u>139,100,590</u>
Investments Held by Broker-dealers under Securities Loans with Cash Collateral:				
U.S. Government and Agency Obligations.....				6,389,037
Common and Preferred Stock.....				398,227
Corporate Bonds and Notes.....				227,900
Foreign Stocks and Bonds.....				965,887
Mortgage and Asset-Backed Securities.....				12,848
Mutual Funds.....				10,357,751
Real Estate.....				9,793,482
Venture Capital.....				1,780,588
Limited Partnerships.....				999,037
Investment Contracts.....				943
Securities Lending Collateral — Mutual Funds.....				207,323
Deposit with Federal Government.....				711,038
Component Units' Equity in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities).....				(542,200)
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAR Ohio).....				(485,075)
Total Investments — Primary Government.....				<u>\$169,917,376</u>

Component Units:	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations.....	\$ 266,857	\$ 983,877	\$201,006	\$1,451,740
Common and Preferred Stock.....	801,816	1,432,507	128,637	2,362,960
Corporate Bonds and Notes.....	216,957	345,163	89,598	651,718
Commercial Paper.....	104	—	—	104
Repurchase Agreements.....	—	328,152	4,062	332,214
Negotiable Certificates of Deposit.....	—	—	4,000	4,000
Foreign Bonds.....	29	—	—	29
Other Investments.....	1,206	—	—	1,206
	<u>\$1,286,969</u>	<u>\$3,089,699</u>	<u>\$427,303</u>	<u>4,803,971</u>

Investment in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities).....				542,200
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio).....				485,075
Mutual Funds.....				1,172,255
Real Estate.....				84,060
Direct Mortgages.....				45,774
Life Insurance.....				2,761
Limited Partnerships.....				23,025
Investment Contracts.....				66,629
Charitable Lead Trusts.....				651
Total Investments — Component Units.....				<u>\$7,226,401</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2004, reported for the primary government and its component units is (dollars in thousands) \$178,267,277. The total carrying amount of deposits and investments categorized and disclosed in this note is \$178,703,865. A reconciliation of the difference is presented in the table below.

E. Securities Lending Transactions

The Treasurer of State, Bureau of Workers' Compensation (BWC), and the State Highway Patrol Retirement System participate in securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts and the STAR Ohio program. 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. The State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value. Consequently, as of June 30, 2004, the State had no credit

exposure since the amount the State owed to borrowers exceeded the amount borrowers owed 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'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. For the STAR Ohio program, no more than 25 percent of the STAR Ohio total average investment portfolio may be lent up to seven days and no more than 10 percent of the total average portfolio for terms greater than seven days, but no more than to 30 days.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 45 days or less and generally match the maturities of securities loans.

**Reconciliation of Deposit and Investments Disclosures
With Financial Statements
As of June 30, 2004
(dollars in thousands)**

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities	Component Units		
Cash Equity with Treasurer	\$5,107,379	\$ 50,295	\$ 388,266	\$ 170,767	\$ 5,716,707
Cash and Cash Equivalents	94,120	1,716,627	730,630	377,034	2,918,411
Investments	742,645	14,973,939	5,189,911	138,797,209	159,703,704
Collateral on Lent Securities	2,108,403	2,673,153	153,934	1,324,054	6,259,544
Deposit with Federal Government	—	711,038	—	—	711,038
Restricted Assets:					
Cash and Cash Equivalents	—	1,768	121,243	—	123,011
Investments	—	1,573,953	1,260,909	—	2,834,862
Total Reporting Entity	\$8,052,547	\$21,700,773	\$7,844,893	\$140,669,064	\$178,267,277
Primary Government:					
Deposits					\$ 941,596
Investments					169,917,376
					<u>170,858,972</u>
Component Units:					
Deposits					618,492
Investments					7,226,401
					<u>7,844,893</u>
Total Carrying Amount of Deposits and Investments					178,703,865
Outstanding Warrants and Other Reconciling Items					(188,708)
Differences Resulting from Component Units with December 31 Year-Ends					(247,880)
Total Reporting Entity					<u>\$178,267,277</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission, 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.

The security lending agent for the STAR Ohio Program is to indemnify the Treasurer for losses resulting from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, provided, however, that the agent's obligation to indemnify the Treasurer under the agreement shall be limited to an indemnification amount equal to the difference between the market value of the loaned securities on the date that such loaned securities should have been returned to the agent (the "default date") and the greater of:

- the cash collateral received from the borrower, or
- the value of investments of collateral — the greater of (i) the value of the collateral on the default date or (ii) the value of the collateral when it was received from the borrower. In the case of collateral consisting of a letter of credit, the value of the collateral shall be the face amount of the letter of credit.

Loan contracts for the Bureau of Workers Compensation do not provide any loss indemnification by securities lending agents in cases of borrower default.

During fiscal year 2004, the State had not experienced any losses due to credit or market risk on securities lending activities.

During the fiscal year, the Treasurer and the STAR Ohio program lent U.S. government and agency obligations in exchange for collateral consisting of cash. The BWC lent fixed maturities and equity securities in exchange for cash, broker-provided, and letters of credit collateral while the State Highway Patrol Retirement System also lent a mix of fixed

maturities and equity securities in exchange for cash collateral.

F. Derivatives

Derivatives are generally defined as a contract whose value depends on, or derives from, the values of an underlying asset, reference rate, or index.

As of June 30, 2004, the Bureau of Workers' Compensation Enterprise Fund held approximately \$4.4 billion in certain mortgage and asset-backed securities (primarily classified under the "U.S. Government and Agency Obligations" investment type), which the fund classified as derivatives. The overall return or yield on mortgage and asset-backed securities depends on the interest amount collected over the life of the security and the change in the fair value. Although the Bureau will receive the full principal amount, if prepaid, the interest income that would have been collected during the remaining period to maturity is lost. Accordingly, the yields and maturities of mortgage and asset-backed securities generally depend on when the underlying loan principal and interest are repaid. If the market rates fall below a loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new, lower interest rate financing.

Through the use of international money managers, the Bureau of Workers' Compensation also enters into various foreign currency exchange contracts to manage exposure to changes in foreign currency exchange rates on its international securities holdings. A forward currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The fair value of the forward currency contracts payable for the Bureau was \$29 thousand, as of June 30, 2004.

Additionally, during the reporting period, the retirement systems reported in the Retirement Systems Agency Fund had investments in derivatives that were held in the Treasurer of State's custody. Specific information on the nature of the transactions and the reasons for entering into them can be found in each respective system's Comprehensive Annual Financial Report.



NOTE 5 RECEIVABLES

A. Taxes Receivables — 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, 2004, approximately \$155.1 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$138.8 million is reported in the General Fund and \$16.3 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income, corporation franchise, and sales taxes, totaling approximately \$756.3 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which, \$685.9 million is reported in the General Fund and \$70.4 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 Govern- mental Funds	Total Primary Government
	General	Highway Operating	Revenue Distribution		
Current-Due Within One Year:					
Income Taxes	\$279,129	\$ —	\$ 47,653	\$ 146	\$ 326,928
Sales Taxes	423,407	—	28,655	764	452,826
Motor Vehicle Fuel Taxes	—	48,302	100,365	2,035	150,702
Public Utility Taxes.....	64,484	—	30,790	—	95,274
Other Taxes	—	—	—	1,850	1,850
	767,020	48,302	207,463	4,795	1,027,580
Noncurrent-Due in More Than One Year:					
Income Taxes	44,139	—	5,178	—	49,317
Taxes Receivable, Net.....	\$811,159	\$48,302	\$212,641	\$4,795	\$1,076,897

B. Intergovernmental Receivables — 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, 2004 (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.....	\$ 436,831	\$ 8,770	\$ —	\$ 8,711	\$ 454,312
Job, Family and Other Human Services	506,030	66,367	—	—	572,397
Education	57,306	70,447	—	—	127,753
Highway Operating	85,264	—	—	—	85,264
Nonmajor Governmental Funds	226,661	19,294	—	22,816	268,771
Total Governmental Activities	1,312,092	164,878	—	31,527	1,508,497
Business-Type Activities:					
Unemployment Compensation	—	—	4,800	—	4,800
Office of Auditor of State	28	—	—	—	28
Total Business-Type Activities	28	—	4,800	—	4,828
Intergovernmental Receivable	\$1,312,120	\$164,878	\$4,800	\$31,527	\$1,513,325



NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2004, are detailed in the following tables (dollars in thousands).

Primary Government — Loans Receivable

Loan Program	Governmental Activities					Total Primary Government
	Major Governmental Funds			Nonmajor Govern- mental Funds		
	General	Education	Highway Operating			
School District Solvency Assistance.....	\$27,233	\$ —	\$ —	\$ —	\$ —	\$ 27,233
Vocational Education.....	104	29	—	—	—	133
Wayne Trace Local School District.....	4,677	—	—	—	—	4,677
Vocational School Assistance	—	9,148	—	—	—	9,148
Nurses Education Assistance.....	—	261	—	—	—	261
Office of Minority Financial Incentives	1,532	—	—	—	—	1,532
Rail Development.....	—	—	—	4,246	—	4,246
Economic Development						
Office of Credit and Finance.....	—	—	—	294,482	—	294,482
Ohio Housing Finance Agency.....	—	—	—	265,139	—	265,139
Small Government Fire Departments	238	—	—	—	—	238
Higher Education Research Investment Loans	—	—	—	751	—	751
Highway, Transit, & Aviation Infrastructure Bank ..	—	—	55,311	—	—	55,311
Natural Resources.....	—	—	—	155	—	155
Local Infrastructure Improvements	—	—	—	251,633	—	251,633
Columbiana County Economic Stabilization	1,499	—	—	—	—	1,499
State Workforce Development.....	6,201	—	—	—	—	6,201
Professional Development.....	901	—	—	—	—	901
Loans Receivable, Gross.....	42,385	9,438	55,311	816,406	—	923,540
Estimated Uncollectible	(628)	—	—	(15,473)	—	(16,101)
Loans Receivable, Net.....	<u>\$41,757</u>	<u>\$9,438</u>	<u>\$55,311</u>	<u>\$800,933</u>	—	<u>\$907,439</u>
Current-Due Within One Year.....	\$21,123	\$ 268	\$ 7,579	\$129,203	—	\$158,173
Noncurrent-Due in More Than One Year.....	20,634	9,170	47,732	671,730	—	749,266
Loans Receivable, Net	<u>\$41,757</u>	<u>\$9,438</u>	<u>\$55,311</u>	<u>\$800,933</u>	—	<u>\$907,439</u>

Major Component Units — Loans Receivable

Loan Program	Ohio Water Development Authority (12/31/03)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion).....	\$2,704,764	\$ —	\$ —
Student	—	81,985	36,093
Other.....	—	—	694
Loans Receivable, Gross.....	2,704,764	81,985	36,787
Estimated Uncollectible.....	—	(10,605)	(4,407)
Loans Receivable, Net.....	<u>\$2,704,764</u>	<u>\$71,380</u>	<u>\$32,380</u>
Current-Due Within One Year	\$ 2,295	\$12,056	\$ 3,201
Noncurrent-Due in More Than One Year	2,702,469	59,324	29,179
Loans Receivable, Net.....	<u>\$2,704,764</u>	<u>\$71,380</u>	<u>\$32,380</u>



NOTE 5 RECEIVABLES (Continued)

D. Other Receivables

The other receivables balances reported for the primary government and its major discretely presented major component units reporting significant balances, as of June 30, 2004, consist of the following (dollars in thousands).

Primary Government — Other Receivables

Type of Receivable	Governmental Activities						Total
	Major Governmental Funds						
	General	Job, Family & Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds		
Accounts	\$ 5,790	\$ —	\$560	\$986	\$ 16,479	\$ 23,815	
Drug Manufacturers' Rebates	269,149	—	—	—	—	269,149	
Health Facility Bed Assessments	—	38,552	—	—	—	38,552	
Interest	3,670	—	—	—	1,616	5,286	
Leases	—	—	—	—	1,545	1,545	
Tobacco Settlement	—	—	—	—	158,638	158,638	
Miscellaneous	18,765	2,507	—	—	—	21,272	
Other Receivables, Net- Due Within One Year	<u>\$297,374</u>	<u>\$41,059</u>	<u>\$560</u>	<u>\$986</u>	<u>\$178,278</u>	<u>\$518,257</u>	
	Business-Type Activities						
Type of Receivable	Workers' Compen- sation	Lottery Commis- sion	Unemploy- ment Compen- sation	Ohio Building Authority	Tuition Trust Authority	Office of Auditor of State	Total
Accounts	\$850,169	\$ —	\$75,501	\$ 900	\$5,046	\$8,788	\$940,404
Interest and Dividends (including restricted portion)	73,472	2,910	—	290	—	—	76,672
Leases	—	—	—	13,817	—	—	13,817
Lottery Sales Agents	—	38,417	—	—	—	—	38,417
Other Receivables, Gross	923,641	41,327	75,501	15,007	5,046	8,788	1,069,310
Estimated Uncollectible	(685,773)	(384)	(65,054)	—	—	(54)	(751,265)
Other Receivables, Net	<u>\$237,868</u>	<u>\$40,943</u>	<u>\$10,447</u>	<u>\$15,007</u>	<u>\$5,046</u>	<u>\$8,734</u>	<u>\$318,045</u>
Current-Due Within One Year	\$237,868	\$40,943	\$10,447	\$ 2,881	\$5,046	\$8,734	\$305,919
Noncurrent-Due in More Than One Year	—	—	—	12,126	—	—	12,126
Other Receivables, Net	<u>\$237,868</u>	<u>\$40,943</u>	<u>\$10,447</u>	<u>\$15,007</u>	<u>\$5,046</u>	<u>\$8,734</u>	<u>\$318,045</u>
	Total Primary Government						<u>\$836,302</u>

Major Component Units — Other Receivables

Type of Receivable	Ohio State University	University of Cincinnati
Accounts	\$488,499	\$ 25,471
Interest	15,510	9,330
Pledges	48,844	59,495
Miscellaneous	—	19,354
Other Receivables, Gross	552,853	113,650
Estimated Uncollectible	(212,735)	(9,856)
Other Receivables, Net	<u>\$340,118</u>	<u>\$103,794</u>
Current-Due Within One Year	\$316,347	\$ 71,815
Noncurrent-Due in More Than One Year	23,771	31,979
Other Receivables, Net	<u>\$340,118</u>	<u>\$103,794</u>



NOTE 5 RECEIVABLES (Continued)

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2004, is comprised of interest due of \$1.4 million and miscellaneous receivables of \$3.4 million.

Nonmajor governmental funds report leases receivable for direct financing agreements with local government for land and buildings under the Chapter 166 Direct Loan Program, which is administered by Ohio Department of Development's Office of Credit and Finance.

Additionally, under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit reported in the proprietary funds, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

Future lease payments included under "Other Receivables" in governmental and business-type activities, net of executory costs, (dollars in thousands) are as follows:

Year Ending June 30,	Leases Receivable		
	Governmental Activities	Business- Type Activities	Total
2005	\$ 169	\$ 2,099	\$ 2,268
2006	169	2,345	2,514
2007	169	4,802	4,971
2008	169	2,716	2,885
2009	169	—	169
Thereafter.....	990	—	990
Total Minimum Lease Payments	1,835	11,962	13,797
Amount for interest	(290)	(885)	(1,175)
Present Value of Net Minimum Lease Payments	1,545	11,077	12,622
Unearned Income.....	—	2,740	2,740
	<u>\$1,545</u>	<u>\$13,817</u>	<u>\$15,362</u>

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, 2004, follow (dollars in thousands).

Primary Government — Accrued Liabilities

	Wages	Health Benefit Claims	Accrued Interest	Vehicle Liability Claims	Total Accrued Liabilities
Governmental Activities:					
Major Governmental Funds:					
General	\$ 96,710	\$3,132	\$ —	\$ —	\$ 99,842
Job, Family and Other Human Services	11,510	362	—	—	11,872
Education	1,318	55	—	—	1,373
Highway Operating	18,704	342	—	—	19,046
Nonmajor Governmental Funds	33,633	938	5	—	34,576
	161,875	4,829	5	—	166,709
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences	—	—	104,591	3,552	108,143
Total Governmental Activities	161,875	4,829	104,596	3,552	274,852
Business-Type Activities:					
Ohio Building Authority	—	—	114	—	114
Tuition Trust Authority	191	—	—	—	191
Liquor Control	886	27	—	—	913
Underground Parking Garage	57	2	—	—	59
Office of Auditor of State	2,983	62	—	—	3,045
Total Business-Type Activities	4,117	91	114	—	4,322
Total Primary Government.....	<u>\$165,992</u>	<u>\$4,920</u>	<u>\$104,710</u>	<u>\$3,552</u>	<u>\$279,174</u>



NOTE 6 PAYABLES (Continued)

Primary Government — Accrued Liabilities (Continued)

	Wages	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/03).....	\$824	\$140	\$ —	\$ 964
Variable College Savings Plan Private-Purpose Trust.....	—	—	4,569	4,569
Total Fiduciary Activities.....	<u>\$824</u>	<u>\$140</u>	<u>\$4,569</u>	<u>\$5,533</u>

Major Component Units — Accrued Liabilities

	Wages & Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University.....	\$75,195	\$1,906	\$49,981	\$127,082
University of Cincinnati.....	52,585	3,144	12,205	67,934

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government, as of June 30, 2004, are comprised of the following (dollars in thousands).

Primary Government

	Local Government				Total
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other State Governments	
Governmental Activities:					
Major Governmental Funds:					
General.....	\$ —	\$ 286,132	\$ —	\$ —	\$ 286,132
Job, Family and Other Human Services	—	231,706	53	—	231,759
Education	—	69,574	443	—	70,017
Highway Operating	—	1,386	—	—	1,386
Revenue Distribution	13,620	339,342	—	3,059	356,021
Nonmajor Governmental Funds	—	203,080	—	—	203,080
Total Governmental Activities.....	<u>13,620</u>	<u>1,131,220</u>	<u>496</u>	<u>3,059</u>	<u>1,148,395</u>
Business-Type Activities:					
Unemployment Compensation	—	437	—	—	437
Liquor Control.....	—	400	—	—	400
Total Business-Type Activities.....	<u>—</u>	<u>837</u>	<u>—</u>	<u>—</u>	<u>837</u>
Total Primary Government.....	<u>\$13,620</u>	<u>\$1,132,057</u>	<u>\$ 496</u>	<u>\$3,059</u>	<u>\$1,149,232</u>
Fiduciary Activities:					
Holding and Distribution Agency Fund	\$ —	\$ —	\$2,028	\$ 75	\$ 2,103
Payroll Withholding and Fringe Benefits Agency Fund	—	357	—	—	357
Other Agency Fund	61,462	7,391	—	—	68,853
Total Fiduciary Activities.....	<u>\$61,462</u>	<u>\$ 7,748</u>	<u>\$2,028</u>	<u>\$ 75</u>	<u>\$ 71,313</u>

Component Units-Intergovernmental Payable

As of June 30, 2004, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately \$1.99 billion for long-term funding contracts the

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



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

A. Interfund Balances

Interfund balances, as of June 30, 2004, consist of the following (dollars in thousands):

Due from	Due to				Total
	Governmental Activities				
	Major Governmental Funds			Total	
General	Job, Family and Other Human Services	Nonmajor Governmental Funds	Total		
Major Governmental Funds:					
General	\$ —	\$ 6	\$2,851	\$ 2,857	
Job, Family and Other Human Services	—	—	—	—	
Education	—	—	—	—	
Highway Operating	—	—	—	—	
Revenue Distribution	—	—	56	56	
Nonmajor Governmental Funds	266,798	—	350	267,148	
Total Governmental Activities	266,798	6	3,257	270,061	
Business-Type Activities:					
Lottery Commission	—	—	—	—	
Liquor Control	2,623	—	—	2,623	
Underground Parking Garage	—	—	—	—	
Total Business-Type Activities	2,623	—	—	2,623	
Total Primary Government	\$269,421	\$ 6	\$3,257	\$272,684	
	Business-Type Activities				Total Primary Government
	Workers' Compensation	Liquor Control	Office of Auditor of State	Total	
Major Governmental Funds:					
General	\$568,093	\$12	\$9,123	\$577,228	\$ 580,085
Job, Family and Other Human Services	15,251	—	—	15,251	15,251
Education	2,696	—	—	2,696	2,696
Highway Operating	100,045	—	—	100,045	100,045
Revenue Distribution	—	—	—	—	56
Nonmajor Governmental Funds	109,657	—	—	109,657	376,805
Total Governmental Activities	795,742	12	9,123	804,877	1,074,938
Business-Type Activities:					
Lottery Commission	4,450	—	—	4,450	4,450
Liquor Control	2,485	—	—	2,485	5,108
Underground Parking Garage	175	—	—	175	175
Total Business-Type Activities	7,110	—	—	7,110	9,733
Total Primary Government	\$802,852	\$12	\$9,123	\$811,987	\$1,084,671

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.

Included in the interfund balances above is \$266.8 million due to the General Fund from the nonmajor governmental funds for interfund loans made to support housing programs at the Ohio Housing Finance Agency, which is accounted for in the Community and Economic Development Special Revenue Fund. Of the total interfund loan balance, ap-

proximately \$265.9 million is not expected to be collected in the subsequent fiscal year.

Additionally, 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 \$802.9 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Assets, the State includes the liability totaling \$802.3 million in the internal balance reported for governmental activities.



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

B. Interfund Transfers

Interfund transfers, for the year ended of June 30, 2004, consist of the following (dollars in thousands):

Transferred from	Transferred to						
	Governmental Activities						
	Major Governmental Funds						Nonmajor Governmental Funds
	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Total	
Major Governmental Funds:							
General	\$ —	\$12,948	\$ 10,246	\$ —	\$ 3,780	\$ 944,854	\$ 971,828
Job, Family and Other Human Services	6,857	—	1,500	—	—	—	8,357
Education	31,843	—	—	—	—	—	31,843
Highway Operating	718	—	—	—	47,314	229,793	277,825
Revenue Distribution	106,241	—	—	524,862	—	209,949	841,052
Nonmajor Governmental Funds	271,494	1,199	—	34	—	12,391	285,118
Total Governmental Activities	417,153	14,147	11,746	524,896	51,094	1,396,987	2,416,023
Business-Type Activities:							
Workers' Compensation	7,655	—	—	—	—	—	7,655
Lottery Commission	623	—	655,606	—	—	—	656,229
Unemployment Compensation	—	10,795	—	—	—	—	10,795
Ohio Building Authority	—	—	—	—	—	10,293	10,293
Liquor Control	118,012	—	—	—	—	26,566	144,578
Underground Parking Garage	—	—	—	—	—	756	756
Total Business-Type Activities	126,290	10,795	655,606	—	—	37,615	830,306
Total Primary Government	\$543,443	\$24,942	\$667,352	\$524,896	\$51,094	\$1,434,602	\$3,246,329
Business-Type Activities							
	Unemployment Compensation	Ohio Building Authority	Office of Auditor of State	Total	Total Primary Government		
Major Governmental Funds:							
General	\$ —	\$15,190	\$32,548	\$47,738	\$1,019,566		
Job, Family and Other Human Services	1,419	—	—	1,419	9,776		
Education	—	—	—	—	31,843		
Highway Operating	—	—	—	—	277,825		
Revenue Distribution	—	—	—	—	841,052		
Nonmajor Governmental Funds	—	—	—	—	285,118		
Total Governmental Activities	1,419	15,190	32,548	49,157	2,465,180		
Business-Type Activities:							
Workers' Compensation	—	—	—	—	7,655		
Lottery Commission	—	—	—	—	656,229		
Unemployment Compensation	—	—	—	—	10,795		
Ohio Building Authority	—	—	—	—	10,293		
Liquor Control	—	—	—	—	144,578		
Underground Parking Garage	—	—	—	—	756		
Total Business-Type Activities	—	—	—	—	830,306		
Total Primary Government	\$1,419	\$15,190	\$32,548	\$49,157	\$3,295,486		

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 debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



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

C. Component Units

For fiscal year 2004, the component units reported \$2.55 billion in state assistance revenue from the primary government in the Statement of Activities.

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

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

	Program Expenses for State Assistance to the Component Units			
	Payable to the Component Units	Primary, Secondary and Other Education Function	Higher Education Support Function	Total State Assistance to the Component Units
Primary Government				
Major Governmental Funds:				
General.....	\$10,728	\$619,505	\$1,669,927	\$2,289,432
Job, Family and Other Human Services	1,498	—	—	—
Education	1,043	—	—	—
Highway Operating	682	—	—	—
Nonmajor Governmental Funds.....	33,928	35,577	224,326	259,903
	47,879	655,082	1,894,253	2,549,335
Reconciling items to balance with government-wide financial statements.....	—	(505)	—	(505)
Total Primary Government.....	\$47,879	\$654,577	\$1,894,253	\$2,548,830
	Receivable from the Primary Government	Total State Assistance from the Primary Government		
Component Units				
Major Component Units:				
School Facilities Commission.....	\$ —	\$ 620,562		
Ohio State University.....	19,926	536,693		
University of Cincinnati	671	194,145		
Nonmajor Component Units.....	27,282	1,197,935		
	47,879	2,549,335		
Reconciling items to balance with government-wide financial statements	—	(505)		
Total Component Units	\$47,879	\$2,548,830		



NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2004, reported for the primary government is as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Buildings	\$ 54,602	\$ —	\$ —	\$ 54,602
Land	1,530,958	45,240	(2,337)	1,573,861
Land Improvements	930	—	—	930
Construction-in-Progress	1,661,545	648,179	(614,648)	1,695,076
Infrastructure:				
Highway Network:				
General Subsystem	8,059,076	173,672	—	8,232,748
Priority Subsystem	6,570,628	137,105	—	6,707,733
Bridge Network	2,255,567	31,608	—	2,287,175
Total Capital Assets Not Being Depreciated	<u>20,133,306</u>	<u>1,035,804</u>	<u>(616,985)</u>	<u>20,552,125</u>
Other Capital Assets:				
Buildings	2,966,416	217,328	(16,355)	3,167,389
Land Improvements	224,966	67,882	(23,592)	269,256
Machinery and Equipment	429,336	63,598	(50,634)	442,300
Vehicles	230,251	28,307	(24,793)	233,765
Infrastructure:				
Parks, Recreation and Natural Resources Network				
	18,563	6,068	(106)	24,525
Total Other Capital Assets at historical cost	<u>3,869,532</u>	<u>383,183</u>	<u>(115,480)</u>	<u>4,137,235</u>
Less Accumulated Depreciation for:				
Buildings	1,125,318	89,103	(8,435)	1,205,986
Land Improvements	115,784	11,626	(486)	126,924
Machinery and Equipment	287,570	51,417	(38,391)	300,596
Vehicles	104,930	13,117	(10,258)	107,789
Infrastructure:				
Parks, Recreation and Naturals Resources Network				
	727	644	(270)	1,101
Total Accumulated Depreciation	<u>1,634,329</u>	<u>165,907</u>	<u>(57,840)</u>	<u>1,742,396</u>
Other Capital Assets, Net	<u>2,235,203</u>	<u>217,276</u>	<u>(57,640)</u>	<u>2,394,839</u>
Governmental Activities- Capital Assets, Net	<u>\$22,368,509</u>	<u>\$1,253,080</u>	<u>\$(674,625)</u>	<u>\$22,946,964</u>

For fiscal year 2004, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	
Primary, Secondary and Other Education	\$ 2,303
Higher Education Support	7
Public Assistance and Medicaid	8,798
Health and Human Services	22,965
Justice and Public Protection	75,008
Environmental Protection and Natural Resources	14,606
Transportation	22,575
General Government	30,285
Community and Economic Development	2,988
Total Depreciation Expense for Governmental Activities	<u>\$179,535</u>
Losses on Capital Asset Disposals Included in Depreciation ...	<u>(13,628)</u>
Fiscal Year 2004 Increases to Accumulated Depreciation	<u>\$165,907</u>



NOTE 8 CAPITAL ASSETS (Continued)

	Primary Government (Continued)			Balance June 30, 2004
	Balance July 1, 2003	Increases	Decreases	
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land.....	\$ 12,631	\$ —	\$ —	\$ 12,631
Construction-in-Progress	956	—	(956)	—
Total Capital Assets Not Being Depreciated.....	13,587	—	(956)	12,631
Other Capital Assets:				
Buildings	256,728	1,163	(37)	257,854
Land Improvements	66	—	—	66
Machinery and Equipment	163,335	6,020	(17,251)	152,104
Vehicles	4,852	814	(1,128)	4,538
Total Other Capital Assets at historical cost.....	424,981	7,997	(18,416)	414,562
Less Accumulated Depreciation for:				
Buildings	115,617	8,474	—	124,091
Land Improvements	48	1	—	49
Machinery and Equipment	108,536	23,719	(15,079)	117,176
Vehicles	2,459	559	(942)	2,076
Total Accumulated Depreciation	226,660	32,753	(16,021)	243,392
Other Capital Assets, Net	198,321	(24,756)	(2,395)	171,170
Business-Type Activities- Capital Assets, Net	<u>\$211,908</u>	<u>\$(24,756)</u>	<u>\$(3,351)</u>	<u>\$183,801</u>

For fiscal year 2004, the State charged depreciation expense to the following business-type functions:

Business-Type Activities:	
Workers' Compensation	\$16,250
Lottery Commission	14,982
Tuition Trust Authority	98
Liquor Control.....	232
Underground Parking Garage	548
Office of Auditor of State	2,393
Total Depreciation Expense for Business-Type Activities	34,503
Losses on Capital Asset Disposals Included in Depreciation ...	(1,750)
Fiscal Year 2004 Increases to Accumulated Depreciation	<u>\$32,753</u>



NOTE 8 CAPITAL ASSETS (Continued)

B. Major Component Units

Capital asset activity, for the year ended June 30, 2004, reported for discretely presented major component unit funds with significant capital asset balances is as follows (dollars in thousands):

	Major Component Units			
	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land.....	\$ 42,025	\$ 177	\$ —	\$ 42,202
Construction-in-Progress	237,643	292,417	(152,637)	377,423
Total Capital Assets				
Not Being Depreciated.....	279,668	292,594	(152,637)	419,625
Other Capital Assets:				
Buildings	2,141,374	141,031	(922)	2,281,483
Land Improvements	181,959	11,606	(2)	193,563
Machinery, Equipment and Vehicles.....	655,875	67,106	(37,066)	685,915
Library Books and Publications.....	158,472	3,673	(1,605)	160,540
Total Other Capital Assets at historical cost.....	3,137,680	223,416	(39,595)	3,321,501
Less Accumulated Depreciation for:				
Buildings	865,040	68,583	(2,717)	930,906
Land Improvements	104,415	8,069	(2)	112,482
Machinery, Equipment and Vehicles.....	451,239	57,886	(34,290)	474,835
Library Books and Publications.....	127,299	6,939	—	134,238
Total Accumulated Depreciation	1,547,993	141,477	(37,009)	1,652,461
Other Capital Assets, Net	1,589,687	81,939	(2,586)	1,669,040
Total Capital Assets, Net	<u>\$1,869,355</u>	<u>\$374,533</u>	<u>\$(155,223)</u>	<u>\$2,088,665</u>
University of Cincinnati:				
Capital Assets Not Being Depreciated:				
Land.....	\$ 17,962	\$ 2,014	\$ —	\$ 19,976
Construction-in-Progress	256,317	119,488	(176,007)	199,798
Collections of Works of Art and Historical Treasures	4,579	—	(171)	4,408
Total Capital Assets Not Being Depreciated.....	278,858	121,502	(176,178)	224,182
Other Capital Assets:				
Buildings	1,078,212	205,940	(7,324)	1,276,828
Land Improvements	21,806	7,160	(1,040)	27,926
Machinery, Equipment and Vehicles	141,455	13,981	(8,835)	146,601
Library Books and Publications.....	117,674	9,333	(1,419)	125,588
Infrastructure.....	54,840	21,961	—	76,801
Total Other Capital Assets at historical cost.....	1,413,987	258,375	(18,618)	1,653,744
Less Accumulated Depreciation for:				
Buildings	400,330	39,698	(2,871)	437,157
Land Improvements	5,548	1,183	(128)	6,603
Machinery, Equipment and Vehicles.....	94,654	11,653	(8,424)	97,883
Library Books and Publications.....	75,605	6,390	(1,419)	80,576
Infrastructure.....	35,262	3,077	—	38,339
Total Accumulated Depreciation	611,399	62,001	(12,842)	660,558
Other Capital Assets, Net	802,588	196,374	(5,776)	993,186
Total Capital Assets, Net	<u>\$1,081,446</u>	<u>\$317,876</u>	<u>\$(181,954)</u>	<u>\$1,217,368</u>

For fiscal year 2004, Ohio State University and the University of Cincinnati reported \$141.5 million and \$62 million in depreciation expense, respectively.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS administers three separate pension plans — a cost-sharing, multiple-employer defined benefit plan, a defined contribution plan, and a cost-sharing, multiple-employer combined plan with features of both the defined benefit plan and the defined contribution plan.

OPERS benefits are 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 years of total 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 their 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 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. Employ-

ees who participate in the defined contribution plan may retire at age 55.

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 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 1.0 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 increase three percent annually 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.

The retirement allowance for the defined contribution plan is based entirely on the proceeds of retirees' individual retirement plans. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Participants direct the investment of their accounts by selecting from nine 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.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2004, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees.....	8.50%	13.31%
Law Enforcement Employees.....	10.10%	16.70%

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 and combined plans follow (dollars in thousands):

	2004	2003	2002
<i>Primary Government:</i>			
Regular Employees	\$235,634	\$224,267	\$228,637
Law Enforcement Employees.....	3,763	3,596	3,646
Total	<u>\$239,397</u>	<u>\$227,863</u>	<u>\$232,283</u>
<i>Major Component Units:</i>			
School Facilities			
Commission	\$ 346	\$ 298	\$ 454
Ohio Water			
Development Authority	83	72	71
Ohio State University	54,280	51,968	48,550
University of Cincinnati...	12,596	11,339	10,057

Contribution amounts shown for fiscal year 2002 only apply to the defined benefit plan, since the combined plan was not in effect during fiscal year 2002.

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

	2004	2003
<i>Primary Government:</i>		
Employer Contributions	\$1,593	\$ 530
Employee Contributions.....	3,322	1,137
<i>Major Component Units:</i>		
Ohio State University:		
Employer Contributions	720	188
Employee Contributions.....	1,437	392
University of Cincinnati:		
Employer Contributions	150	39
Employee Contributions.....	291	83

Only contributions for the past two fiscal years are presented, since the defined contribution plan and the combined plan began during fiscal year 2003.

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) 222-6705 or 1-800-222-7377.

Other Postemployment Benefits

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2004, employers paid 4.81 percent of their share into members' accounts. An employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100.0 percent vesting attained after 10 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.

Employer contributions, for the fiscal year ended June 30, 2004, are as follows (dollars in thousands):

	2004
<i>Primary Government</i>	\$902
<i>Major Component Units:</i>	
Ohio State University.....	407
University of Cincinnati.....	85

All age and service retirees who are members of the defined benefit or combined plans with 10 or more years of service credit qualify for healthcare coverage under OPERS. Members hired after January 1, 2003 with no prior service credit vest according to length of service. Members with 10 years of service credit have a 25-percent vested interest. Vested interest increases with service credit until members attain a 100.0 percent vested interest after reaching 30 years of service credit. Members hired after January 1, 2003 can also choose various coverage options.

Healthcare coverage for disability recipients and primary survivor recipients is also available to members of the defined benefit and combined plans. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. For law enforcement and regular employees, the portion of the employer rate used to fund healthcare was 5.0 percent of covered payroll for the period, July 1, 2003 through December 31, 2003 and 4.0 percent of covered payroll for the period, January 1, 2004 through June 30, 2004. Employees do not fund any portion of healthcare costs.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits in the defined benefit and combined plans are advance-funded using the entry-age, normal cost method. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2002 (the latest information available), include a rate of return on investments of 8.0 percent, an annual increase in total payroll for active employees of 4.0 percent compounded annually for inflation (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Healthcare costs were assumed to increase 4.0 percent annually.

Net assets available for payment of benefits at December 31, 2002 were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively. All investments are carried at market value.

For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments.

For fiscal year 2004, the State's actuarially required and actual contributions for the defined benefit plan and the defined benefit portion of the combined plan are as follows (dollars in thousands):

	2004
<i>Primary Government:</i>	
Regular Employees	\$120,358
Law Enforcement Employees.....	1,388
Total.....	\$121,746
<i>Major Component Units:</i>	
School Facilities Commission	\$ 177
Ohio Water Development Authority.....	42
Ohio State University	27,726
University of Cincinnati.....	6,434

The number of active contributing participants for the primary government was 59,013, as of June 30, 2004.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS administers three separate pension plans — a cost-sharing, multiple-employer defined benefit plan, a defined contribution plan, and a cost-sharing, multiple-employer combined plan with features of both

the defined benefit plan and the defined contribution plan.

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, the "money-purchase benefit" calculation, or the "partial lump-sum option plan."

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 2.5 percent for each year of Ohio contributing service in excess of 30 years and by 2.2 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary. Each year over 30 years is increased incrementally by .1 percent starting at 2.5 percent for the 31st year of Ohio service. For teachers with 35 or more years of earned service, the annual allowance is determined by multiplying the final average salary by 2.5 percent for the first 31 years of service.

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. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

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.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from nine professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life.

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 1.0 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.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans. STRS benefits are established under Chapter 3307, Ohio Revised Code.

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 14.0 percent and 10.0 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 2004 were 14 percent for employers and 10.0 percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13.0 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the STRS healthcare program. 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 years for the defined benefit and combined plans follow (dollars in thousands):

	2004	2003	2002
<i>Primary Government</i>	\$ 6,966	\$ 7,248	\$5,420
<i>Major Component Units:</i>			
Ohio State University	31,995	31,181	22,220
University of Cincinnati	13,043	12,536	8,579

Contribution amounts shown for fiscal years 2002 and 2003 only apply to the defined benefit plan, since the combined plan was not in effect until fiscal year 2004.

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

	2004	2003
<i>Primary Government:</i>		
Employer Contributions	\$111	\$ 96
Employee Contributions	161	138
<i>Major Component Units:</i>		
Ohio State University:		
Employer Contributions	634	418
Employee Contributions	819	517
University of Cincinnati:		
Employer Contributions	480	384
Employee Contributions	547	400

Only contributions for the past two fiscal years are presented, since the defined contribution plan and the combined plan began during fiscal year 2003.

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, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling 1-888-227-7877.

Other Postemployment Benefits

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents that are enrolled in the defined benefit and combined plans. 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 1.0 percent of covered payroll are allocated to pay for healthcare benefits.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirees enrolled in the defined contribution plan receive no postemployment healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2003 (the most recent information available), net assets available for future healthcare benefits were \$2.8 billion. Net healthcare costs paid by the primary government and its discretely presented major component units, for the year ended June 30, 2004, are as follows (dollars in thousands):

	2004
<i>Primary Government</i>	\$ 536
<i>Major Component Units:</i>	
Ohio State University	2,461
University of Cincinnati	1,003

The number of eligible benefit recipients for STRS as a whole was 143,239, as of June 30, 2003; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2004, is unavailable.

C. State Highway Patrol Retirement System (SHPRS)

Pension Benefits

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 Boulevard, Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 431-0781 or 1-800-860-2268.

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. Chapter 5505, Ohio Revised Code, also 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's contribution rate.

Contribution rates, as of December 31, 2003, were as follows:

Contribution Rates	
Employee Share	Employer Share
10.0%	24.50%

On March 24, 2003, the employee share increased from 9.5 percent to 10.0 percent, while the employer share increased to 24.50 percent from 23.50 percent on July 1, 2003.

During calendar year 2003, all of the employees' contributions funded pension benefits while 18.75 percent of the employer's contributions funded pension benefits from January 1 through June 30, 2003, and 21.0 percent of the employer's contributions funded pension benefits from July 1 through December 31, 2003. 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.

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 measurable.

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." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms.

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 investments is based on independent appraisals. For actuarial purposes, assets are valued with a method that amortizes each year's investment gain or loss over a closed, four-year period.

The employer's annual pension costs for the last three calendar years are as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
2003	\$16,307	100%
2002	15,393	100%
2001	13,765	100%



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2003	\$702,799	\$545,982	\$156,817	77.7%	\$81,738	191.9%
2002 (a)	663,070	527,604	135,466	79.6	78,997	171.5
2002	668,606	492,431	176,175	73.7	78,997	223.0
2001	636,715	551,279	85,436	86.6	76,344	111.9

(a) Change in assumption or method.

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2003. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an 8.0 percent rate of return on investments; projected salary increase of 4.0 percent attributable to inflation and additional projected salary increases ranging from .3 percent to 3.7 percent a year attributable to seniority and merit; price inflation was assumed to be at least 4.0 percent a year; and postretirement increases each year equal to 3.0 percent after the retiree reaches age 53.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 40 years.

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

Other Postemployment Benefits

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 2003, was 1,542. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2003 expense was \$7.2 million.

Healthcare benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition,

the assumption that projected healthcare costs would increase at a rate of 4.0 percent, compounded annually, due to inflation, was also used in the valuation. Net assets available for benefits allocated to healthcare costs at December 31, 2003 were \$90.5 million, and included investments carried at fair value, as previously described.

As of December 31, 2003, 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 \$58.6 million; the actuarial accrued liability for healthcare benefits at that date was \$149.1 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately \$3.4 million or 4.75 percent of active member payroll for the period, January 1 through June 30, 2003, and 3.5 percent of active member payroll for the period, July 1 through December 31, 2003.

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by STRS or OPERS. Classified civil service employees are not 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



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 STRS or OPERS would be transferred to the ARP. The Ohio Department of Insurance has designated eight companies as being 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. Therefore, employees who would have otherwise been enrolled in STRS or OPERS would contribute 10.0 percent or 8.5 percent of their gross salaries, respectively. Employees may also voluntarily make additional contributions to the ARP.

Ohio law also requires each public institution of higher education contribute 3.5 percent of a participating employee's gross salary for the year ended June 30, 2004 to STRS in cases when the employee would have otherwise been enrolled in STRS.

For the year ended June 30, 2004, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in OPERS.

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 STRS and OPERS. 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 eight 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, 2004, for the ARP follow (dollars in thousands):

	Fiscal Year 2004	
	OPERS	STRS
<i>Major Component Units:</i>		
Ohio State University:		
Employer Contributions	\$14,543	\$8,794
Employee Contributions	9,287	8,375
University of Cincinnati:		
Employer Contributions	5,319	3,875
Employee Contributions	3,767	3,691



NOTE 10 GENERAL OBLIGATION BONDS

The State has pledged its full faith and credit for the payment of principal and interest on general obligation bonds.

At various times since 1921, Ohio voters, by 17 constitutional amendments (the last adopted in November 2000 for land conservation purposes), 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, and natural resources. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2004, the General Assembly had authorized the issuance of \$2.51 billion in Common Schools Capital Facilities Bonds, of which \$1.79 billion had been issued. As of June 30, 2004, the General Assembly had also authorized the issuance of \$1.85 billion in Higher Education Capital Facilities Bonds, of which \$1.25 billion had been issued.

Through 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, 2004, the General Assembly had authorized the issuance of approximately \$1.77 billion in Highway Capital Improvements Bonds, of which \$1.30 billion had been issued.

Constitutional amendments in 1987 and 1995 allowed for the issuance of \$2.4 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds), of which no more than \$120 million may be issued in any fiscal year. As of June 30, 2004, the General Assembly had authorized \$2.16 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$1.92 billion had been issued (net of \$214 million in unaccreted discounts at issuance).

A 1968 constitutional amendment authorized the issuance of Highway Obligations in amounts up to \$100 million in any calendar year, with no more than \$500 million in principal amount outstanding at any one time. The aggregate of General Assembly authorizations, as of June 30, 2004, for Highway Obliga-

tions, was approximately \$1.75 billion, all of which had been issued.

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, 2004, the General Assembly had authorized the issuance of \$150 million in Coal Research and Development Bonds, all of which had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$287 million, as of June 30, 2004 of which \$240 million had been issued.

The State may issue Conservation Projects Bonds up to \$200 million. No more than \$50 million may be issued during a fiscal year. As of June 30, 2004, the General Assembly had authorized the issuance of approximately \$100 million in Conservation Projects Bonds, all of which had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2004, are presented in the table on the following page.

For the year ended June 30, 2004, NOTE 15 summarizes changes in general obligation bonds.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

**Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2004
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2000-04	3.1%-5.4%	2024	\$1,745,057	\$ 715,000
Higher Education Capital Facilities	2000-04	3.8%-5.4%	2024	1,171,443	601,000
Highway Capital Improvements	1997-04	3.0%-5.0%	2014	807,222	475,000
Infrastructure Improvements	1990-04	2.0%-7.6%	2023	1,368,172	240,014
Highway Obligations	1996	4.5%	2005	10,000	—
Coal Research and Development	1996-04	2.4%-5.0%	2013	48,975	—
Natural Resources Capital Facilities	1995-03	3.0%-5.6%	2018	171,316	47,000
Conservation Projects	2002-04	3.5%-4.3%	2019	98,526	—
Total General Obligation Bonds				<u>\$5,420,711</u>	<u>\$2,078,014</u>

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2005	\$ 390,705	\$ 226,052	\$ (459)	\$ 616,298
2006	375,905	206,725	(386)	582,244
2007	376,555	191,817	(312)	568,060
2008	371,965	175,994	(237)	547,722
2009	360,795	160,358	(160)	520,993
2010-2014	1,571,640	577,701	(81)	2,149,260
2015-2019	943,830	283,612	—	1,227,442
2020-2024	637,185	70,589	—	707,774
Total Current Interest and Capital Appreciation Bonds	<u>\$5,028,580</u>	<u>\$1,892,848</u>	<u>\$(1,635)</u>	<u>\$6,919,793</u>

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2005	\$ 785	\$ 4,530	\$ 5,754	\$ 11,069
2006	625	4,576	5,866	11,067
2007	650	4,569	5,850	11,069
2008	675	5,085	6,373	12,133
2009	695	5,594	5,890	12,179
2010-2014	26,680	27,590	19,641	73,911
2015-2019	195,840	21,695	14,538	232,073
2020-2024	126,075	9,478	3,554	139,107
Total Variable-Rate Bonds	<u>352,025</u>	<u>\$83,117</u>	<u>\$67,466</u>	<u>\$502,608</u>
Total General Obligation Bonds	5,380,605			
Unamortized Discount/ (Premium), Net	100,724			
Deferred Refunding Loss	(60,618)			
Total Carrying Amount	<u>\$5,420,711</u>			

For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the above interest and net swap payment amounts are based on rates, as of June 30, 2004. As rates vary, variable-rate bond interest payments and net swap payments vary.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Interest Rate Swaps

As of June 30, 2004, approximately \$382.1 million of Infrastructure Improvement Bonds and Common Schools Bonds included associated interest-rate swaps. Terms of the swap agreements are provided below.

**Primary Government-Governmental Activities
Interest Rate Swaps
As of June 30, 2004
(dollars in thousands)**

Issue	Type of Swap	Notional Amount	Underlying Index	Counter-party's Swap Rate at 06/30/2004	State's Swap Rate at 06/30/2004	Effective Date	Termination (Maturity) Date	Fair Value	Method to Estimate Fair Value	Credit Quality Ratings of Counter-parties
Infrastructure Improvements, Series 2001B	Floating to fixed knock-out	\$63,900	BMA Index	1.02%*	4.63%	11/29/2001	08/01/2021	\$(5,404)	Quoted Market Value	50% Aaa/AAA Bear Stearns Financial Products 50% Aa3/A+ Morgan Stanley Capital Services
Infrastructure Improvements, Refunding Series 2003B	Floating to fixed	\$104,315	Actual Bond Rate	1.03%	2.96%	02/26/2003	08/01/2008	\$(111)	Quoted Market Value	Aa3/A+ Morgan Stanley Capital Services
Infrastructure Improvements, Refunding Series 2003D	Floating to fixed	\$58,085	Actual Bond Rate	1.03%	3.04%	03/20/2003	02/01/2010	\$544	Quoted Market Value	Aa3/A+ Morgan Stanley Capital Services
Infrastructure Improvements, Series 2003F	Fixed to floating	\$30,115	BMA Index	2.54%	1.02%*	12/04/2003	02/01/2010	\$(309)	Quoted Market Value	Aa3/AA- JP Morgan Chase
Infrastructure Improvements, Refunding Series 2004A	Floating to fixed enhanced LIBOR	\$58,725	68% of LIBOR (1-month LIBOR > 5.0%) or 63% of LIBOR + 25 basis points (1-month LIBOR < 5.0%)	.99%	3.51%	03/03/2004	02/01/2023	\$1,312	Quoted Market Value	Aa3/A+ Morgan Stanley Capital Services
Common Schools, Series 2003D	Fixed to floating	\$67,000	BMA Index	2.67%	1.05%*	12/15/2003	09/01/2007	\$(145)	Quoted Market Value	50% Aa3/A+ Morgan Stanley Capital Services 50% Aa3/AA- JP Morgan Chase

*Weighted-average rate based on payment dates



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

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

The 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 is included below, when applicable to the swap.

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. This structure produced expected present value savings of approximately \$2 million versus a traditional fixed-rate bond structure.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2004. 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 BMA 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. BMA is a proxy for the State's variable-rate debt.

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 to protect the State from rising interest rates. 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 of \$8.4 million.

The swap matures on August 1, 2008, and the Series 2003 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, 2004. 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 that protects the State from rising interest rates. 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 of \$4.9 million.

The swap matures on February 1, 2010, and the Series 2003 variable-rate bonds mature on February 1, 2019. This mismatch in terms allows the State to increase its variable rate exposure after February 1,



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

2010, which is consistent with its long-term asset/liability management policy objective. At June 30, 2004, the State has credit risk exposure equal to the swap's fair value of \$.5 million.

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 a borrowing cost that is less than the traditional variable borrowing cost for an expected present value savings of \$.2 million.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2004. 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 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.

At June 30, 2004, the State has credit risk exposure equal to the swap's fair value of \$1.3 million.

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. BMA is a proxy for the State's variable-rate debt.

The swap has an embedded floor. When the one-month LIBOR rate falls below five percent, the State will receive a pay off of the swap from the Counterparty. This floor reduces the basis risk when rates are below five percent.

Common Schools-Series 2003D

The State entered into an interest rate swap to convert its Common Schools, Series 2003D fixed-rate bonds into a synthetic variable rate. Through the swap, the State achieves variable rate exposure synthetically at a rate equal to the BMA index less 20.5 basis points.

The swap matures on September 1, 2007, and the Common Schools, Series 2003D bonds mature

March 15, 2024. Upon expiration of the swap, the bonds are expected to change from a synthetic variable rate to a natural variable rate.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2004. 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.

Advance Refundings

During fiscal year 2004, there were two advance refundings of general obligation bonds as follows:

The State issued approximately \$59.0 million in Infrastructure Improvements refunding bonds (Series 2004A and 2004B) with a true interest cost rate of 3.6 percent to defease approximately \$60.6 million (in substance). Net refunding bond proceeds of \$64.8 million (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$4.5 million over the next 19 years. The net economic gain from the refunding was \$3.3 million. At issuance, Series 2004A was comprised of \$58.7 million in term bonds, and Series 2004B was comprised of \$309 thousand in capital appreciation bonds, net of unaccreted discount of \$7.9 million and unamortized premium of \$6.2 million.

The State issued approximately \$58.2 million in Common Schools refunding bonds (Series 2003E) with an average interest cost rate of 5 percent to defease approximately \$57.6 million (in substance). Net refunding bond proceeds of \$65.1 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$5.2 million over the next 10 years. The net economic gain from the refunding was \$3.3 million.

In prior years, the Treasurer of State defeased certain Infrastructure Improvement Bonds, Natural Resources Bonds, and Higher Education Bonds 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, 2004, Infrastructure Improvement Bonds of \$502.8 million, Natural Resources Bonds of \$16.8 million, Common Schools Bonds of \$57.6 million, and Higher Education Bonds of \$56.2 million are considered defeased and no longer outstanding.



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 Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation, the Treasurer of State for the Ohio Department of Development's Office of Credit and Finance, and the Ohio Department of Transportation. 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 Credit and Finance'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 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. During fiscal year 2004, the Treasurer of State issued \$100 million in Revitalization Project

bonds, which are also backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control.

Since fiscal year 1998, the Treasurer of State has issued a total of \$439 million in State Infrastructure Bank Bonds for various highway construction projects sponsored by the Department of Transportation. The State has pledged federal highway receipts as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Revenue bonds accounted for in business-type activities finance the costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus and other office buildings and related facilities constructed by the OBA for shared use by local governments. The principal and interest requirements on the OBA bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 5D.

Revenue bonds outstanding for the primary government, as of June 30, 2004, are presented in the table below.

For the year ended June 30, 2004, NOTE 15 summarizes changes in revenue bonds.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2004, are presented in the table at the top of the following page.

**Primary Government
Revenue Bonds
As of June 30, 2004**
(dollars in thousands)

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	1997-04	3.8%-7.8%	2024	\$234,975
State Infrastructure Bank	1998-04	2.0%-5.0%	2011	321,485
Revitalization Project.....	2003	3.0%-5.0%	2018	51,498
Total Governmental Activities.....				<u>607,958</u>
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	148,390
Ohio Building Authority.....	1986-04	2.0%-9.8%	2008	10,147
Total Business-Type Activities.....				<u>158,537</u>
Total Revenue Bonds				<u>\$766,495</u>



NOTE 11 REVENUE BONDS AND NOTES (Continued)

**Primary Government
Future Funding Requirements for Revenue Bonds
As of June 30, 2004
(dollars in thousands)**

Year Ending June 30,	Governmental Activities			Business-Type Activities			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 62,175	\$ 31,664	\$ 93,839	\$ 6,991	\$ 6,986	\$ 13,977	\$ 69,166	\$ 38,650	\$ 107,816
2006	63,185	28,770	91,955	15,237	6,770	22,007	78,422	35,540	113,962
2007	64,280	25,689	89,969	18,803	6,050	24,853	83,083	31,739	114,822
2008	65,450	22,488	87,938	17,741	5,337	23,078	83,191	27,825	111,016
2009	57,875	19,355	77,230	16,005	4,606	20,611	73,880	23,961	97,841
2010-2014	115,795	66,165	181,960	78,800	11,597	90,397	194,595	77,762	272,357
2015-2019	91,095	38,059	129,154	—	—	—	91,095	38,059	129,154
2020-2024	67,880	9,270	77,150	—	—	—	67,880	9,270	77,150
	587,735	241,460	829,195	153,577	41,346	194,923	741,312	282,806	1,024,118
Net Unamortized									
Premium/(Discount)	20,223	—	20,223	10,289	—	10,289	30,512	—	30,512
Deferred									
Refunding Loss	—	—	—	(5,329)	—	(5,329)	(5,329)	—	(5,329)
Total	\$607,958	\$241,460	\$849,418	\$158,537	\$41,346	\$199,883	\$766,495	\$282,806	\$1,049,301

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately \$102 million in Series 1996 Taxable Development Assistance Bonds on October 1, 2006. Under the terms of the bond purchase agreement, the underwriter has agreed to purchase approximately \$102 million in Series 1998 Taxable Development Assistance Refunding Bonds and deliver to the escrow agent on or before August 25, 2006 cash and/or direct U.S. government obligations sufficient to provide for the redemption of the refunded bonds on October 1, 2006. Because the State has not taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds, as of June 30, 2004, no obligation for the refunding bonds has been included in the financial statements.

During fiscal year 2004, there were two advance refundings of revenue bonds as follows:

The State issued approximately \$6.7 million in State Facilities refunding bonds (Series 2003A DiSalle Government Center) with a true interest cost rate of 1.9 percent to defease approximately \$10.2 million (in substance). Net refunding bond proceeds of \$7 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$5.6 million over the next five years. The net economic gain from the refunding was \$636 thousand.

The State issued approximately \$701 thousand in State Facilities refunding bonds (Series 2003A Ocasek Government Center) with a true interest cost

rate of 1.9 percent to defease approximately \$1 million (in substance). Net refunding bond proceeds of \$700 thousand were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$546 thousand over the next five years. The net economic gain from the refunding was \$61 thousand.

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 as 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, 2003, approximately \$697.0 million in bonds were outstanding for this program.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 2003, are as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2004	\$ 33,460	\$ 75,608	\$ 109,068
2005	35,095	70,549	105,644
2006	36,605	65,223	101,828
2007	37,860	60,177	98,037
2008	39,705	55,510	95,215
2009-2013	214,705	215,817	430,522
2014-2018	192,740	109,545	302,285
2019-2023	102,050	31,672	133,722
2024-2028	—	3,661	3,661
2029-2033	—	231	231
	692,220	687,993	1,380,213
Net Unamortized Premium/(Discount) ..	24,516	—	24,516
Deferred Refunding Loss	(19,758)	—	(19,758)
Total	<u>\$96,978</u>	<u>\$687,993</u>	<u>\$1,384,971</u>

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 residence 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.

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately \$127.6 million in bonds had adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31, 2003, the rates for \$100.9 million and \$26.7 million of the variable-rate bonds were 1.1 percent and 1.3 percent, respectively.

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2004, are presented in the table below.

**Major Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2004**
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/03)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 104,430	\$ 75,608	\$ 180,038						
2005	105,265	70,549	175,814	\$405,480	\$ 23,529	\$ 429,009	\$ 59,868	\$ 30,391	\$ 90,259
2006	130,580	65,223	195,803	18,206	23,630	41,836	20,630	28,774	49,404
2007	104,935	60,177	165,112	16,689	22,864	39,553	25,650	27,881	53,531
2008	67,030	55,510	122,540	17,274	22,008	39,282	31,215	26,818	58,033
2009	—	—	—	18,184	21,121	39,305	26,040	25,664	51,704
2009-2013	453,810	215,817	669,627	—	—	—	—	—	—
2010-2014	—	—	—	89,354	90,973	180,327	138,650	111,927	250,577
2014-2018	354,960	109,545	464,505	—	—	—	—	—	—
2015-2019	—	—	—	79,565	65,004	144,569	161,145	79,473	240,618
2019-2023	207,725	31,672	239,397	—	—	—	—	—	—
2020-2024	—	—	—	67,945	38,715	106,660	144,740	44,560	189,300
2024-2028	28,510	3,661	32,171	—	—	—	—	—	—
2025-2029	—	—	—	47,025	19,522	66,547	116,640	17,402	134,042
2029-2033	3,660	231	3,891	—	—	—	—	—	—
2030-2034	—	—	—	32,974	4,294	37,268	34,900	1,614	36,514
	1,560,905	687,993	2,248,898	792,696	331,660	1,124,356	759,478	394,504	1,153,982
Net Unamortized Premium/(Discount)	30,785	—	30,785	—	—	—	1,592	—	1,592
Deferred Refunding Loss	(30,709)	—	(30,709)	—	—	—	—	—	—
Total	<u>\$1,560,981</u>	<u>\$687,993</u>	<u>\$2,248,974</u>	<u>\$792,696</u>	<u>\$331,660</u>	<u>\$1,124,356</u>	<u>\$761,070</u>	<u>\$394,504</u>	<u>\$1,155,574</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.

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, and parks and recreation. Prior to September 14, 2000, when House Bill 640 became effective and reassigned the issuing authority for these obligations to the Treasurer of State, the Ohio Public Facilities Commission issued the Chapter 154 bonds.

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.

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 lease rental payments are re-

ported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2004, are presented in the table below.

Future special obligation debt service requirements, as of June 30, 2004, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2005	\$ 455,429	\$ 189,956	\$ 645,385
2006	443,938	167,942	611,880
2007	445,632	141,029	586,661
2008	430,559	120,244	550,803
2009	321,200	100,585	421,785
2010-2014	1,191,475	291,623	1,483,098
2015-2019	463,925	88,111	552,036
2020-2024	123,165	14,301	137,466
	<u>3,875,323</u>	<u>1,113,791</u>	<u>4,989,114</u>
Net Unamor- tized Premium/ (Discount).....	88,328	—	88,328
Deferred Refunding Loss	(59,171)	—	(59,171)
Total	<u>\$3,904,480</u>	<u>\$1,113,791</u>	<u>\$5,018,271</u>

For the year ended June 30, 2004, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2004, the OBA defeased a number of special obligation bond issues *in substance* when the net proceeds of refunding bonds (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. A resulting economic gain/(loss) from an

**Primary Government-Governmental Activities
Special Obligation Bonds
As of June 30, 2004
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1986-04	2.0%-9.8%	2024	\$2,278,308	\$361,910
Treasurer of State:					
Chapter 154 Bonds:					
Higher Education Facilities	1994-03	3.2%-6.0%	2013	1,133,059	—
Mental Health Facilities	1995-03	3.1%-6.0%	2018	263,773	77,915
Parks and Recreation Facilities	1996-04	2.5%-5.5%	2019	122,725	23,100
Elementary and Secondary Education....	1997-99	4.0%-5.6%	2008	106,615	—
Total Special Obligation Bonds				<u>\$3,904,480</u>	<u>\$462,925</u>



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

advance refunding represents the difference between the present values of the debt service payments on the old and new debt. Details on the advance refundings for fiscal year 2004 are presented in the table below.

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, 2004, \$299.8 million and \$476.9 million of OBA and Chapter 154 special obligation bonds, respectively, are considered defeased and no longer outstanding.

**Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2004**
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded <i>(in substance)</i>	Refunding Bond Proceeds Placed in Escrow	Reduction in Debt Service Payments	Economic Gain Resulting from Refunding
Ohio Building Authority:							
State Facilities (DiSalle Government Center), Series 2003A	7/22/03	\$ 4,263	1.9%	\$ 6,498	\$ 4,450	\$3,593 over next 5 years	\$ 407
State Facilities (Lausche State Office Building), Series 2003A	7/22/03	4,915	1.9%	7,183	4,935	\$3,948 over next 5 years	449
State Facilities (Ocasek Government Office Building), Series 2003A	7/22/03	1,994	1.9%	2,876	1,998	\$1,553 over next 5 years	175
State Facilities (Highway Safety Building), Series 2004B	3/23/04	41,695	2.4%	42,685	46,879	\$2,446 over next 8 years	2,148
State Facilities (DNR Fountain Square), Series 2004A	5/11/04	3,910	2.5%	3,473	4,022	\$153 over next 5 years	149
State Facilities (Vern Riffe Center), Series 2004A	5/11/04	22,705	2.3%	22,236	23,550	\$678 over next 5 years	663
State Facilities (Adult Correctional Building), Series 2004B	5/11/04	42,665	2.1%	41,819	44,365	\$1,215 over next 5 years	1,190
Total.....		<u>\$122,147</u>		<u>\$126,770</u>	<u>\$130,199</u>		<u>\$5,181</u>

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2004, approximately \$6.5 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of \$8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also participated in the issuance of \$10.2 million in COP obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties.

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

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2004, are presented in the table at the top of the following page.



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

**Primary Government — Governmental Activities
Certificate of Participation Obligations
As of June 30, 2004
(dollars in thousands)**

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project.....	1992	6.5%	2012	\$5,105
Rickenbacker Port Authority Improvements.....	1996	6.1%	2007	1,375
Total Certificates of Participation				<u>\$6,480</u>

As of June 30, 2004, the primary government's future commitments under the COP financing arrangements are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2005	\$ 945	\$ 408	\$1,353
2006	1,005	348	1,353
2007	800	285	1,085
2008	520	242	762
2009	555	209	764
2010-2012 ..	2,655	400	3,055
Total	<u>\$6,480</u>	<u>\$1,892</u>	<u>\$8,372</u>

For the year ended June 30, 2004, NOTE 15 summarizes changes in COP obligations.

For the State's component units, approximately \$29.7 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at the Ohio State University, University of Cincinnati, and the University of Akron.

As of June 30, 2004, 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, 2004
(dollars in thousands)**

Year Ending June 30,	Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 720	\$ 321	\$1,041	\$ 90	\$ 46	\$ 136
2006	355	293	648	90	41	131
2007	360	277	637	90	36	126
2008	390	260	650	95	31	126
2009	405	242	647	95	26	121
2010-2014	2,340	890	3,230	380	52	432
2015-2019	2,330	242	2,572	—	—	—
2020-2024	—	—	—	—	—	—
2025-2029	—	—	—	—	—	—
2030-2034	—	—	—	—	—	—
Total	<u>\$6,900</u>	<u>\$2,525</u>	<u>\$9,425</u>	<u>\$840</u>	<u>\$232</u>	<u>\$1,072</u>

Year Ending June 30,	University of Akron			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ —	\$ 1,725	\$ 1,725	\$ 810	\$ 2,092	\$ 2,902
2006	140	1,585	1,725	585	1,919	2,504
2007	275	1,450	1,725	725	1,763	2,488
2008	295	1,430	1,725	780	1,721	2,501
2009	315	1,410	1,725	815	1,678	2,493
2010-2014	1,955	6,670	8,625	4,675	7,612	12,287
2015-2019	2,765	5,860	8,625	5,095	6,102	11,197
2020-2024	3,845	4,780	8,625	3,845	4,780	8,625
2025-2029	5,240	3,385	8,625	5,240	3,385	8,625
2030-2034	7,170	1,455	8,625	7,170	1,455	8,625
Total	<u>\$22,000</u>	<u>\$29,750</u>	<u>\$51,750</u>	<u>\$29,740</u>	<u>\$32,507</u>	<u>\$62,247</u>



NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2004, 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):

Governmental Activities:	
Compensated Absences	\$ 382,208
Capital Leases Payable	3,460
Liability for Escheat Property	173,935
Total Governmental Activities	559,603
Business-Type Activities:	
Compensated Absences	34,563
Capital Leases Payable	30,368
Workers' Compensation:	
Unearned Revenue	394,319
Benefits Payable	14,619,873
Other	1,750,020
Deferred Prize Awards Payable	856,903
Tuition Benefits Payable	1,141,700
Workers Compensation Claims- Auditor of State's Office.....	7,828
Total Business-Type Activities	18,835,574
Total Primary Government.....	\$19,395,177

For the year ended June 30, 2004, 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, 2004, was \$416.8 million, of which \$382.2 million is allocable to governmental activities and \$34.6 million is allocable to business-type activities.

As of June 30, 2004, discretely presented major component units reported a total of \$133.7 million in compensated absences liabilities, as detailed by major component unit in NOTE 15.

B. Lease Agreements

The State's primary government leases office buildings and 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.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewal 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 2004 were approximately \$85.4 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2004, are as follows (dollars in thousands):

Primary Government			
Year Ending June 30,	Operating Leases		
2005	\$4,628		
2006	361		
2007	39		
2008	28		
2009	3		
Total minimum lease payments.....	\$5,059		
	Capital Leases		
Year Ending June 30,	Govern- mental Activities	Business- Type Activities	Total
2005	\$1,435	\$16,135	\$17,570
2006	1,285	16,134	17,419
2007	821	27	848
2008	441	15	456
2009	11	—	11
Total Mini- mum Lease Payments	3,993	32,311	36,304
Amount for interest	(533)	(1,943)	(2,476)
Present Value of Net Mini- mum Lease Payments	\$3,460	\$30,368	\$33,828



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2004, the primary government had the following capital assets under capital leases (dollars in thousands):

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Equipment	\$5,998	\$69,469	\$75,467
Vehicles.....	33	—	33
Total	<u>\$6,031</u>	<u>\$69,469</u>	<u>\$75,500</u>

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

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary funds. For the component units, capital lease obligations are included under the "Other Liabilities" account.

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, 2004, are presented in the table below.

Major Component Units		
Capital Leases		
Year Ending June 30,	Ohio State University	University of Cincinnati
2005	\$ 5,576	\$ 11,047
2006	5,431	11,198
2007	3,413	11,647
2008	828	11,852
2009	183	12,882
2010-2014	637	55,964
2015-2019	—	44,299
2020-2024	—	51,631
Total Minimum Lease Payments ...	16,068	210,520
Amount for interest	(1,058)	(79,369)
Present Value of Net Minimum Lease Payments ...	<u>\$15,010</u>	<u>\$131,151</u>
Equipment & Vehicles.....	\$30,240	\$ —
Buildings.....	—	140,635
Total	<u>\$30,240</u>	<u>\$140,635</u>

C. Liability for Escheat Property

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2004, this liability totaled approximately \$173.9 million.

D. Workers' Compensation

Unearned Revenue

Unearned revenue in the amount of \$394.3 million is reported as a noncurrent liability in the Workers' Compensation Enterprise Fund. This balance represents employer assessments for disabled workers benefits and for self-insuring employers guaranty deposits received or in the course of collection, but not yet recognized.

Benefits Payable

As discussed in NOTE 20A, the Workers' 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, 2004, in the amount of approximately \$14.62 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.

E. Deferred Prize Awards Payable

Deferred prize awards payable in installments over future years totaling approximately \$856.9 million, as of June 30, 2004, are reported at present value based upon interest rates the Treasurer of State provides the Lottery Commission Enterprise Fund. The interest rates, ranging from 4.0 to 11.7 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.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

The present value of future payments of unpaid prize awards, as of June 30, 2004, is as follows (dollars in thousands):

Year Ending June 30,	
2005	\$ 142,721
2006	127,253
2007	116,166
2008	100,696
2009	85,302
2010-2014	329,871
2015-2019	280,757
2020-2024	134,551
	1,317,317
Unamortized Discount	(460,414)
Net Prize Liability	\$ 856,903

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

F. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund were \$1.14 billion, as of June 30, 2004. 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 at 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: 7.0 percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of 10.0 percent for calendar year 2005 and thereafter; and a 2.5 percent Consumer Price Index inflation rate. The effect of changes due to experience and actuarial assumption changes follow (dollars in millions):

Actuarial Deficit, as of June 30, 2003	\$(321.1)
Interest on the Deficit at 7.0 Percent	(22.5)
Recognition of Gain in Investment Returns ...	54.2
Additional Deficit from New Unit Purchases ..	(3.2)
Lower-Than-Assumed Tuition Increase	43.4
Budget Savings	1.1
Lower-Than-Expected	
Units/Credits Redeemed	(2.8)
Lower-Than-Expected Credit Payouts	0.3
Interest Gain on Late Tuition Payouts	0.5
Change in Assumptions	(43.8)
Other	(0.7)
Actuarial Deficit, as of June 30, 2004, Before Adjustment for Value of Future Contingent Payments for Variable Investment Options	(294.6)
Value of Future Contingent Payments for Variable Investment Options	42.2
Actuarial Deficit, as of June 30, 2004	\$(252.4)

As of June 30, 2004, the market value of net assets available for payment of the tuition benefits payable was \$847.1 million.

G. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$1.75 billion in other noncurrent liabilities, as of June 30, 2004, of which 1.) \$1.65 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 20A., 2.) \$85.7 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$17.1 million consists of other miscellaneous liabilities.

Additionally, the Office of the Auditor of State Enterprise Fund reports \$7.8 million in other liabilities for estimated workers' compensation claims payable. For the payment of the claims, the General Fund transfers resources to the Office of the Auditor of State Enterprise Fund. As claims expenses are incurred, transfers from the General Fund are accrued.

Accordingly, the General Fund reported an interfund payable to the Bureau of Workers' Compensation Enterprise Fund in an amount equal to the workers' compensation claims payable reported in the Office of Auditor of State Enterprise Fund, as of June 30, 2004 (See NOTE 7A.).



NOTE 15 CHANGES IN NONCURRENT LIABILITIES

Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2004, are presented for the primary government in the following table.

Primary Government Changes in Noncurrent Liabilities For the Fiscal Year Ended June 30, 2004 <i>(dollars in thousands)</i>					
	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amount Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	\$ 4,603,842	\$1,307,987	\$ (491,118)	\$ 5,420,711	\$ 391,970
Revenue Bonds (NOTE 11).....	450,598	222,359	(64,999)	607,958	62,799
Special Obligations (NOTE 12)	4,093,614	429,696	(618,830)	3,904,480	452,614
Total Bonds and Notes Payable	<u>9,148,054</u>	<u>1,960,042</u>	<u>(1,174,947)</u>	<u>9,933,149</u>	<u>907,383</u>
Certificates of Participation (NOTE 13)	7,370	—	(890)	6,480	945
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences.....	383,637	331,908	(333,337)	382,208	49,669
Capital Leases Payable	4,888	400	(1,828)	3,460	1,184
Litigation Liabilities.....	10,000	—	(10,000)	—	—
Liability for Escheat Property	141,328	78,829	(46,222)	173,935	54,989
Total Other Noncurrent Liabilities	<u>539,853</u>	<u>411,137</u>	<u>(391,387)</u>	<u>559,603</u>	<u>105,842</u>
Governmental Activities-Noncurrent Liabilities	<u>9,695,277</u>	<u>2,371,179</u>	<u>(1,567,224)</u>	<u>10,499,232</u>	<u>1,014,170</u>
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11).....	167,310	8,868	(17,641)	158,537	6,991
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences.....	34,580	30,609	(30,626)	34,563	1,406
Capital Leases Payable	44,151	66	(13,849)	30,368	14,711
Workers' Compensation:					
Unearned Revenue	402,436	35,076	(43,193)	394,319	16,930
Benefits Payable.....	14,307,371	2,548,502	(2,236,000)	14,619,873	1,764,828
Other:					
Adjustment Expenses Liability	1,673,704	—	(26,505)	1,647,199	441,865
Premium Payment Security Deposits.....	82,991	5,370	(2,682)	85,679	—
Miscellaneous	75,576	72,205	(130,639)	17,142	10,761
Deferred Prize Awards Payable.....	929,225	29,365	(101,687)	856,903	88,200
Tuition Benefits Payable.....	1,080,500	110,993	(49,793)	1,141,700	54,800
Workers' Compensation Claims- Auditor of State's Office	7,828	—	—	7,828	443
Total Other Noncurrent Liabilities	<u>18,638,362</u>	<u>2,832,186</u>	<u>(2,634,974)</u>	<u>18,835,574</u>	<u>2,393,944</u>
Business-Type Activities-Noncurrent Liabilities	<u>18,805,672</u>	<u>2,841,054</u>	<u>(2,652,615)</u>	<u>18,994,111</u>	<u>2,400,935</u>
Total Primary Government	<u>\$28,500,949</u>	<u>\$5,212,233</u>	<u>\$(4,219,839)</u>	<u>\$29,493,343</u>	<u>\$3,415,105</u>



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

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 2004, 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 construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on

the Statement of Activities under the expense category for interest on long-term debt.

	<i>(dollars in thousands)</i>
Governmental Activities:	
Primary, Secondary and Other Education	\$ 83,228
Higher Education Support	121,238
Environmental Protection and Natural Resources.....	416
Transportation	4
Community and Economic Development	21,841
Intergovernmental	<u>85,066</u>
Total Interest Expense Charged to Governmental Functions..	<u>\$311,793</u>

Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2004 (December 31, 2003 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, 2004**
(dollars in thousands)

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amount Due Within One Year
School Facilities Commission:					
Intergovernmental Payable.....	\$2,133,542	\$ 394,439	\$ (537,072)	\$1,990,909	\$638,909
Compensated Absences*	411	174	(62)	523	81
Total.....	<u>\$2,133,953</u>	<u>\$ 394,613</u>	<u>\$ (537,134)</u>	<u>\$1,991,432</u>	<u>\$638,990</u>
Ohio Water Development Authority:					
Bonds and Notes Payable	\$1,614,964	\$ 246,373	\$ (300,356)	\$1,560,981	\$104,241
Compensated Absences*	177	8	(43)	142	—
Total.....	<u>\$1,615,141</u>	<u>\$ 246,381</u>	<u>\$ (300,399)</u>	<u>\$1,561,123</u>	<u>\$104,241</u>
Ohio State University:					
Unearned Revenue	\$ 97,674	\$1,546,534	\$(1,550,254)	\$ 93,954	\$ 87,954
Compensated Absences*	64,541	11,982	(6,005)	70,518	6,005
Capital Leases Payable*	17,723	2,590	(5,303)	15,010	5,070
Other Liabilities*	108,736	12,744	(5,511)	115,969	4,804
Bonds and Notes Payable	560,631	384,525	(152,460)	792,696	405,480
Certificates of Participation	7,880	—	(980)	6,900	720
Total.....	<u>\$ 857,185</u>	<u>\$1,958,375</u>	<u>\$ (1,720,513)</u>	<u>\$1,095,047</u>	<u>\$510,033</u>
University of Cincinnati:					
Compensated Absences*	\$ 58,465	\$ 4,177	\$ (171)	\$ 62,471	\$ 33,790
Capital Leases Payable*	135,262	—	(4,111)	131,151	4,306
Other Liabilities*	32,347	91,653	(90,950)	33,050	396
Bonds and Notes Payable	509,776	304,960	(53,666)	761,070	60,387
Certificates of Participation	930	—	(90)	840	90
Total.....	<u>\$ 736,780</u>	<u>\$ 400,790</u>	<u>\$ (148,988)</u>	<u>\$ 988,582</u>	<u>\$ 98,969</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 limited obligations 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, 2004 (December 31, 2003 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State are as follows (dollars in thousands):

	<u>Outstanding Amount</u>
Primary Government:	
Ohio Department of Development:	
Ohio Housing Finance Agency	\$1,708,174
Ohio Enterprise Bond Program	168,890
Hospital Facilities Bonds	24,905
Total Primary Government.....	<u>\$1,901,969</u>
Component Units:	
Ohio Water Development Authority.....	\$2,114,745
Ohio Air Quality Development Authority	1,616,281
Total Component Units	<u>\$3,731,026</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, 2004 (dollars in thousands):

<u>Primary Government:</u>	
Major Governmental Funds:	
Job, Family and Other Human Services..	\$ (76,455)
Nonmajor Governmental Funds:	
Mental Health and Retardation Special Revenue Fund	(67,004)
Total Governmental Funds	<u>\$ (143,459)</u>

<u>Primary Government (Continued):</u>	
Proprietary Funds:	
Tuition Trust Authority Enterprise Fund...	<u>\$ (289,354)</u>

<u>Component Units:</u>	
School Facilities Commission Fund	<u>\$ (1,625,009)</u>

B. "Other" Fund Balance Reserves and Designations

Details on the "Reserved for Other" account reported for the governmental funds, as of June 30, 2004, are presented below.

**Primary Government
Governmental Funds — Reserved for Other
As of June 30, 2004
(dollars in thousands)**

	General Fund	Job, Family and Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Prepays (included in "Other Assets").....	\$16,919	\$1,994	\$203	\$3,175	\$ 5,847	\$28,138
Advances to Local Governments.....	3,651	—	—	—	—	3,651
Ohio Enterprise Bond Program	—	—	—	—	10,000	10,000
Loan Guarantee Programs	126	—	—	—	2,514	2,640
Long-Term Leases Receivable.....	—	—	—	—	1,525	1,525
Special Purpose Restrictions:						
Environmental Protection and Natural Resources	—	—	—	—	6,499	6,499
Assets in Excess of Debt Service Requirements.....	—	—	—	—	3	3
Total Reserved for Other.....	<u>\$20,696</u>	<u>\$1,994</u>	<u>\$203</u>	<u>\$3,175</u>	<u>\$26,388</u>	<u>\$52,456</u>



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

The unreserved fund balance for governmental funds, as of June 30, 2004, has been designated as follows, (dollars in thousands):

Major Governmental Funds:	
General Fund:	
Budget Stabilization	\$ 74,598
Compensated Absences.....	23,150
	<hr/>
Total General Fund	97,748
	<hr/>
Nonmajor Governmental Funds:	
Compensated Absences.....	6,584
	<hr/>
Total Governmental Funds.....	<u>\$104,332</u>

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great 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 restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' 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 has applied its distribution (approximately \$285 thousand for the year ended December 31, 2003) to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2003 (the GLPF's year-end), are as follows (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
	<hr/>	<hr/>	<hr/>
Total	<u>\$97,000</u>	<u>\$81,000</u>	<u>100.0%</u>

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary financial information for the GLPF, for the fiscal year ended December 31, 2003, is as follows (dollars in thousands):

Cash and Investments	\$112,577
Other Assets	361
	<hr/>
Total Assets	<u>\$112,938</u>
	<hr/>
Total Liabilities	\$ 2,059
Total Net Assets	110,879
	<hr/>
Total Liabilities and Net Assets	<u>\$112,938</u>
	<hr/>
Total Revenues and Other Additions	\$ 22,477
Total Expenditures	(6,593)
	<hr/>
Net Increase in Net Assets	<u>\$ 15,884</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.



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

The governing boards of the technical colleges consist of either seven or nine trustees, of which state officials appoint two and three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the 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 2004 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga Community College	\$ 46,191	\$ 2,270	\$ 48,461
Jefferson Community College	4,041	731	4,772
Lakeland Community College	15,162	451	15,613
Lorain County Community College.....	22,330	1,275	23,605
Rio Grande Community College.....	4,305	17	4,322
Sinclair Community College ...	43,820	1,498	45,318
Total Local Community Colleges.....	135,849	6,242	142,091
Technical Colleges:			
Belmont Technical College.....	4,957	246	5,203
Central Ohio Technical College	4,880	12	4,892
Hocking Technical College.....	16,535	255	16,790
James A. Rhodes State College (formerly Lima Technical College)	7,329	3,640	10,969
Marion Technical College.....	4,044	257	4,301
Zane State College (formerly Muskingum Area Technical College)	5,157	361	5,518
North Central State College....	7,368	997	8,365
Stark State College of Technology	11,547	3,742	15,289
Total Technical Colleges.....	61,817	9,510	71,327
Total	\$197,666	\$15,752	\$213,418

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 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 2004, the State had the following related-party transactions with its related organizations:

- The primary government distributed \$2.8 million in motor vehicle fuel excise tax collections from the Revenue Distribution Fund to the Ohio Turnpike Commission.
- Separate funds, established for the Petroleum Underground Storage Tank Release Compensation Board and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting 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 approximately \$647 thousand in compensation to the Ohio Legal Assistance Foundation for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies. Also, during fiscal year 2004, the Ohio Legal Assistance Foundation received approximately \$1.6 million in state assistance paid from the Job, Family and Other Human Services Fund.



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.

Litigation pending in the Ohio Court of Claims contests the Ohio Department of Human Services (ODHS, now Ohio Department of Job and Family Services (ODJFS)) former Medicaid financial eligibility rules for married couples when one spouse is living in a nursing facility and the other resides in the community. ODHS promulgated new eligibility rules effective January 1, 1996. ODHS appealed an order of the federal court directing it to provide notice to persons potentially affected by the former rules from 1990 through 1995, and the Court of Appeals ruled in favor of ODHS. The U.S. Supreme Court did not grant plaintiff's petition for certiorari. As to the Court of Claims case, it is not possible to state the period (beyond the current fiscal year) during which necessary additional Medicaid expenditures would have to be made. Plaintiffs have estimated total additional Medicaid expenditures at \$600 million for the retroactive period and, based on current law, it is estimated that the State's share of those additional expenditures would be approximately \$240 million. The Court of Appeals has certified the class action and notice has been sent to the members of the class. Trial for liability only was completed in the Court of Claims in January 2003, and all post-trial briefs have been filed with that Court. In March 2004, the trial court issued a decision finding no liability with respect to ODJFS. The plaintiff class has filed an appeal from that decision to the Franklin County Court of Appeals. That appeal is currently pending. No liability has been reported in the financial statements for this matter.

Litigation is also currently pending in the Cuyahoga County Court of Appeals relating to the transfer to the GRF and use in fiscal year 2002 for general State purposes of \$60 million in earned federal reimbursement on Title XX (Social Services Block Grant) expenditures. Plaintiff Cuyahoga County filed an action contesting this transfer and use of those monies for general State purposes, and the trial court ordered the State to return the monies to its Department of Job and Family Services. The State has appealed the trial court's decision and order. No liability has been reported in the financial statements for this matter.

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 (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of 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 2003 State of Ohio Single Audit (completed in 2004), \$20.6 million of federal expenditures are in question as not being appropriate under the terms of the respective grants. The amount of expenditures, which may be ultimately disallowed by the grantor, cannot be determined at this time, and consequently, no provision for any liability or adjustments for this matter has been recognized in the State's financial statements for the fiscal year ended June 30, 2004.

C. Tax Refund Claims

As of June 30, 2004, tax refund claims estimated in the amount of \$21.7 million were pending an official determination of the Tax Commissioner at the Ohio Department of Taxation. The claims arose from refund claims taxpayers filed for tax periods occurring in fiscal year 2004 and in prior years. No liability has been reported in the financial statements for this matter.

D. Construction Commitments

As of June 30, 2004, the Ohio Department of Transportation had total contractual commitments of approximately \$1.73 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 \$937 million, \$325.9 million, \$382 million, and \$83.7 million, respectively.



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

As of June 30, 2004, other major non-highway construction commitments for the primary government's budgeted capital projects funds are as follows (dollars in thousands):

Primary Government	
Mental Health/Mental Retardation	
Facilities Improvements.....	\$ 48,834
Parks and Recreation Improvements	17,249
Administrative Services	
Building Improvements	89,168
Youth Services Building Improvements.....	4,039
Transportation Building Improvements.....	63
Adult Correctional Building Improvements ..	42,179
Highway Safety Building Improvements	2,643
Ohio Parks and Natural Resources	22,064
Total.....	<u>\$226,239</u>

As of June 30, 2004, construction commitments for the State's discretely presented major component units are as follows (dollars in thousands):

Major Component Units	
Ohio State University.....	\$328,534
University of Cincinnati.....	382,042

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.

While Ohio's share of the total base payments to the states through 2025 will not change over time, the amount of the annual payment is subject to a number of adjustments, including an inflation adjustment and a volume adjustment. Some of these adjustments (for example, inflation) should contribute to an increase in the payments and others (for example, domestic cigarette sales volume) may decrease the payments. But the net effect of these adjustment factors on future payments is very uncertain, which makes it difficult to speculate on how different Ohio's

real payments will be from the pre-adjusted base payment amounts.

In addition to the base payments, Ohio 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.

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
2005.....	\$ 352,827	\$ —	\$ 352,827
2006.....	352,827	—	352,827
2007.....	352,827	—	352,827
2008.....	359,829	23,950	383,779
2009.....	359,829	23,950	383,779
2010-2014 ..	1,799,147	119,750	1,918,897
2015-2019 ..	1,885,893	71,850	1,957,743
2020-2024 ..	2,016,011	—	2,016,011
2025.....	403,202	—	403,202
Total.....	<u>\$7,882,392</u>	<u>\$239,500</u>	<u>\$8,121,892</u>

During fiscal year 2004, Ohio received \$320.5 million, which was approximately \$32.3 million or 9.2 percent less than the pre-adjusted base payment for the year. For the last five fiscal years, with fiscal year 2000 being the first year when base payments were made to the states under the settlement, the State has received a total of about \$1.79 billion, which is approximately \$200 million or 10.1 percent less than the total of the pre-adjusted base payments established for the last three fiscal years.

The moneys provide funding for the construction of elementary and secondary school capital facilities, new programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to the tobacco-growing areas in Ohio. During fiscal year 2004, the State transferred \$234.7 million in tobacco settlement revenues from the Special Revenue Fund to the General Fund to help make up for a shortfall in estimated tax revenues for fiscal year 2004.



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, 2004, in the amount of approximately \$14.62 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 \$1.65 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, 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 ex-

penses, 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 5.5 percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$33.1 billion, as of June 30, 2004, and \$32.3 billion, as of June 30, 2003. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2004.

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.

B. State Employee Healthcare Plans

Employees of the primary government have the option of participating in the Ohio Med Health Plan or the United Healthcare Plan, which are fully self-insured health benefit plans. Ohio Med, a preferred provider organization, was established July 1, 1989, while United Healthcare, a health maintenance organization, became a self-insured healthcare plan of the State on July 1, 2002. Medical Mutual of Ohio administers the Ohio Med plan under a claims administration contract with the primary government.

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

	Fiscal Year 2004	Fiscal Year 2003
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1.....	\$15,981	\$14,888
Incurred Compensation and Compensation Adjustment Benefits.....	2,549	2,916
Incurred Compensation and Compensation Adjustment Benefit Payments	(2,263)	(2,267)
Change in Liability Due to Decrease in Discount Rate	—	444
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	\$16,267	\$15,981



NOTE 20 RISK FINANCING (Continued)

The United Healthcare Plan has a similar contract with the primary government to serve as claims administrator. Benefits offered under the United Healthcare Plan under the State's administration are essentially the same as the benefits offered before the plan became a self-insured arrangement for the State.

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 or United Healthcare 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, 2004, approximately \$82 million in total assets was available in the Agency Fund and on deposit with Medical Mutual to cover claims. Changes in the balance of Ohio Med health claims liabilities during the past two fiscal years are as follows (dollars in thousands):

Ohio Med Plan

	Fiscal Year 2004	Fiscal Year 2003
Claims Liabilities, as of July 1	\$ 39,449	\$ 22,744
Incurred Claims	275,399	265,890
Claims Payments	(273,931)	(249,185)
Claims Liabilities, as of June 30	<u>\$ 40,917</u>	<u>\$ 39,449</u>

As of June 30, 2004, the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund and on deposit with Medical Mutual of Ohio for the payment of claims under the Ohio Med Plan exceeded the estimated claims liability by approximately \$41.1 million, thereby resulting in a funding surplus. The surplus was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2004, approximately \$2.3 million in total assets was available in the Agency Fund and on deposit with United Healthcare to cover claims incurred by June 30. Changes in the balance of United Healthcare claims liabilities during the past fiscal year are as follows (dollars in thousands):

United Healthcare Plan

	Fiscal Year 2004	Fiscal Year 2003
Claims Liabilities, as of July 1	\$ 13,637	\$ —
Incurred Claims	46,921	76,077
Claims Payments	(53,014)	(62,440)
Claims Liabilities, as of June 30	<u>\$ 7,544</u>	<u>\$13,637</u>

As of June 30, 2004, the estimated claims liability of the United Healthcare Plan exceeded the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims by approximately \$5.2 million, thereby, resulting in a funding deficit. The net claims liability, which was payable from expendable financial resources in the governmental funds, as of June 30, 2004, was reported as a fund liability in the governmental and proprietary funds.

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 and Authorizations

Subsequent to June 30, 2004 (December 31, 2003 for the Ohio Water Development Authority), the State issued major debt as detailed in the table below.

**Debt Issuances
Subsequent to June 30, 2004**
(dollars in thousands)

	Date	Interest Coupon Rates	Amount
Primary Government:			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Higher Education Facilities, Series 2004B	Sept. 9, 2004	4.2%*	\$ 150,000
Common Schools Capital Facilities, Series 2004B	Sept. 14, 2004	4.2%*	200,000
Common Schools Capital Facilities Refunding, Series 2004C	Sept. 14, 2004	3.5%*	18,880
Natural Resources Refunding-Series J	Sept. 14, 2004	3.3%*	47,425
<i>Treasurer of State-General Obligation Bonds:</i>			
Infrastructure Improvements Refunding, Series 2004C	Aug. 26, 2004	3.4%*	39,530
Infrastructure Improvements, Series 2004D	Nov. 9, 2004	4.6%*	<u>120,000</u>
Total General Obligation Bonds			<u>575,835</u>
<i>Treasurer of State-Revenue Bonds:</i>			
Ohio 166 Loan Program (Taxable), Series 2004A	Aug. 25, 2004	5.5%*	50,000
Higher Education Capital Facilities Refunding, Series II-2004A	Aug. 26, 2004	3.4%*	173,975
Mental Health Capital Facilities Refunding, Series II-2004A	Aug. 26, 2004	3.4%*	30,035
Parks and Recreation Capital Facilities Refunding, Series II-2004B	Aug. 26, 2004	3.6%*	<u>11,740</u>
Total Revenue Bonds			<u>265,750</u>
<i>Ohio Building Authority Special Obligation Bonds:</i>			
State Facilities Refunding (Arts and Sports Facilities), Series 2004A	Sept. 30, 2004	3.4%*	20,000
State Facilities Refunding (Administrative Building), Series 2004B	Sept. 30, 2004	3.6%*	130,750
State Facilities Refunding (Adult Correctional Building, Series 2004C	Sept. 30, 2004	3.7%*	<u>225,350</u>
Total Special Obligation Bonds			<u>376,100</u>
Total Primary Government			<u>\$1,217,685</u>
Major Component Units:			
<i>Ohio Water Development Authority Revenue Bonds and Notes:</i>			
Water Pollution Control Loan-Water Quality, Series 2004	Jan. 29, 2004	2.0%-5.00%	\$509,700
Drinking Water Assistance, Series 2004	Feb. 26, 2004	2.0%-5.00%	99,490
Fresh Water, Series 2004	May 27, 2004	2.0%-5.25%	149,000
Road Loan Advance, Series 2004A	Sept. 23, 2004	Variable Rate	16,000
Water Quality Refunding, Series 2004	Nov. 17, 2004	2.5%-5.0%	<u>65,005</u>
Total Ohio Water Development Authority.....			<u>\$839,195</u>

*True Interest Cost

B. Tuition Trust Authority

The Authority's Board passed a resolution, on August 26, 2004, to continue the temporary suspension of contributions to Guaranteed Savings fund plan accounts from January 1, 2005 through December 31, 2005.

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.

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.

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.

Condition Assessment Data for the Pavement Network

Priority Subsystem:		<u>Calendar Year 2003</u>		<u>Calendar Year 2002</u>		<u>Calendar Year 2001</u>	
	<u>PCR</u>	<u>Lane-Miles</u>	<u>%</u>	<u>Lane-Miles</u>	<u>%</u>	<u>Lane-Miles</u>	<u>%</u>
Excellent.....	85-100	7,679	62.81%	7,483	61.29%	6,753	55.74%
Good	75-84	2,451	20.05	2,498	20.46	2,688	22.19
Fair.....	65-74	1,618	13.24	1,849	15.14	2,162	17.85
Poor.....	Less than 65	477	3.90	380	3.11	511	4.22
		<u>12,225</u>	<u>100.00%</u>	<u>12,210</u>	<u>100.00%</u>	<u>12,114</u>	<u>100.00%</u>

General Subsystem:		<u>Calendar Year 2003</u>		<u>Calendar Year 2002</u>		<u>Calendar Year 2001</u>	
	<u>PCR</u>	<u>Lane-Miles</u>	<u>%</u>	<u>Lane-Miles</u>	<u>%</u>	<u>Lane-Miles</u>	<u>%</u>
Excellent.....	85-100	12,634	41.77%	11,997	39.57%	10,635	34.89%
Good	75-84	6,378	21.09	6,496	21.43	6,547	21.47
Fair.....	55-74	10,910	36.07	11,278	37.20	12,393	40.65
Poor.....	Less than 55	324	1.07	546	1.80	912	2.99
		<u>30,246</u>	<u>100.00%</u>	<u>30,317</u>	<u>100.00%</u>	<u>30,487</u>	<u>100.00%</u>

Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

	<u>Fiscal Year 2004</u>	<u>Fiscal Year 2003</u>	<u>Fiscal Year 2002</u>
Priority Subsystem:			
Estimated	\$195,333	\$243,722	\$251,216
Actual	273,318	273,834	319,518
General Subsystem:			
Estimated	\$133,236	\$135,149	\$110,956
Actual	227,437	209,530	151,978



Infrastructure Assets Accounted for Using the Modified Approach (Continued)

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 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.

Condition Assessment Data for the Bridge Network

	General Appraisal Rating	Calendar Year 2003		Calendar Year 2002		Calendar Year 2001	
		Square Feet of Deck Area	%	Square Feet of Deck Area	%	Square Feet of Deck Area	%
Excellent.....	7-9	47,045,574	57.19%	45,143,958	56.01%	43,395,068	53.56%
Good	5-6	32,972,057	40.08	33,066,880	41.02	34,898,954	43.08
Fair	3-4	2,224,378	2.71	2,387,969	2.96	2,687,455	3.32
Poor.....	0-2	17,970	.02	8,788	.01	30,112	.04
		<u>82,259,979</u>	<u>100.00%</u>	<u>80,607,595</u>	<u>100.00%</u>	<u>81,011,589</u>	<u>100.00%</u>

Comparison of Estimated-to-Actual Maintenance and Preservation Costs

(dollars in thousands)

	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Estimated	\$147,779	\$180,358	\$192,105
Actual	208,381	229,077	210,084

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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, 2004
(dollars in thousands)

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 1,824,130	\$ 48,900	\$ 427,243
Cash and Cash Equivalents	63,592	1,251	—
Investments	441,975	39,246	—
Collateral on Lent Securities	754,647	22,722	172,363
Taxes Receivable	4,795	—	—
Intergovernmental Receivable	268,771	—	—
Loans Receivable, Net	800,182	751	—
Interfund Receivable	3,257	—	—
Other Receivables	178,273	5	—
Inventories	201	—	—
Other Assets	11,374	34	—
TOTAL ASSETS	\$ 4,351,197	\$ 112,909	\$ 599,606
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 220,655	\$ 216	\$ 35,142
Accrued Liabilities	34,571	5	—
Obligations Under Securities Lending	754,647	22,722	172,363
Intergovernmental Payable	203,080	—	—
Interfund Payable	376,805	—	—
Payable to Component Units	33,928	—	—
Deferred Revenue	253,710	—	—
Unearned Revenue	143,052	—	—
Refund and Other Liabilities	1,810	5,814	—
TOTAL LIABILITIES	2,022,258	28,757	207,505
FUND BALANCES:			
Reserved for:			
Debt Service	—	83,398	—
Encumbrances	868,609	—	570,164
Noncurrent Portion of Loans Receivable	689,823	751	—
Loan Commitments	103,629	—	—
Inventories	201	—	—
Federal Programs	12,205	—	—
Other:			
Prepays	5,847	—	—
Ohio Enterprise Bond Program	10,000	—	—
Loan Guarantee Programs	2,514	—	—
Long-Term Leases Receivable	1,525	—	—
Environmental Protection and Natural Resources	6,499	—	—
Assets in Excess of Debt Service Requirements	—	3	—
Unreserved/Designated for Compensated Absences	6,584	—	—
Unreserved/Undesignated (Deficits)	621,503	—	(178,063)
TOTAL FUND BALANCES	2,328,939	84,152	392,101
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 4,351,197	\$ 112,909	\$ 599,606

TOTAL

\$ 2,300,273
64,843
481,221
949,732
4,795
268,771
800,933
3,257
178,278
201
11,408
\$ 5,063,712

\$ 256,013
34,576
949,732
203,080
376,805
33,928
253,710
143,052
7,624
2,258,520

83,398
1,438,773
690,574
103,629
201
12,205

5,847
10,000
2,514
1,525
6,499
3
6,584
443,440

2,805,192
\$ 5,063,712

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>
REVENUES:			
Income Taxes	\$ 4,586	\$ —	\$ —
Sales Taxes	17,975	—	—
Corporate and Public Utility Taxes	14,115	—	—
Motor Vehicle Fuel Taxes	20,985	7,901	—
Cigarette Taxes	11	—	—
Other Taxes	43,485	—	—
Licenses, Permits and Fees	839,773	1,258	—
Sales, Services and Charges	38,881	—	17
Federal Government	1,780,053	—	—
Tobacco Settlement	316,322	—	—
Investment Income	46,962	2,099	3,297
Other	212,817	3,789	242
TOTAL REVENUES	<u>3,335,965</u>	<u>15,047</u>	<u>3,556</u>
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	35,585	—	—
Higher Education Support	268,685	—	—
Public Assistance and Medicaid	320	—	—
Health and Human Services	1,446,859	—	—
Justice and Public Protection	567,199	—	—
Environmental Protection and Natural Resources	257,243	—	—
Transportation	532	—	—
General Government	158,888	—	—
Community and Economic Development	664,925	—	—
INTERGOVERNMENTAL	219,428	—	—
CAPITAL OUTLAY	12,402	—	444,566
DEBT SERVICE	—	1,334,025	880
TOTAL EXPENDITURES	<u>3,632,066</u>	<u>1,334,025</u>	<u>445,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(296,101)</u>	<u>(1,318,978)</u>	<u>(441,890)</u>
OTHER FINANCING SOURCES (USES):			
Bonds Issued	420,000	1,163	540,403
Refunding Bonds Issued	—	247,297	—
Payment to Refunded Bond Escrow Agents	—	(260,146)	—
Bond Premiums	—	102,401	8,869
Bond Discounts	—	(7,923)	—
Capital Leases	122	—	—
Transfers-in	230,635	1,203,967	—
Transfers-out	(284,847)	—	(271)
TOTAL OTHER FINANCING SOURCES (USES)	<u>365,910</u>	<u>1,286,759</u>	<u>549,001</u>
NET CHANGE IN FUND BALANCES	69,809	(32,219)	107,111
FUND BALANCES, JULY 1	2,258,929	116,371	284,990
Increase (Decrease) for Changes in Inventories	201	—	—
FUND BALANCES, JUNE 30	<u>\$ 2,328,939</u>	<u>\$ 84,152</u>	<u>\$ 392,101</u>

TOTAL

\$ 4,586
17,975
14,115
28,886
11
43,485
841,031
38,898
1,780,053
316,322
52,358
216,848
3,354,568

35,585
268,685
320
1,446,859
567,199
257,243
532
158,888
664,925
219,428
456,968
1,334,905
5,411,537

(2,056,969)

961,566
247,297
(260,146)
111,270
(7,923)
122
1,434,602
(285,118)
2,201,670

144,701

2,660,290
201

\$ 2,805,192

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NONMAJOR SPECIAL REVENUE FUNDS

The **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.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004
(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
ASSETS:			
Cash Equity with Treasurer	\$ 677,026	\$ 42,550	\$ 81,565
Cash and Cash Equivalents	52,809	92	—
Investments	109,960	—	—
Collateral on Lent Securities	290,918	17,166	32,906
Taxes Receivable	1,506	—	—
Intergovernmental Receivable	45,441	34,573	186,663
Loans Receivable, Net	548,394	—	—
Interfund Receivable	2,541	9	1
Other Receivables	7,464	3,031	126
Inventories	—	201	—
Other Assets	1,616	5,818	829
TOTAL ASSETS	\$ 1,737,675	\$ 103,440	\$ 302,090
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 54,549	\$ 23,666	\$ 62,300
Accrued Liabilities	7,601	3,298	4,239
Obligations Under Securities Lending	290,918	17,166	32,906
Intergovernmental Payable	15,834	16,423	138,705
Interfund Payable	282,962	3,375	57,314
Payable to Component Units	924	225	310
Deferred Revenue	9,777	7,614	70,704
Unearned Revenue	139,127	461	2,616
Refund and Other Liabilities	1,810	—	—
TOTAL LIABILITIES	803,502	72,228	369,094
FUND BALANCES:			
Reserved for:			
Encumbrances	441,933	15,379	63,856
Noncurrent Portion of Loans Receivable	439,264	—	—
Loan Commitments	27,617	—	—
Inventories	—	201	—
Federal Programs	8,310	561	—
Other:			
Prepays	1,425	482	829
Ohio Enterprise Bond Program	10,000	—	—
Loan Guarantee Programs	2,514	—	—
Long-Term Leases Receivable	1,525	—	—
Environmental Protection and Natural Resources	—	—	—
Unreserved/Designated for Compensated Absences	1,585	701	—
Unreserved/Undesignated (Deficits)	—	13,888	(131,689)
TOTAL FUND BALANCES (DEFICITS)	934,173	31,212	(67,004)
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 1,737,675	\$ 103,440	\$ 302,090

<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>
\$ 210,436	\$ 157,870	\$ 60,635	\$ 236,958	\$ 179,138	\$ 86,329
5,371	1,018	14	—	4,288	—
—	—	—	—	332,015	—
84,897	63,407	24,462	95,596	73,503	34,828
—	1,850	1,439	—	—	—
2,086	8	—	—	—	—
—	155	—	251,633	—	—
324	376	6	—	—	—
—	8,730	284	—	158,638	—
—	—	—	—	—	—
2,041	687	343	6	31	3
<u>\$ 305,155</u>	<u>\$ 234,101</u>	<u>\$ 87,183</u>	<u>\$ 584,193</u>	<u>\$ 747,613</u>	<u>\$ 121,160</u>
\$ 10,810	\$ 7,526	\$ 1,957	\$ 4,141	\$ 39,344	\$ 4,986
12,218	4,950	2,036	45	159	25
84,897	63,407	24,462	95,596	73,503	34,828
1,115	158	—	2,009	28,836	—
23,454	4,248	5,340	—	91	21
11	60	129	6	600	—
28	6,949	—	—	158,638	—
732	109	7	—	—	—
—	—	—	—	—	—
133,265	87,407	33,931	101,797	301,171	39,860
21,155	40,028	11,148	12	1,374	77,768
—	—	—	250,559	—	—
—	—	—	76,012	—	—
—	—	—	—	—	—
—	3,334	—	—	—	—
2,041	687	343	6	31	3
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	6,499
2,732	1,051	447	10	58	—
145,962	101,594	41,314	155,797	444,979	(2,970)
171,890	146,694	53,252	482,396	446,442	81,300
<u>\$ 305,155</u>	<u>\$ 234,101</u>	<u>\$ 87,183</u>	<u>\$ 584,193</u>	<u>\$ 747,613</u>	<u>\$ 121,160</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004
(dollars in thousands)
(continued)

	<u>HIGHER EDUCATION IMPROVEMENTS</u>	<u>TOTAL</u>
ASSETS:		
Cash Equity with Treasurer	\$ 91,623	\$ 1,824,130
Cash and Cash Equivalents	—	63,592
Investments	—	441,975
Collateral on Lent Securities	36,964	754,647
Taxes Receivable	—	4,795
Intergovernmental Receivable	—	268,771
Loans Receivable, Net	—	800,182
Interfund Receivable	—	3,257
Other Receivables	—	178,273
Inventories	—	201
Other Assets	—	11,374
TOTAL ASSETS	\$ 128,587	\$ 4,351,197
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts Payable	\$ 11,376	\$ 220,655
Accrued Liabilities	—	34,571
Obligations Under Securities Lending	36,964	754,647
Intergovernmental Payable	—	203,080
Interfund Payable	—	376,805
Payable to Component Units	31,663	33,928
Deferred Revenue	—	253,710
Unearned Revenue	—	143,052
Refund and Other Liabilities	—	1,810
TOTAL LIABILITIES	80,003	2,022,258
FUND BALANCES:		
Reserved for:		
Encumbrances	195,956	868,609
Noncurrent Portion of Loans Receivable	—	689,823
Loan Commitments	—	103,629
Inventories	—	201
Federal Programs	—	12,205
Other:		
Prepays	—	5,847
Ohio Enterprise Bond Program	—	10,000
Loan Guarantee Programs	—	2,514
Long-Term Leases Receivable	—	1,525
Environmental Protection and Natural Resources	—	6,499
Unreserved/Designated for Compensated Absences	—	6,584
Unreserved/Undesignated (Deficits)	(147,372)	621,503
TOTAL FUND BALANCES (DEFICITS)	48,584	2,328,939
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 128,587	\$ 4,351,197

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STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
REVENUES:			
Income Taxes	\$ 4,586	\$ —	\$ —
Sales Taxes	17,975	—	—
Corporate and Public Utility Taxes	790	—	—
Motor Vehicle Fuel Taxes	5,476	—	—
Cigarette Taxes	11	—	—
Other Taxes	35,058	—	—
Licenses, Permits and Fees	435,070	22,757	6
Sales, Services and Charges	19,631	25	20
Federal Government	416,030	432,275	834,147
Tobacco Settlement	—	—	—
Investment Income	4,935	66	—
Other	63,057	27,885	50,859
TOTAL REVENUES	<u>1,002,619</u>	<u>483,008</u>	<u>885,032</u>
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	8	—	—
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	320
Health and Human Services	—	488,179	917,427
Justice and Public Protection	188,222	6	—
Environmental Protection and Natural Resources	476	—	—
Transportation	532	—	—
General Government	154,629	—	—
Community and Economic Development	605,689	1,242	—
INTERGOVERNMENTAL	—	—	—
CAPITAL OUTLAY	5,877	—	—
TOTAL EXPENDITURES	<u>955,433</u>	<u>489,427</u>	<u>917,747</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>47,186</u>	<u>(6,419)</u>	<u>(32,715)</u>
OTHER FINANCING SOURCES (USES):			
Bonds Issued	100,000	—	—
Capital Leases	12	—	—
Transfers-in	7,005	10,463	2,913
Transfers-out	(24,157)	(810)	(1,426)
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,860</u>	<u>9,653</u>	<u>1,487</u>
NET CHANGE IN FUND BALANCES	130,046	3,234	(31,228)
FUND BALANCES (DEFICITS), JULY 1	804,127	27,777	(35,776)
Increase (Decrease) for Changes in Inventories	—	201	—
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 934,173</u>	<u>\$ 31,212</u>	<u>\$ (67,004)</u>

<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>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	13,325	—	—	—	—
—	—	15,509	—	—	—
—	—	—	—	—	—
847	7,580	—	—	—	—
250,327	95,051	36,562	—	—	—
17,182	1,644	379	—	—	—
20,658	57,333	18,569	—	—	1,041
—	—	—	—	316,322	—
1,729	425	553	2,501	36,098	655
32,013	34,207	3,066	1,443	165	15
<u>322,756</u>	<u>209,565</u>	<u>74,638</u>	<u>3,944</u>	<u>352,585</u>	<u>1,711</u>
—	—	—	—	35,577	—
—	—	—	—	—	—
—	—	—	—	—	—
195	—	—	—	41,058	—
375,553	446	—	—	2,972	—
—	192,327	64,241	—	—	199
—	—	—	—	—	—
—	4,045	—	—	214	—
—	2,272	—	941	51,867	2,914
—	—	—	171,048	—	48,380
3,285	—	3,240	—	—	—
<u>379,033</u>	<u>199,090</u>	<u>67,481</u>	<u>171,989</u>	<u>131,688</u>	<u>51,493</u>
<u>(56,277)</u>	<u>10,475</u>	<u>7,157</u>	<u>(168,045)</u>	<u>220,897</u>	<u>(49,782)</u>
—	—	—	120,000	—	50,000
110	—	—	—	—	—
145,085	610	726	63,833	—	—
(18,851)	(3,551)	(1,334)	—	(234,678)	—
<u>126,344</u>	<u>(2,941)</u>	<u>(608)</u>	<u>183,833</u>	<u>(234,678)</u>	<u>50,000</u>
<u>70,067</u>	<u>7,534</u>	<u>6,549</u>	<u>15,788</u>	<u>(13,781)</u>	<u>218</u>
101,823	139,160	46,703	466,608	460,223	81,082
—	—	—	—	—	—
<u>\$ 171,890</u>	<u>\$ 146,694</u>	<u>\$ 53,252</u>	<u>\$ 482,396</u>	<u>\$ 446,442</u>	<u>\$ 81,300</u>

(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, 2004

(dollars in thousands)
(continued)

	<u>HIGHER EDUCATION IMPROVEMENTS</u>	<u>TOTAL</u>
REVENUES:		
Income Taxes	\$ —	\$ 4,586
Sales Taxes	—	17,975
Corporate and Public Utility Taxes	—	14,115
Motor Vehicle Fuel Taxes	—	20,985
Cigarette Taxes	—	11
Other Taxes	—	43,485
Licenses, Permits and Fees	—	839,773
Sales, Services and Charges	—	38,881
Federal Government	—	1,780,053
Tobacco Settlement	—	316,322
Investment Income	—	46,962
Other	107	212,817
TOTAL REVENUES	<u>107</u>	<u>3,335,965</u>
EXPENDITURES:		
CURRENT OPERATING:		
Primary, Secondary and Other Education	—	35,585
Higher Education Support	268,685	268,685
Public Assistance and Medicaid	—	320
Health and Human Services	—	1,446,859
Justice and Public Protection	—	567,199
Environmental Protection and Natural Resources	—	257,243
Transportation	—	532
General Government	—	158,888
Community and Economic Development	—	664,925
INTERGOVERNMENTAL	—	219,428
CAPITAL OUTLAY	—	12,402
TOTAL EXPENDITURES	<u>268,685</u>	<u>3,632,066</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(268,578)</u>	<u>(296,101)</u>
OTHER FINANCING SOURCES (USES):		
Bonds Issued	150,000	420,000
Capital Leases	—	122
Transfers-in	—	230,635
Transfers-out	(40)	(284,847)
TOTAL OTHER FINANCING SOURCES (USES)	<u>149,960</u>	<u>365,910</u>
NET CHANGE IN FUND BALANCES	(118,618)	69,809
FUND BALANCES (DEFICITS), JULY 1	167,202	2,258,929
Increase (Decrease) for Changes in Inventories	—	201
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 48,584</u>	<u>\$ 2,328,939</u>

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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, 2004**
(dollars in thousands)

COMMUNITY AND ECONOMIC DEVELOPMENT			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
REVENUES:			
Income Taxes		\$ 4,614	
Sales Taxes		17,659	
Corporate and Public Utility Taxes		790	
Motor Vehicle Fuel Taxes		5,441	
Cigarette Taxes.....		11	
Other Taxes		35,051	
Licenses, Permits and Fees		413,986	
Sales, Services and Charges		10,364	
Federal Government		491,814	
Tobacco Settlement.....		—	
Investment Income		5,035	
Other		108,056	
TOTAL REVENUES.....		1,092,821	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ 872	771	\$ 101
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	366,154	330,502	35,652
Environmental Protection and Natural Resources	616	471	145
Transportation	8,046	6,108	1,938
General Government	226,121	174,328	51,793
Community and Economic Development	1,083,950	895,756	188,194
INTERGOVERNMENTAL.....	—	—	—
CAPITAL OUTLAY	29,344	25,940	3,404
DEBT SERVICE.....	770	—	770
TOTAL BUDGETARY EXPENDITURES.....	\$ 1,715,873	1,433,876	\$ 281,997
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(341,055)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		100,000	
Transfers-in		47,873	
Transfers-out		(64,715)	
TOTAL OTHER FINANCING SOURCES (USES).....		83,158	
NET CHANGE IN FUND BALANCES.....		(257,897)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		59,270	
Outstanding Encumbrances at Beginning of Fiscal Year		364,488	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 165,861	

<u>HEALTH</u>			<u>MENTAL HEALTH AND RETARDATION</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>
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	28,977			7	
	2,984			20	
	414,017			1,865,697	
	—			—	
	110			2	
	86,031			52,503	
	<u>532,119</u>			<u>1,918,229</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	1,380,061	1,223,738	156,323
593,067	560,991	32,076	1,225,351	1,069,993	155,358
19	8	11	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,209	2,026	183	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 595,295</u>	<u>563,025</u>	<u>\$ 32,270</u>	<u>\$ 2,605,412</u>	<u>2,293,731</u>	<u>\$ 311,681</u>
	<u>(30,906)</u>			<u>(375,502)</u>	
	—			—	
	1,195			2	
	(23)			(11)	
	<u>1,172</u>			<u>(9)</u>	
	<u>(29,734)</u>			<u>(375,511)</u>	
	15,662			(247,893)	
	<u>22,365</u>			<u>312,883</u>	
	<u>\$ 8,293</u>			<u>\$ (310,521)</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, 2004

(dollars in thousands)
(continued)

HIGHWAY SAFETY			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Cigarette Taxes.....		—	
Other Taxes		847	
Licenses, Permits and Fees		244,929	
Sales, Services and Charges		17,217	
Federal Government		18,007	
Tobacco Settlement.....		—	
Investment Income		2,547	
Other		36,991	
TOTAL REVENUES.....		320,538	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	234	198	36
Justice and Public Protection	455,033	415,438	39,595
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	—	—	—
INTERGOVERNMENTAL.....	—	—	—
CAPITAL OUTLAY	7,955	5,496	2,459
DEBT SERVICE.....	11,677	11,675	2
TOTAL BUDGETARY EXPENDITURES.....	\$ 474,899	432,807	\$ 42,092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(112,269)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		—	
Transfers-in		175,338	
Transfers-out		(37,674)	
TOTAL OTHER FINANCING SOURCES (USES).....		137,664	
NET CHANGE IN FUND BALANCES.....		25,395	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		113,773	
Outstanding Encumbrances at Beginning of Fiscal Year		29,555	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		\$ 168,723	

NATURAL RESOURCES			WILDLIFE AND WATERWAYS SAFETY		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ —			\$ —	
	—			—	
	13,325			—	
	—			15,383	
	—			—	
	7,530			—	
	95,967			36,488	
	1,644			380	
	58,652			18,569	
	—			—	
	647			851	
	36,054			3,838	
	213,819			75,509	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
639	454	185	—	—	—
283,998	243,987	40,011	85,001	73,557	11,444
—	—	—	—	—	—
5,483	4,341	1,142	—	—	—
10,089	6,171	3,918	—	—	—
—	—	—	—	—	—
—	—	—	24,498	9,115	15,383
—	—	—	—	—	—
\$ 300,209	254,953	\$ 45,256	\$ 109,499	82,672	\$ 26,827
	(41,134)			(7,163)	
	—			—	
	2,178			2	
	(1,801)			—	
	377			2	
	(40,757)			(7,161)	
	109,301			44,510	
	39,191			9,536	
	\$ 107,735			\$ 46,885	

(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, 2004

(dollars in thousands)
(continued)

	LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL 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		—	
Tobacco Settlement.....		—	
Investment Income		3,933	
Other		19,139	
TOTAL REVENUES.....		23,072	
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	1,183	1,041	142
INTERGOVERNMENTAL.....	580,885	215,890	364,995
CAPITAL OUTLAY	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 582,068	216,931	\$ 365,137
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(193,859)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		120,153	
Transfers-in		63,832	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		183,985	
NET CHANGE IN FUND BALANCES.....		(9,874)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		246,792	
Outstanding Encumbrances at Beginning of Fiscal Year		7	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 236,925	

TOBACCO SETTLEMENT

CLEAN OHIO PROGRAM

TOBACCO SETTLEMENT			CLEAN OHIO PROGRAM		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			1,041	
	320,532			—	
	2,857			1,129	
	1,699			18	
	<u>325,088</u>			<u>2,188</u>	
\$ —	—	\$ —	\$ —	—	\$ —
52,914	—	52,914	—	—	—
—	—	—	—	—	—
13,322	12,426	896	—	—	—
7,772	4,150	3,622	—	—	—
—	—	—	362	195	167
—	—	—	—	—	—
303	201	102	—	—	—
95,141	93,242	1,899	3,965	3,307	658
—	—	—	177,011	125,737	51,274
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 169,452</u>	<u>110,019</u>	<u>\$ 59,433</u>	<u>\$ 181,338</u>	<u>129,239</u>	<u>\$ 52,099</u>
	<u>215,069</u>			<u>(127,051)</u>	
	—			50,000	
	52,903			—	
	<u>(323,158)</u>			<u>—</u>	
	<u>(270,255)</u>			<u>50,000</u>	
	<u>(55,186)</u>			<u>(77,051)</u>	
	161,989			32,113	
	2,959			49,323	
	<u>\$ 109,762</u>			<u>\$ 4,385</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, 2004

(dollars in thousands)
(continued)

HIGHER EDUCATION IMPROVEMENTS			
<u>BUDGET</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		
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	—		
Tobacco Settlement.....	—		
Investment Income	1,338		
Other	173		
TOTAL REVENUES.....	1,511		
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	\$ —	\$ —
Higher Education Support	873,879	484,070	389,809
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	—	—	—
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	—	—	—
INTERGOVERNMENTAL.....	—	—	—
CAPITAL OUTLAY	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 873,879	484,070	\$ 389,809
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(482,559)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		150,114	
Transfers-in		—	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		150,114	
NET CHANGE IN FUND BALANCES.....		(332,445)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		(9,817)	
Outstanding Encumbrances at Beginning of Fiscal Year		203,398	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (138,864)	

<u>TOTAL</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 4,614	
	17,659	
	14,115	
	20,824	
	11	
	43,428	
	820,354	
	32,609	
	2,867,797	
	320,532	
	18,449	
	344,502	
	<u>4,504,894</u>	
\$ 872	771	\$ 101
926,793	484,070	442,723
1,380,061	1,223,738	156,323
1,831,974	1,643,608	188,366
829,617	750,552	79,065
369,977	318,210	51,767
8,046	6,108	1,938
231,907	178,870	53,037
1,196,537	1,001,543	194,994
757,896	341,627	416,269
61,797	40,551	21,246
12,447	11,675	772
<u>\$ 7,607,924</u>	<u>6,001,323</u>	<u>\$ 1,606,601</u>
	<u>(1,496,429)</u>	
	420,267	
	343,323	
	<u>(427,382)</u>	
	<u>336,208</u>	
	<u>(1,160,221)</u>	
	525,700	
	<u>1,033,705</u>	
	<u>\$ 399,184</u>	

NONMAJOR 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.

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 the improvement of higher education facilities, water pollution controls, 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 **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 **Higher Education Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities.

The **Mental Health Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of mental health facilities.

The **Parks and Recreation Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of 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 Arts and Sports 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.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2004
(dollars in thousands)

	<u>COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 19	\$ —	\$ —
Cash and Cash Equivalents	—	130	55
Investments	—	—	—
Collateral on Lent Securities	8	—	—
Loans Receivable, Net	—	—	—
Other Receivables	—	—	—
Other Assets	—	—	—
TOTAL ASSETS	<u>\$ 27</u>	<u>\$ 130</u>	<u>\$ 55</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ —
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	8	—	—
Refund and Other Liabilities	—	130	55
TOTAL LIABILITIES	<u>8</u>	<u>130</u>	<u>55</u>
FUND BALANCES:			
Reserved for:			
Debt Service	19	—	—
Noncurrent Portion of Loans Receivable	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
TOTAL FUND BALANCES	<u>19</u>	<u>—</u>	<u>—</u>
TOTAL LIABILITIES AND FUND BALANCES ...	<u>\$ 27</u>	<u>\$ 130</u>	<u>\$ 55</u>

<u>DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>	<u>STATE PROJECTS GENERAL OBLIGATIONS</u>	<u>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</u>
\$ —	\$ 10,918	\$ —	\$ —	\$ 41	\$ 14,937
268	420	155	28	—	—
—	—	—	—	—	—
—	4,405	—	—	16	6,026
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 268</u>	<u>\$ 15,743</u>	<u>\$ 155</u>	<u>\$ 28</u>	<u>\$ 57</u>	<u>\$ 20,963</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	4,405	—	—	16	6,026
<u>268</u>	<u>170</u>	<u>155</u>	<u>25</u>	<u>—</u>	<u>—</u>
<u>268</u>	<u>4,575</u>	<u>155</u>	<u>25</u>	<u>16</u>	<u>6,026</u>
—	11,168	—	—	41	14,937
—	—	—	—	—	—
—	—	—	3	—	—
—	11,168	—	3	41	14,937
<u>\$ 268</u>	<u>\$ 15,743</u>	<u>\$ 155</u>	<u>\$ 28</u>	<u>\$ 57</u>	<u>\$ 20,963</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2004
(dollars in thousands)
(continued)

	<u>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 7,439	\$ 14,506	\$ 1,040
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Collateral on Lent Securities	3,001	5,852	420
Loans Receivable, Net	—	—	—
Other Receivables	—	—	—
Other Assets	—	—	—
TOTAL ASSETS	<u>\$ 10,440</u>	<u>\$ 20,358</u>	<u>\$ 1,460</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ —
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	3,001	5,852	420
Refund and Other Liabilities	—	—	—
TOTAL LIABILITIES	<u>3,001</u>	<u>5,852</u>	<u>420</u>
FUND BALANCES:			
Reserved for:			
Debt Service	7,439	14,506	1,040
Noncurrent Portion of Loans Receivable	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
TOTAL FUND BALANCES	<u>7,439</u>	<u>14,506</u>	<u>1,040</u>
TOTAL LIABILITIES AND FUND BALANCES ...	<u>\$ 10,440</u>	<u>\$ 20,358</u>	<u>\$ 1,460</u>

<u>ECONOMIC DEVELOPMENT REVENUE BONDS</u>	<u>INFRASTRUCTURE BANK REVENUE BONDS</u>	<u>REVITALIZATION PROJECT REVENUE BONDS</u>	<u>HIGHER EDUCATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>MENTAL HEALTH FACILITIES SPECIAL OBLIGATIONS</u>	<u>PARKS AND RECREATION FACILITIES SPECIAL OBLIGATIONS</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	10	31	90	59
7,540	488	2,681	1,666	516	359
1,719	—	611	379	118	82
—	—	—	751	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 9,259</u>	<u>\$ 488</u>	<u>\$ 3,302</u>	<u>\$ 2,827</u>	<u>\$ 724</u>	<u>\$ 500</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	5
1,719	—	611	379	118	82
—	—	—	—	—	—
<u>1,719</u>	<u>—</u>	<u>611</u>	<u>379</u>	<u>118</u>	<u>87</u>
7,540	488	2,691	1,697	606	413
—	—	—	751	—	—
—	—	—	—	—	—
<u>7,540</u>	<u>488</u>	<u>2,691</u>	<u>2,448</u>	<u>606</u>	<u>413</u>
<u>\$ 9,259</u>	<u>\$ 488</u>	<u>\$ 3,302</u>	<u>\$ 2,827</u>	<u>\$ 724</u>	<u>\$ 500</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2004
(dollars in thousands)
(continued)

	<u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u>	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>	<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>
ASSETS:			
Cash Equity with Treasurer	\$ —	\$ —	\$ —
Cash and Cash Equivalents	—	5	—
Investments	372	24,681	943
Collateral on Lent Securities	85	—	—
Loans Receivable, Net	—	—	—
Other Receivables	—	5	—
Other Assets	—	34	—
TOTAL ASSETS	\$ 457	\$ 24,725	\$ 943
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ —	\$ 216	\$ —
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	85	—	—
Refund and Other Liabilities	—	5,011	—
TOTAL LIABILITIES	85	5,227	—
FUND BALANCES:			
Reserved for:			
Debt Service	372	19,498	943
Noncurrent Portion of Loans Receivable	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
TOTAL FUND BALANCES	372	19,498	943
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 457	\$ 24,725	\$ 943

TOTAL

\$ 48,900
1,251
39,246
22,722
751
5
34

\$ 112,909

\$ 216
5
22,722

5,814

28,757

83,398
751

3

84,152

\$ 112,909

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	<u>COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>
REVENUES:			
Motor Vehicle Fuel Taxes	\$ —	\$ 7,901	\$ —
Licenses, Permits and Fees	—	1,258	—
Investment Income	3	307	—
Other	—	—	—
TOTAL REVENUES	<u>3</u>	<u>9,466</u>	<u>—</u>
EXPENDITURES:			
DEBT SERVICE	<u>7,277</u>	<u>35,594</u>	<u>—</u>
TOTAL EXPENDITURES	<u>7,277</u>	<u>35,594</u>	<u>—</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,274)</u>	<u>(26,128)</u>	<u>—</u>
OTHER FINANCING SOURCES (USES):			
Bonds Issued	—	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Bond Premiums	59	—	—
Bond Discounts	—	—	—
Transfers-in	7,193	—	—
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,252</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	<u>(22)</u>	<u>(26,128)</u>	<u>—</u>
FUND BALANCES (DEFICITS), JULY 1	<u>41</u>	<u>37,296</u>	<u>3</u>
FUND BALANCES, JUNE 30	<u>\$ 19</u>	<u>\$ 11,168</u>	<u>\$ 3</u>

<u>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>STATE PROJECTS GENERAL OBLIGATIONS</u>	<u>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
4	5	919	27	62	8
<u>1,354</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>1,358</u>	<u>5</u>	<u>919</u>	<u>27</u>	<u>62</u>	<u>8</u>
<u>140,512</u>	<u>21,617</u>	<u>150,699</u>	<u>92,056</u>	<u>111,882</u>	<u>5,034</u>
<u>140,512</u>	<u>21,617</u>	<u>150,699</u>	<u>92,056</u>	<u>111,882</u>	<u>5,034</u>
<u>(139,154)</u>	<u>(21,612)</u>	<u>(149,780)</u>	<u>(92,029)</u>	<u>(111,820)</u>	<u>(5,026)</u>
—	—	—	—	—	—
66,915	—	—	—	58,235	—
(64,830)	—	—	—	(65,117)	—
9,745	—	14,761	8,165	41,128	2,309
(7,881)	—	—	—	—	—
<u>135,254</u>	<u>20,523</u>	<u>139,728</u>	<u>79,303</u>	<u>91,859</u>	<u>3,721</u>
<u>139,203</u>	<u>20,523</u>	<u>154,489</u>	<u>87,468</u>	<u>126,105</u>	<u>6,030</u>
<u>49</u>	<u>(1,089)</u>	<u>4,709</u>	<u>(4,561)</u>	<u>14,285</u>	<u>1,004</u>
<u>(49)</u>	<u>1,130</u>	<u>10,228</u>	<u>12,000</u>	<u>221</u>	<u>36</u>
<u>\$ —</u>	<u>\$ 41</u>	<u>\$ 14,937</u>	<u>\$ 7,439</u>	<u>\$ 14,506</u>	<u>\$ 1,040</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, 2004
(dollars in thousands)
(continued)

	<u>ECONOMIC DEVELOPMENT REVENUE BONDS</u>	<u>INFRASTRUCTURE BANK REVENUE BONDS</u>	<u>REVITALIZATION PROJECT REVENUE BONDS</u>
REVENUES:			
Motor Vehicle Fuel Taxes	\$ —	\$ —	\$ —
Licenses, Permits and Fees	—	—	—
Investment Income	63	475	34
Other	—	—	—
TOTAL REVENUES	<u>63</u>	<u>475</u>	<u>34</u>
EXPENDITURES:			
DEBT SERVICE	<u>20,582</u>	<u>66,977</u>	<u>4,710</u>
TOTAL EXPENDITURES	<u>20,582</u>	<u>66,977</u>	<u>4,710</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,519)</u>	<u>(66,502)</u>	<u>(4,676)</u>
OTHER FINANCING SOURCES (USES):			
Bonds Issued	—	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Bond Premiums	1,473	886	—
Bond Discounts	—	—	—
Transfers-in	<u>21,230</u>	<u>65,542</u>	<u>1,182</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,703</u>	<u>66,428</u>	<u>1,182</u>
NET CHANGE IN FUND BALANCES	2,184	(74)	(3,494)
FUND BALANCES (DEFICITS), JULY 1	<u>5,356</u>	<u>562</u>	<u>6,185</u>
FUND BALANCES, JUNE 30	<u>\$ 7,540</u>	<u>\$ 488</u>	<u>\$ 2,691</u>

<u>HIGHER EDUCATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>MENTAL HEALTH FACILITIES SPECIAL OBLIGATIONS</u>	<u>PARKS AND RECREATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u>	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>	<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
28	16	6	7	64	71
1,168	301	270	—	—	696
<u>1,196</u>	<u>317</u>	<u>276</u>	<u>7</u>	<u>64</u>	<u>767</u>
246,865	49,906	14,552	31,796	333,199	767
<u>246,865</u>	<u>49,906</u>	<u>14,552</u>	<u>31,796</u>	<u>333,199</u>	<u>767</u>
<u>(245,669)</u>	<u>(49,589)</u>	<u>(14,276)</u>	<u>(31,789)</u>	<u>(333,135)</u>	—
—	—	—	—	1,163	—
—	—	—	—	122,147	—
—	—	—	—	(130,199)	—
—	—	1,039	—	22,836	—
—	—	—	—	(42)	—
246,045	48,205	13,511	31,765	298,906	—
<u>246,045</u>	<u>48,205</u>	<u>14,550</u>	<u>31,765</u>	<u>314,811</u>	—
<u>376</u>	<u>(1,384)</u>	<u>274</u>	<u>(24)</u>	<u>(18,324)</u>	—
<u>2,072</u>	<u>1,990</u>	<u>139</u>	<u>396</u>	<u>37,822</u>	<u>943</u>
<u>\$ 2,448</u>	<u>\$ 606</u>	<u>\$ 413</u>	<u>\$ 372</u>	<u>\$ 19,498</u>	<u>\$ 943</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, 2004
(dollars in thousands)
(continued)

	<u>TOTAL</u>
REVENUES:	
Motor Vehicle Fuel Taxes	\$ 7,901
Licenses, Permits and Fees	1,258
Investment Income	2,099
Other	<u>3,789</u>
TOTAL REVENUES	<u>15,047</u>
EXPENDITURES:	
DEBT SERVICE	<u>1,334,025</u>
TOTAL EXPENDITURES	<u>1,334,025</u>
EXCESS (DEFICIENCY) OF REVENUES	
OVER (UNDER) EXPENDITURES	<u>(1,318,978)</u>
OTHER FINANCING SOURCES (USES):	
Bonds Issued	1,163
Refunding Bonds Issued	247,297
Payment to Refunded Bond Escrow Agents	(260,146)
Bond Premiums	102,401
Bond Discounts	(7,923)
Transfers-in	<u>1,203,967</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,286,759</u>
NET CHANGE IN FUND BALANCES	<u>(32,219)</u>
FUND BALANCES (DEFICITS), JULY 1	<u>116,371</u>
FUND BALANCES, JUNE 30	<u>\$ 84,152</u>

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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, 2004**
(dollars in thousands)

	COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Motor Vehicle Fuel Taxes		\$ —	
Licenses, Permits and Fees		—	
Investment Income		3	
Other		7,193	
TOTAL REVENUES.....		7,196	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 7,265	7,217	\$ 48
TOTAL BUDGETARY EXPENDITURES.....	\$ 7,265	7,217	\$ 48
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(21)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		—	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....		(21)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		40	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 19	

HIGHWAY GENERAL OBLIGATIONS

**LOCAL INFRASTRUCTURE IMPROVEMENTS
GENERAL OBLIGATIONS**

HIGHWAY GENERAL OBLIGATIONS			LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ 7,901			\$ —	
	1,258			—	
	608			25	
	—			135,254	
	9,767			135,279	
\$ 35,594	35,594	\$ —	\$ 157,064	139,328	\$ 17,736
\$ 35,594	35,594	\$ —	\$ 157,064	139,328	\$ 17,736
	(25,827)			(4,049)	
	—			3,965	
	—			—	
	—			—	
	—			3,965	
	(25,827)			(84)	
	36,745			84	
	\$ 10,918			\$ —	

(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, 2004

(dollars in thousands)
(continued)

STATE PROJECTS GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL	
REVENUES:		
Motor Vehicle Fuel Taxes	\$ —	
Licenses, Permits and Fees	—	
Investment Income	7	
Other	20,523	
TOTAL REVENUES.....	20,530	
BUDGETARY EXPENDITURES:		
DEBT SERVICE.....	\$ 23,808	\$ 2,191
TOTAL BUDGETARY EXPENDITURES.....	21,617	\$ 2,191
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(1,087)	
OTHER FINANCING SOURCES (USES):		
Bond Proceeds	—	
Transfers-in	—	
Transfers-out	—	
TOTAL OTHER FINANCING SOURCES (USES).....	—	
NET CHANGE IN FUND BALANCES.....	(1,087)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....	1,128	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	\$ 41	

**HIGHWAY CAPITAL IMPROVEMENTS
GENERAL OBLIGATIONS**

**HIGHER EDUCATION CAPITAL FACILITIES
GENERAL OBLIGATIONS**

HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS			HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ —			\$ —	
	—			—	
	1,327			62	
	—			79,303	
	<u>1,327</u>			<u>79,365</u>	
\$ 153,560	149,492	\$ 4,068	\$ 97,668	91,220	\$ 6,448
\$ 153,560	149,492	\$ 4,068	\$ 97,668	91,220	\$ 6,448
	(148,165)			(11,855)	
	13,554			7,329	
	139,727			—	
	—			—	
	<u>153,281</u>			<u>7,329</u>	
	5,116			(4,526)	
	9,821			11,965	
	<u>\$ 14,937</u>			<u>\$ 7,439</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, 2004

(dollars in thousands)
(continued)

COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:		
Motor Vehicle Fuel Taxes	\$ —	
Licenses, Permits and Fees	—	
Investment Income	90	
Other	91,860	
TOTAL REVENUES.....	91,950	
BUDGETARY EXPENDITURES:		
DEBT SERVICE.....	\$ 108,298	\$ —
TOTAL BUDGETARY EXPENDITURES.....	108,298	\$ —
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(16,348)	
OTHER FINANCING SOURCES (USES):		
Bond Proceeds	30,662	
Transfers-in	—	
Transfers-out.....	—	
TOTAL OTHER FINANCING SOURCES (USES).....	30,662	
NET CHANGE IN FUND BALANCES.....	14,314	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....	192	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	\$ 14,506	

<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>			<u>TOTAL</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ —			\$ 7,901	
	—			1,258	
	8			2,130	
	<u>3,721</u>			<u>337,854</u>	
	<u>3,729</u>			<u>349,143</u>	
\$ 9,744	4,717	\$ 5,027	\$ 593,001	557,483	\$ 35,518
<u>\$ 9,744</u>	<u>4,717</u>	<u>\$ 5,027</u>	<u>\$ 593,001</u>	<u>557,483</u>	<u>\$ 35,518</u>
	<u>(988)</u>			<u>(208,340)</u>	
	1,992			57,502	
	—			139,727	
	—			—	
	<u>1,992</u>			<u>197,229</u>	
	1,004			(11,111)	
	36			60,011	
	<u>\$ 1,040</u>			<u>\$ 48,900</u>	

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NONMAJOR 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.

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 **Transportation Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Transportation.

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.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2004
(dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 92,674	\$ 13,156	\$ 13,611
Collateral on Lent Securities	<u>37,387</u>	<u>5,308</u>	<u>5,491</u>
TOTAL ASSETS	<u>\$ 130,061</u>	<u>\$ 18,464</u>	<u>\$ 19,102</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 4,584	\$ 2,113	\$ 935
Obligations Under Securities Lending	<u>37,387</u>	<u>5,308</u>	<u>5,491</u>
TOTAL LIABILITIES	<u>41,971</u>	<u>7,421</u>	<u>6,426</u>
FUND BALANCES:			
Reserved for:			
Encumbrances	101,514	45,833	16,314
Unreserved/Undesignated (Deficits)	<u>(13,424)</u>	<u>(34,790)</u>	<u>(3,638)</u>
TOTAL FUND BALANCES	<u>88,090</u>	<u>11,043</u>	<u>12,676</u>
TOTAL LIABILITIES AND FUND BALANCES ...	<u>\$ 130,061</u>	<u>\$ 18,464</u>	<u>\$ 19,102</u>

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>TRANSPORTATION BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>
\$ 80,040	\$ 10,359	\$ 28	\$ 44,160	\$ 2,455	\$ 19,295
<u>32,291</u>	<u>4,179</u>	<u>11</u>	<u>17,816</u>	<u>990</u>	<u>7,784</u>
<u>\$ 112,331</u>	<u>\$ 14,538</u>	<u>\$ 39</u>	<u>\$ 61,976</u>	<u>\$ 3,445</u>	<u>\$ 27,079</u>
\$ 6,546	\$ —	\$ —	\$ 6,830	\$ 357	\$ 2,550
<u>32,291</u>	<u>4,179</u>	<u>11</u>	<u>17,816</u>	<u>990</u>	<u>7,784</u>
<u>38,837</u>	<u>4,179</u>	<u>11</u>	<u>24,646</u>	<u>1,347</u>	<u>10,334</u>
81,885	3,984	63	34,986	2,286	18,567
<u>(8,391)</u>	<u>6,375</u>	<u>(35)</u>	<u>2,344</u>	<u>(188)</u>	<u>(1,822)</u>
<u>73,494</u>	<u>10,359</u>	<u>28</u>	<u>37,330</u>	<u>2,098</u>	<u>16,745</u>
<u>\$ 112,331</u>	<u>\$ 14,538</u>	<u>\$ 39</u>	<u>\$ 61,976</u>	<u>\$ 3,445</u>	<u>\$ 27,079</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2004
(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENT</u>	<u>TOTAL</u>
ASSETS:		
Cash Equity with Treasurer	\$ 151,465	\$ 427,243
Collateral on Lent Securities	<u>61,106</u>	<u>172,363</u>
TOTAL ASSETS	<u>\$ 212,571</u>	<u>\$ 599,606</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts Payable	\$ 11,227	\$ 35,142
Obligations Under Securities Lending	<u>61,106</u>	<u>172,363</u>
TOTAL LIABILITIES	<u>72,333</u>	<u>207,505</u>
FUND BALANCES:		
Reserved for:		
Encumbrances	264,732	570,164
Unreserved/Undesignated (Deficits)	<u>(124,494)</u>	<u>(178,063)</u>
TOTAL FUND BALANCES	<u>140,238</u>	<u>392,101</u>
TOTAL LIABILITIES AND FUND BALANCES ...	<u>\$ 212,571</u>	<u>\$ 599,606</u>

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STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(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	\$ —	\$ 17	\$ —
Investment Income	729	292	31
Other	—	69	49
TOTAL REVENUES	<u>729</u>	<u>378</u>	<u>80</u>
EXPENDITURES:			
CAPITAL OUTLAY	99,182	23,762	25,927
DEBT SERVICE	—	—	—
TOTAL EXPENDITURES	<u>99,182</u>	<u>23,762</u>	<u>25,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(98,453)</u>	<u>(23,384)</u>	<u>(25,847)</u>
OTHER FINANCING SOURCES (USES):			
Bonds Issued	113,765	—	25,000
Bond Premiums	6,235	—	—
Transfers-out	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	<u>120,000</u>	<u>—</u>	<u>25,000</u>
NET CHANGE IN FUND BALANCES	21,547	(23,384)	(847)
FUND BALANCES (DEFICITS), JULY 1	<u>66,543</u>	<u>34,427</u>	<u>13,523</u>
FUND BALANCES, JUNE 30	<u>\$ 88,090</u>	<u>\$ 11,043</u>	<u>\$ 12,676</u>

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>TRANSPORTATION BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
763	170	1	206	11	174
106	—	—	2	—	1
<u>869</u>	<u>170</u>	<u>1</u>	<u>208</u>	<u>11</u>	<u>175</u>
91,007	6,876	41	54,290	15,344	17,766
—	880	—	—	—	—
<u>91,007</u>	<u>7,756</u>	<u>41</u>	<u>54,290</u>	<u>15,344</u>	<u>17,766</u>
<u>(90,138)</u>	<u>(7,586)</u>	<u>(40)</u>	<u>(54,082)</u>	<u>(15,333)</u>	<u>(17,591)</u>
174,267	—	—	57,400	9,971	—
—	—	—	2,634	—	—
(271)	—	—	—	—	—
<u>173,996</u>	<u>—</u>	<u>—</u>	<u>60,034</u>	<u>9,971</u>	<u>—</u>
<u>83,858</u>	<u>(7,586)</u>	<u>(40)</u>	<u>5,952</u>	<u>(5,362)</u>	<u>(17,591)</u>
<u>(10,364)</u>	<u>17,945</u>	<u>68</u>	<u>31,378</u>	<u>7,460</u>	<u>34,336</u>
<u>\$ 73,494</u>	<u>\$ 10,359</u>	<u>\$ 28</u>	<u>\$ 37,330</u>	<u>\$ 2,098</u>	<u>\$ 16,745</u>

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENT</u>	<u>TOTAL</u>
REVENUES:		
Sales, Services and Charges	\$ —	\$ 17
Investment Income	920	3,297
Other	<u>15</u>	<u>242</u>
TOTAL REVENUES	<u>935</u>	<u>3,556</u>
EXPENDITURES:		
CAPITAL OUTLAY	110,371	444,566
DEBT SERVICE	<u>—</u>	<u>880</u>
TOTAL EXPENDITURES	<u>110,371</u>	<u>445,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,436)</u>	<u>(441,890)</u>
OTHER FINANCING SOURCES (USES):		
Bonds Issued	160,000	540,403
Bond Premiums	—	8,869
Transfers-out	<u>—</u>	<u>(271)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>160,000</u>	<u>549,001</u>
NET CHANGE IN FUND BALANCES	50,564	107,111
FUND BALANCES (DEFICITS), JULY 1	<u>89,674</u>	<u>284,990</u>
FUND BALANCES, JUNE 30	<u>\$ 140,238</u>	<u>\$ 392,101</u>

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STATE OF OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**
(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS		
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		1,215	
Other		—	
TOTAL REVENUES.....		1,215	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 231,713	205,890	\$ 25,823
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 231,713	205,890	\$ 25,823
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(204,675)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		120,000	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		120,000	
NET CHANGE IN FUND BALANCES.....		(84,675)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....		(119,008)	
Outstanding Encumbrances at Beginning of Fiscal Year		190,259	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (13,424)	

**MENTAL HEALTH/MENTAL RETARDATION
FACILITIES IMPROVEMENTS**

PARKS AND RECREATION IMPROVEMENTS

MENTAL HEALTH/MENTAL RETARDATION FACILITIES IMPROVEMENTS			PARKS AND RECREATION IMPROVEMENTS		
<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>
	\$ 17			\$ —	
	—			—	
	414			164	
	39			22	
	<u>470</u>			<u>186</u>	
\$ 111,613	71,560	\$ 40,053	\$ 62,007	42,868	\$ 19,139
—	—	—	—	—	—
<u>\$ 111,613</u>	<u>71,560</u>	<u>\$ 40,053</u>	<u>\$ 62,007</u>	<u>42,868</u>	<u>\$ 19,139</u>
	<u>(71,090)</u>			<u>(42,682)</u>	
	29			25,026	
	—			—	
	—			—	
	<u>29</u>			<u>25,026</u>	
	<u>(71,061)</u>			<u>(17,656)</u>	
	17,246			(6,727)	
	18,137			20,745	
	<u>\$ (35,678)</u>			<u>\$ (3,638)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)

(continued)

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		895	
Other		106	
TOTAL REVENUES.....		<u>1,001</u>	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 263,894	185,478	\$ 78,416
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	<u>\$ 263,894</u>	<u>185,478</u>	<u>\$ 78,416</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		<u>(184,477)</u>	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		174,267	
Transfers-in		9,000	
Transfers-out.....		(9,271)	
TOTAL OTHER FINANCING SOURCES (USES).....		<u>173,996</u>	
NET CHANGE IN FUND BALANCES.....		<u>(10,481)</u>	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1 (as restated).....		<u>(62,831)</u>	
Outstanding Encumbrances at Beginning of Fiscal Year		<u>64,184</u>	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		<u><u>\$ (9,128)</u></u>	

YOUTH SERVICES BUILDING IMPROVEMENTS

TRANSPORTATION BUILDING IMPROVEMENTS

YOUTH SERVICES BUILDING IMPROVEMENTS			TRANSPORTATION BUILDING IMPROVEMENTS		
<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>
	\$ —			\$ —	
	—			—	
	253			1	
	—			—	
	<u>253</u>			<u>1</u>	
\$ 36,526	13,103	\$ 23,423	\$ 111	105	\$ 6
880	880	—	—	—	—
<u>\$ 37,406</u>	<u>13,983</u>	<u>\$ 23,423</u>	<u>\$ 111</u>	<u>\$ 105</u>	<u>\$ 6</u>
	<u>(13,730)</u>			<u>(104)</u>	
	—			—	
	—			—	
	—			—	
	<u>(13,730)</u>			<u>(104)</u>	
	5,979			(7)	
	<u>14,071</u>			<u>76</u>	
	<u>\$ 6,320</u>			<u>\$ (35)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)

(continued)

ADULT CORRECTIONAL BUILDING IMPROVEMENTS			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		441	
Other		—	
TOTAL REVENUES.....		441	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 215,610	94,052	\$ 121,558
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 215,610	94,052	\$ 121,558
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(93,611)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		60,034	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		60,034	
NET CHANGE IN FUND BALANCES.....		(33,577)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1 (as restated).....		(18,729)	
Outstanding Encumbrances at Beginning of Fiscal Year		54,287	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		\$ 1,981	

HIGHWAY SAFETY BUILDING IMPROVEMENTS

OHIO PARKS AND NATURAL RESOURCES

HIGHWAY SAFETY BUILDING IMPROVEMENTS			OHIO PARKS AND NATURAL RESOURCES		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ —			\$ —	
	—			—	
	86			239	
	—			1	
	<u>86</u>			<u>240</u>	
\$ 23,035	17,837	\$ 5,198	\$ 82,108	38,340	\$ 43,768
—	—	—	—	—	—
<u>\$ 23,035</u>	<u>17,837</u>	<u>\$ 5,198</u>	<u>\$ 82,108</u>	<u>38,340</u>	<u>\$ 43,768</u>
	<u>(17,751)</u>			<u>(38,100)</u>	
	9,971			—	
	6,500			—	
	(6,500)			—	
	<u>9,971</u>			<u>—</u>	
	<u>(7,780)</u>			<u>(38,100)</u>	
	(6,816)			15,683	
	<u>14,408</u>			<u>19,648</u>	
	<u>\$ (188)</u>			<u>\$ (2,769)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENT</u>		
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		1,441	
Other		—	
TOTAL REVENUES.....		1,441	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 500,339	381,649	\$ 118,690
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 500,339	381,649	\$ 118,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(380,208)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		160,016	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		160,016	
NET CHANGE IN FUND BALANCES.....		(220,192)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1 (as restated).....		(83,998)	
Outstanding Encumbrances at Beginning of Fiscal Year		179,722	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		\$ (124,468)	

TOTAL		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 17	
	—	
	5,149	
	168	
	<u>5,334</u>	
\$ 1,526,956	1,050,882	\$ 476,074
880	880	—
<u>\$ 1,527,836</u>	<u>1,051,762</u>	<u>\$ 476,074</u>
	<u>(1,046,428)</u>	
	549,343	
	15,500	
	(15,771)	
	<u>549,072</u>	
	(497,356)	
	(259,208)	
	<u>575,537</u>	
	<u>\$ (181,027)</u>	

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AGENCY FUNDS

The **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, 2004
(dollars in thousands)

	<u>HOLDING AND DISTRIBUTION</u>	<u>CENTRALIZED CHILD SUPPORT COLLECTIONS</u>	<u>RETIREMENT SYSTEMS</u>
ASSETS:			
Cash Equity with Treasurer.....	\$ 11,441	\$ —	\$ —
Cash and Cash Equivalents.....	417	79,687	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	—	—	10,559,628
Common and Preferred Stock.....	—	—	58,552,590
Corporate Bonds and Notes.....	—	—	10,252,981
Foreign Stocks and Bonds.....	—	—	25,408,093
Commercial Paper.....	—	—	2,038,838
Repurchase Agreements.....	—	—	52,100
Mutual Funds.....	—	—	7,961,507
Real Estate.....	—	—	9,729,581
Venture Capital.....	—	—	1,780,588
Direct Mortgage Loans.....	—	—	5,000,276
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	16,047	—
Collateral on Lent Securities.....	3,708	3,657	—
Other Receivables.....	3,323	—	—
Other Assets.....	—	—	—
TOTAL ASSETS.....	<u>\$ 18,889</u>	<u>\$ 99,391</u>	<u>\$ 131,336,182</u>
LIABILITIES:			
Obligations Under Securities Lending.....	\$ 3,708	\$ 3,657	\$ —
Intergovernmental Payable.....	2,103	—	—
Refund and Other Liabilities.....	13,078	95,734	131,336,182
TOTAL LIABILITIES.....	<u>\$ 18,889</u>	<u>\$ 99,391</u>	<u>\$ 131,336,182</u>

PAYROLL WITHHOLDING AND FRINGE BENEFITS			OTHER	TOTAL	
\$	85,840	\$	73,486	\$	170,767
	15,695		33,437		129,236
	—		—		10,559,628
	—		—		58,552,590
	—		—		10,252,981
	—		—		25,408,093
	—		—		2,038,838
	80		—		52,180
	—		—		7,961,507
	—		—		9,729,581
	—		—		1,780,588
	—		—		5,000,276
	—		16,899		32,946
	34,734		204,909		247,008
	—		2		3,325
	—		424,455		424,455
\$	136,349	\$	753,188	\$	132,343,999
\$	34,734	\$	204,909	\$	247,008
	357		68,853		71,313
	101,258		479,426		132,025,678
\$	136,349	\$	753,188	\$	132,343,999

STATE OF OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)

	BALANCE JULY 1, 2003 (as restated)	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
HOLDING AND DISTRIBUTION				
ASSETS				
Cash Equity with Treasurer	\$ 13,668	\$ 1,031,511	\$ 1,033,738	\$ 11,441
Cash and Cash Equivalents	7,523	5,860	12,966	417
Collateral on Lent Securities	3,712	3,708	3,712	3,708
Other Receivables	1,100	3,404	1,181	3,323
Total Assets	<u>\$ 26,003</u>	<u>\$ 1,044,483</u>	<u>\$ 1,051,597</u>	<u>\$ 18,889</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 3,712	\$ 3,708	\$ 3,712	\$ 3,708
Intergovernmental Payable	9,247	70,869	78,013	2,103
Refund and Other Liabilities	13,044	956,555	956,521	13,078
Total Liabilities	<u>\$ 26,003</u>	<u>\$ 1,031,132</u>	<u>\$ 1,038,246</u>	<u>\$ 18,889</u>
CENTRALIZED CHILD SUPPORT COLLECTIONS				
ASSETS				
Cash and Cash Equivalents	\$ 90,609	\$ 2,140,661	\$ 2,151,583	\$ 79,687
Investments.....	23,130	—	7,083	16,047
Collateral on Lent Securities.....	5,004	3,657	5,004	3,657
Total Assets	<u>\$ 118,743</u>	<u>\$ 2,144,318</u>	<u>\$ 2,163,670</u>	<u>\$ 99,391</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 5,004	\$ 3,657	\$ 5,004	\$ 3,657
Refund and Other Liabilities	113,739	2,140,661	2,158,666	95,734
Total Liabilities	<u>\$ 118,743</u>	<u>\$ 2,144,318</u>	<u>\$ 2,163,670</u>	<u>\$ 99,391</u>
RETIREMENT SYSTEMS				
ASSETS				
Investments	\$ 110,352,184	\$ 209,697,918	\$ 188,713,920	\$ 131,336,182
Total Assets	<u>\$ 110,352,184</u>	<u>\$ 209,697,918</u>	<u>\$ 188,713,920</u>	<u>\$ 131,336,182</u>
LIABILITIES				
Refund and Other Liabilities:				
Liability to:				
Public Employees Retirement System	\$ 47,493,068	\$ 47,129,789	\$ 35,456,807	\$ 59,166,050
Ohio Police and Fire Fund.....	7,557,087	19,097,884	17,624,754	9,030,217
School Employees Retirement System	7,435,098	87,911,517	86,866,560	8,480,055
State Teachers Retirement System	47,866,931	55,558,728	48,765,799	54,659,860
Total Liabilities	<u>\$ 110,352,184</u>	<u>\$ 209,697,918</u>	<u>\$ 188,713,920</u>	<u>\$ 131,336,182</u>

	BALANCE JULY 1, 2003 (as restated)	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
PAYROLL WITHHOLDING AND FRINGE BENEFITS				
ASSETS				
Cash Equity with Treasurer	\$ 84,388	\$ 2,395,656	\$ 2,394,204	\$ 85,840
Cash and Cash Equivalents	13,240	359,558	357,103	15,695
Investments.....	98	80	98	80
Collateral on Lent Securities.....	29,435	34,734	29,435	34,734
Other Receivables.....	100	1,763	1,863	—
Total Assets	\$ 127,261	\$ 2,791,791	\$ 2,782,703	\$ 136,349
LIABILITIES				
Obligations Under Securities Lending.....	\$ 29,435	\$ 34,734	\$ 29,435	\$ 34,734
Intergovernmental Payable	359	419,251	419,253	357
Refund and Other Liabilities	97,467	1,798,198	1,794,407	101,258
Total Liabilities	\$ 127,261	\$ 2,252,183	\$ 2,243,095	\$ 136,349
OTHER				
ASSETS				
Cash Equity with Treasurer	\$ 60,432	\$ 1,758,178	\$ 1,745,124	\$ 73,486
Cash and Cash Equivalents.....	135,179	23,121,498	23,223,240	33,437
Investments	18,350	1,352	2,803	16,899
Collateral on Lent Securities.....	159,216	204,909	159,216	204,909
Other Receivables	56	27	81	2
Other Assets	426,474	148,359	150,378	424,455
Total Assets	\$ 799,707	\$ 25,234,323	\$ 25,280,842	\$ 753,188
LIABILITIES				
Obligations Under Securities Lending.....	\$ 159,216	\$ 204,909	\$ 159,216	\$ 204,909
Intergovernmental Payable	57,205	1,744,969	1,733,321	68,853
Refund and Other Liabilities	583,286	23,284,337	23,388,197	479,426
Total Liabilities	\$ 799,707	\$ 25,234,215	\$ 25,280,734	\$ 753,188
TOTAL AGENCY				
ASSETS				
Cash Equity with Treasurer.....	\$ 158,488	\$ 5,185,345	\$ 5,173,066	\$ 170,767
Cash and Cash Equivalents.....	246,551	25,627,577	25,744,892	129,236
Investments	110,393,762	209,699,350	188,723,904	131,369,208
Collateral on Lent Securities.....	197,367	247,008	197,367	247,008
Other Receivables	1,256	5,194	3,125	3,325
Other Assets	426,474	148,359	150,378	424,455
Total Assets	\$ 111,423,898	\$ 240,912,833	\$ 219,992,732	\$ 132,343,999
LIABILITIES				
Obligations Under Securities Lending.....	\$ 197,367	\$ 247,008	\$ 197,367	\$ 247,008
Intergovernmental Payable	66,811	2,235,089	2,230,587	71,313
Refund and Other Liabilities	111,159,720	237,877,669	217,011,711	132,025,678
Total Liabilities	\$ 111,423,898	\$ 240,359,766	\$ 219,439,665	\$ 132,343,999

NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS

The **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 **Arts and Sports Facilities Commission Fund** accounts for the Arts and Sports Facilities Commission's operations, including the construction of arts and sports facilities at the state and local level.

The **SchoolNet Commission Fund** accounts for the SchoolNet Commission's operations, including programs designed to assist Ohio's public schools acquire and maximize the use of educational technology.

The **Air Quality Development Authority Fund** accounts for the 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 **Ohio University Fund** accounts for the operations of Ohio University, Ohio University Foundation, and Ohio University Osteopathic Medical Center, Inc. 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 and the University of Toledo Foundation.

The **Cleveland State University Fund** accounts for the operations of Cleveland State University and the Cleveland State University Foundation.

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.

The **Medical College of Ohio Fund** accounts for the operations of the Medical College of Ohio at Toledo, the Medical College of Ohio at Toledo Foundation, and the college's hospital.

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.

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2004
(dollars in thousands)

	ARTS AND SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/03)
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 5,249	\$ 8,654	\$ 6,706
Cash and Cash Equivalents.....	—	—	2,120
Investments.....	—	—	—
Collateral on Lent Securities.....	2,118	3,491	—
Intergovernmental Receivable.....	—	—	—
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	—	384	—
Other Receivables.....	—	—	11
Inventories.....	—	—	—
Other Assets.....	4	2	3
TOTAL CURRENT ASSETS.....	7,371	12,531	8,840
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Investments.....	—	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	48,553	937	26
Capital Assets Not Being Depreciated.....	11,858	—	—
TOTAL NONCURRENT ASSETS.....	60,411	937	26
TOTAL ASSETS.....	67,782	13,468	8,866
CURRENT LIABILITIES:			
Accounts Payable.....	9,034	260	185
Accrued Liabilities.....	35	226	28
Obligations Under Securities Lending.....	2,118	3,491	—
Intergovernmental Payable.....	—	—	12
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	5	51	4
Bonds and Notes Payable.....	—	—	—
TOTAL CURRENT LIABILITIES.....	11,192	4,028	229
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	61	497	159
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	61	497	159
TOTAL LIABILITIES.....	11,253	4,525	388
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	60,411	937	26
Restricted for:			
Federal Programs.....	—	110	—
Coal Research and Development Program.....	—	—	4,518
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).....	(3,882)	7,896	3,934
TOTAL NET ASSETS.....	\$ 56,529	\$ 8,943	\$ 8,478

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
45,415	31,962	23,728	4,032	215,310	5,147
129,764	188,659	69,973	127,085	94,039	40,562
—	—	—	—	—	—
18,454	2,157	—	—	1,745	4,615
2,895	2,771	1,772	1,133	—	2,439
3,331	6,626	—	478	1,108	851
29,363	9,508	26,938	12,412	16,969	17,198
2,779	3,161	1,100	4,195	1,494	383
19,287	1,345	8,241	171	3,588	2,780
251,288	246,189	131,752	149,506	334,253	73,975
48,756	2,572	—	—	—	—
—	—	—	83,845	—	126,210
108,840	259,888	169,633	—	80,751	53,586
8,822	6,297	9,753	7,020	21,885	13,009
10,783	18,734	4,663	9,180	3,880	3,057
11,039	—	1,974	406	3,841	3,475
457,700	369,068	361,826	273,446	413,036	243,639
57,984	39,955	122,996	20,906	49,664	58,486
703,924	696,514	670,845	394,803	573,057	501,462
955,212	942,703	802,597	544,309	907,310	575,437
16,260	16,223	11,427	2,776	19,153	9,823
24,890	15,044	16,602	9,919	14,636	8,404
—	—	—	—	—	—
361	—	—	—	—	—
21,417	11,444	32,561	12,012	30,464	11,464
6,808	11,073	2,669	6,385	11,165	12,919
16,611	6,104	1,893	7,292	1,860	3,424
86,347	59,888	65,152	38,384	77,278	46,034
—	—	—	8,280	—	—
—	2,699	1,064	—	2,115	—
28,886	22,683	30,032	6,620	25,483	13,609
193,107	87,109	196,496	80,638	270,715	155,349
—	—	22,000	—	—	—
221,993	112,491	249,592	95,538	298,313	168,958
308,340	172,379	314,744	133,922	375,591	214,992
351,909	352,502	273,976	222,186	229,925	171,139
—	—	—	—	—	—
—	—	—	—	—	—
41,007	—	—	29,628	109	7,200
875	—	—	1,449	750	—
66,924	171,161	105,738	—	40,266	46,593
—	—	—	18,989	7,834	2,828
33,642	14,345	—	16,052	—	19,403
5,559	1,475	—	598	—	—
32,700	8,036	—	204	—	5,665
5,332	2,177	—	—	—	—
11,574	11,055	—	—	38,917	—
—	—	719	396	—	2,202
7,900	2,130	13,652	8,956	—	4,581
13,765	—	—	—	—	28,281
9,406	—	58,494	—	—	8,019
7,671	42,160	802	12,273	23,317	23,037
58,608	165,283	34,472	99,656	190,601	41,497
\$ 646,872	\$ 770,324	\$ 487,853	\$ 410,387	\$ 531,719	\$ 360,445

(continued)

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2004

(dollars in thousands)
(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	4,608	17,449	43,755
Investments.....	43,255	16,527	8,820
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	1,387	6,538
Loans Receivable, Net.....	1,694	513	3,017
Receivable from Primary Government.....	1,890	1,727	3,272
Other Receivables.....	14,141	5,557	13,390
Inventories.....	278	1,905	769
Other Assets.....	1,520	944	15,079
TOTAL CURRENT ASSETS.....	67,386	46,009	94,640
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	40,604	134,669	—
Investments.....	46,456	19,304	105,111
Loans Receivable, Net.....	10,403	2,376	16,162
Other Receivables.....	2,827	3,668	6,854
Other Assets.....	732	709	1,245
Capital Assets Being Depreciated, Net.....	191,546	142,728	224,207
Capital Assets Not Being Depreciated.....	61,599	17,364	3,700
TOTAL NONCURRENT ASSETS.....	354,167	320,818	357,279
TOTAL ASSETS.....	421,553	366,827	451,919
CURRENT LIABILITIES:			
Accounts Payable.....	3,859	1,220	9,802
Accrued Liabilities.....	4,639	6,797	6,636
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	7,928	3,216	38,814
Refund and Other Liabilities.....	4,514	2,801	11,326
Bonds and Notes Payable.....	985	835	1,707
TOTAL CURRENT LIABILITIES.....	21,925	14,869	68,285
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	20,747	9,624	9,032
Bonds and Notes Payable.....	51,227	34,629	13,622
Certificates of Participation.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	71,974	44,253	22,654
TOTAL LIABILITIES.....	93,899	59,122	90,939
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	242,138	129,093	211,422
Restricted for:			
Federal Programs.....			
Coal Research and Development Program.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	9,586
Research.....	—	—	441
Endowments and Quasi-Endowments.....	18,564	30,160	—
Loans, Grants and Other College and University Purposes.....	—	414	14,250
Expendable:			
Scholarships and Fellowships.....	2,777	1,547	14,193
Research.....	86	523	5,976
Instructional Department Uses.....	3,186	2,948	10,392
Student and Public Services.....	374	1,644	1,025
Academic Support.....	1,463	—	1,156
Debt Service.....	—	—	273
Capital Purposes.....	1,595	81	—
Endowments and Quasi-Endowments.....	203	11,427	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	14,174	68	20,606
Unrestricted (Deficits).....	43,094	129,800	71,660
TOTAL NET ASSETS.....	\$ 327,654	\$ 307,705	\$ 360,980

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	MEDICAL COLLEGE OF OHIO	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
5,149	11,716	5,613	3,750	13,119	3,397
14,496	—	—	1,782	56,335	8,668
—	—	—	—	—	—
—	—	—	237	—	—
50	877	6,527	—	—	78
34	—	296	25	1,281	444
3,308	41	44,782	1,369	7,470	2,015
45	—	6,004	233	2,098	187
66	322	583	65	337	593
23,148	12,956	63,805	7,461	80,640	15,382
500	1,712	194	—	11,812	—
9,084	3,674	2,245	—	2,922	—
—	—	79,845	668	—	—
—	4,043	—	—	—	—
279	243	—	19	—	—
1,379	—	392	96	283	—
47,960	53,459	144,843	18,938	76,793	21,478
18,585	917	6,379	302	33,621	1,284
77,787	64,048	233,898	20,023	125,431	22,762
100,935	77,004	297,703	27,484	206,071	38,144
569	3,415	13,588	691	4,560	491
2,265	5,809	22,893	411	642	427
—	—	—	—	—	—
—	—	—	—	—	8
673	2,266	2,062	269	10,663	673
938	172	5,054	577	3,511	179
330	149	—	—	1,405	—
4,775	11,811	43,597	1,948	20,781	1,778
—	—	—	—	—	—
—	—	—	—	—	—
1,623	—	9,826	1,080	2,918	644
2,270	2,349	—	—	22,700	—
—	—	—	—	—	—
3,893	2,349	9,826	1,080	25,618	644
8,668	14,160	53,423	3,028	46,399	2,422
63,945	52,355	150,541	18,400	96,064	22,689
—	—	—	—	—	—
—	—	—	—	—	—
1,646	—	650	—	—	—
—	—	—	—	—	—
130	—	12,360	843	3,610	5,525
3,491	1,496	2,307	—	—	—
1,151	—	4,466	192	—	173
—	—	—	—	—	—
127	—	—	12	—	21
472	—	—	37	—	616
190	—	8,319	3	—	37
590	—	2,603	—	—	—
173	—	—	505	4,203	2,003
476	—	—	—	—	—
525	—	—	—	—	—
2,659	6,776	6,101	—	—	68
16,692	2,217	56,933	4,464	55,795	4,590
\$ 92,267	\$ 62,844	\$ 244,280	\$ 24,456	\$ 159,672	\$ 35,722

(continued)

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2004

(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.....	1,039	143	2,049
Investments.....	978	2,806	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	148	—	—
Loans Receivable, Net.....	—	7	—
Receivable from Primary Government.....	—	168	—
Other Receivables.....	3,167	1,266	2,058
Inventories.....	204	134	111
Other Assets.....	111	34	14
TOTAL CURRENT ASSETS.....	5,647	4,558	4,232
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	140	—	—
Investments.....	1,793	3,172	112
Investments.....	845	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	155	—	—
Other Assets.....	—	12	—
Capital Assets Being Depreciated, Net.....	10,765	13,316	17,433
Capital Assets Not Being Depreciated.....	688	1,959	980
TOTAL NONCURRENT ASSETS.....	14,386	18,459	18,525
TOTAL ASSETS.....	20,033	23,017	22,757
CURRENT LIABILITIES:			
Accounts Payable.....	86	554	83
Accrued Liabilities.....	501	364	1,101
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	2,728	410	762
Refund and Other Liabilities.....	—	201	57
Bonds and Notes Payable.....	73	100	—
TOTAL CURRENT LIABILITIES.....	3,388	1,629	2,003
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	45
Refund and Other Liabilities.....	149	565	322
Bonds and Notes Payable.....	532	2,700	—
Certificates of Participation.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	681	3,265	367
TOTAL LIABILITIES.....	4,069	4,894	2,370
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	10,848	14,803	18,413
Restricted for:			
Federal Programs.....			
Coal Research and Development Program.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	112
Research.....	—	—	—
Endowments and Quasi-Endowments.....	69	128	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	180	33	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	791	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	890	—	489
Current Operations.....	60	—	—
Loans, Grants and Other College and University Purposes.....	700	18	5
Unrestricted (Deficits).....	3,217	2,350	1,368
TOTAL NET ASSETS.....	\$ 15,964	\$ 18,123	\$ 20,387

CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ 20,609
7,637	3,374	12,009	462,521
—	748	6,828	811,325
—	—	—	5,609
1,169	—	1,348	37,798
—	—	121	23,894
1,161	—	4,206	27,282
4,018	914	15,783	231,678
15	219	991	26,305
97	6	2,620	57,812
14,097	5,261	43,906	1,704,833
9,236	732	—	75,654
—	—	—	408,330
—	2,008	—	926,935
222	—	687	100,679
—	—	—	64,342
510	—	—	26,093
48,332	13,971	47,321	3,241,321
38,861	247	13,391	561,726
97,161	16,958	61,399	5,405,080
111,258	22,219	105,305	7,109,913
2,220	127	3,106	129,512
2,065	7	3,336	147,677
—	—	—	5,609
—	—	—	381
2,860	471	13,851	207,008
2,994	487	1,361	85,251
141	—	—	42,909
10,280	1,092	21,654	618,347
—	—	712	8,992
—	—	—	5,923
—	273	1,299	186,132
48,942	—	—	1,162,385
—	—	—	22,000
48,942	273	2,011	1,385,432
59,222	1,365	23,665	2,003,779
46,344	14,145	60,712	2,814,923
—	—	—	110
—	—	—	4,518
—	529	—	90,467
—	—	—	3,515
—	—	699	502,770
—	—	—	51,609
—	188	335	108,677
—	—	—	14,217
—	24	128	63,443
119	—	—	12,587
—	—	—	72,714
—	—	—	6,783
—	249	—	46,028
—	—	—	55,531
—	—	—	76,504
222	105	107	160,869
5,351	5,614	19,659	1,020,869
\$ 52,036	\$ 20,854	\$ 81,640	\$ 5,106,134

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	ARTS AND SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (for the year ended 12/31/03)
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 554	\$ 39,190	\$ —
Community and Economic Development.....	2,963	—	5,682
Intergovernmental	17,137	—	—
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 Services.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	—	—	—
Depreciation.....	1,339	561	2
Other.....	—	—	—
TOTAL EXPENSES.....	21,993	39,751	5,684
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	98	833	302
Operating Grants, Contributions and Restricted Investment Income.....	83	723	9,813
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
TOTAL PROGRAM REVENUES.....	181	1,556	10,115
NET PROGRAM (EXPENSE) REVENUE	(21,812)	(38,195)	4,431
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	—	53
State Assistance.....	—	34,015	—
Other.....	—	—	22
TOTAL GENERAL REVENUES.....	—	34,015	75
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	—
SPECIAL ITEMS.....	—	—	—
CHANGE IN NET ASSETS.....	(21,812)	(4,180)	4,506
NET ASSETS, JULY 1 (as restated).....	78,341	13,123	3,972
NET ASSETS, JUNE 30.....	\$ 56,529	\$ 8,943	\$ 8,478

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
174,626	138,529	106,092	102,289	151,453	120,917
29,896	7,874	18,688	5,835	14,936	16,268
18,171	1,795	14,898	8,448	14,144	4,736
47,792	30,176	25,388	34,120	33,524	30,326
24,246	21,042	11,282	23,123	23,346	18,848
41,438	35,012	41,991	27,466	34,516	25,480
37,165	25,800	20,083	17,902	30,401	16,263
14,996	11,209	16,851	12,655	13,988	13,038
58,122	87,108	34,844	59,920	70,559	47,513
2,662	—	—	—	—	—
5,023	2,268	6,342	4,497	8,166	5,901
29,150	24,746	26,594	17,715	27,269	16,011
23,541	8,084	1,602	1,578	1,703	1,811
506,828	393,643	324,655	315,548	424,005	317,112
330,132	273,069	169,811	212,480	312,955	181,998
44,166	41,049	79,604	31,712	—	60,188
5,612	5,418	1,297	8,794	—	965
379,910	319,536	250,712	252,986	312,955	243,151
(126,918)	(74,107)	(73,943)	(62,562)	(111,050)	(73,961)
14,878	49,498	—	16,816	18,881	1,614
155,605	96,210	120,304	87,062	136,894	101,860
—	—	1	87	16,352	431
170,483	145,708	120,305	103,965	172,127	103,905
12,860	6,565	4,496	—	—	1,608
—	—	—	—	—	—
56,425	78,166	50,858	41,403	61,077	31,552
590,447	692,158	436,995	368,984	470,642	328,893
\$ 646,872	\$ 770,324	\$ 487,853	\$ 410,387	\$ 531,719	\$ 360,445

(continued)

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(dollars in thousands)

(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Intergovernmental	—	—	—
Education and General:			
Instruction and Departmental Research.....	80,593	57,449	96,809
Separately Budgeted Research.....	15,047	1,545	24,288
Public Service.....	11,983	10,789	10,491
Academic Support.....	20,344	9,806	55,979
Student Services.....	18,007	8,280	12,312
Institutional Support.....	23,990	21,300	21,889
Operation and Maintenance of Plant.....	16,017	9,276	15,448
Scholarships and Fellowships.....	10,585	9,627	11,404
Auxiliary Services.....	14,965	19,066	22,024
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	446	530	657
Depreciation.....	15,019	8,383	13,955
Other.....	26	1,833	326
TOTAL EXPENSES.....	227,022	157,884	285,582
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	108,512	75,866	110,668
Operating Grants, Contributions and Restricted Investment Income.....	32,649	14,471	92,869
Capital Grants, Contributions and Restricted Investment Income.....	134	23,280	1,040
TOTAL PROGRAM REVENUES.....	141,295	113,617	204,577
NET PROGRAM (EXPENSE) REVENUE	(85,727)	(44,267)	(81,005)
GENERAL REVENUES:			
Unrestricted Investment Income.....	1,560	11,709	2,975
State Assistance.....	84,917	50,155	101,299
Other.....	10,837	2,171	424
TOTAL GENERAL REVENUES.....	97,314	64,035	104,698
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	967	—
SPECIAL ITEMS.....	—	—	—
CHANGE IN NET ASSETS.....	11,587	20,735	23,693
NET ASSETS, JULY 1 (as restated).....	316,067	286,970	337,287
NET ASSETS, JUNE 30.....	\$ 327,654	\$ 307,705	\$ 360,980

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	MEDICAL COLLEGE OF OHIO	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
13,722	7,109	45,442	5,944	54,165	5,468
—	886	18,611	—	—	—
3,360	8,084	1,200	2,016	4,798	2,163
2,367	5,666	6,951	511	3,678	933
3,313	4,705	2,066	938	9,380	1,808
5,135	6,437	11,775	2,775	14,939	3,331
3,694	4,461	9,270	1,397	12,140	2,124
8,706	7,267	1,224	651	9,992	1,358
3,881	6,531	2,986	1,041	9,872	2,861
—	—	167,336	—	—	—
189	134	389	26	719	—
1,877	2,822	19,089	990	3,483	1,118
47	299	1,108	—	—	—
46,291	54,401	287,447	16,289	123,166	21,164
18,611	19,675	218,801	5,786	78,121	8,354
11,096	16,220	27,277	3,459	1,735	5,587
—	—	8,533	113	29	84
29,707	35,895	254,611	9,358	79,885	14,025
(16,584)	(18,506)	(32,836)	(6,931)	(43,281)	(7,139)
1,276	78	4,013	63	1,003	106
16,962	19,539	36,555	7,088	48,274	7,306
—	—	—	—	—	304
18,238	19,617	40,568	7,151	49,277	7,716
—	—	39	—	—	150
—	—	(2,769)	—	—	—
1,654	1,111	5,002	220	5,996	727
90,613	61,733	239,278	24,236	153,676	34,995
\$ 92,267	\$ 62,844	\$ 244,280	\$ 24,456	\$ 159,672	\$ 35,722

(continued)

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(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.....	—	—	—
Intergovernmental	—	—	—
Education and General:			
Instruction and Departmental Research.....	5,800	4,878	5,293
Separately Budgeted Research.....	—	—	—
Public Service.....	738	1,079	—
Academic Support.....	368	1,481	1,686
Student Services.....	1,593	1,071	1,441
Institutional Support.....	3,559	1,287	3,411
Operation and Maintenance of Plant.....	1,266	693	1,120
Scholarships and Fellowships.....	542	2,645	479
Auxiliary Services.....	825	2,935	1,396
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	36	70	—
Depreciation.....	892	618	673
Other.....	—	—	—
TOTAL EXPENSES.....	15,619	16,757	15,499
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	8,230	8,160	4,868
Operating Grants, Contributions and Restricted Investment Income.....	611	3,900	4,567
Capital Grants, Contributions and Restricted Investment Income.....	245	—	—
TOTAL PROGRAM REVENUES.....	9,086	12,060	9,435
NET PROGRAM (EXPENSE) REVENUE	(6,533)	(4,697)	(6,064)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	76	12
State Assistance.....	6,722	6,123	5,371
Other.....	—	—	1,531
TOTAL GENERAL REVENUES.....	6,722	6,199	6,914
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	13	—
SPECIAL ITEMS.....	—	—	—
CHANGE IN NET ASSETS.....	189	1,515	850
NET ASSETS, JULY 1 (as restated).....	15,775	16,608	19,537
NET ASSETS, JUNE 30.....	\$ 15,964	\$ 18,123	\$ 20,387

CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ 39,744
—	—	—	8,645
—	—	—	17,137
22,383	6,999	36,042	1,242,002
—	—	223	154,097
2,088	936	2,265	124,182
3,440	585	3,144	318,265
4,908	1,488	5,971	199,168
10,685	3,164	11,687	351,267
4,007	1,186	8,160	237,873
1,064	916	4,430	153,627
—	1,862	6,549	454,860
1,451	—	—	171,449
—	8	—	35,401
3,769	851	3,314	220,240
—	20	61	42,039
53,795	18,015	81,846	3,769,996
28,860	7,821	26,406	2,210,417
—	3,712	21,102	506,593
1,254	2	—	56,800
30,114	11,535	47,508	2,773,810
(23,681)	(6,480)	(34,338)	(996,186)
52	74	418	125,155
27,572	7,361	40,236	1,197,430
—	—	605	32,765
27,624	7,435	41,259	1,355,350
—	—	—	26,698
—	—	—	(2,769)
3,943	955	6,921	383,093
48,093	19,899	74,719	4,723,041
\$ 52,036	\$ 20,854	\$ 81,640	\$ 5,106,134

STATE OF OHIO
COMBINING BALANCE SHEET
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2004
(dollars in thousands)

	<u>SPECIAL REVENUE FUND</u>		
	<u>ADMINISTRATION</u>	<u>SCHOOL BUILDING ASSISTANCE PROGRAM</u>	<u>PUBLIC SCHOOL BUILDING PROGRAM</u>
ASSETS:			
Cash Equity with Treasurer	\$ 2,738	\$ 187,480	\$ 109,064
Collateral on Lent Securities	1,105	75,635	44,000
Intergovernmental Receivable	—	—	—
Other Assets	27	—	—
TOTAL ASSETS	\$ 3,870	\$ 263,115	\$ 153,064
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 112	\$ 4,707	\$ 974
Accrued Liabilities	202	—	—
Obligations Under Securities Lending	1,105	75,635	44,000
Intergovernmental Payable	—	1,874,413	17,062
Deferred Revenue	—	—	—
TOTAL LIABILITIES	1,419	1,954,755	62,036
FUND BALANCES:			
Reserved for:			
Encumbrances	179	—	18,441
Loan Commitments	—	—	1,309
Other:			
Prepays	27	—	—
Primary, Secondary and Other Education	—	—	10,594
Unreserved/Designated for Compensated Absences	43	—	—
Unreserved/Undesignated (Deficits)	2,202	(1,691,640)	60,684
TOTAL FUND BALANCES (DEFICITS)	2,451	(1,691,640)	91,028
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 3,870	\$ 263,115	\$ 153,064

<u>EDUCATION FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>TOTAL</u>
\$ 68,375	\$ —	\$ 367,657
27,585	—	148,325
—	6,704	6,704
—	—	27
<u>\$ 95,960</u>	<u>\$ 6,704</u>	<u>\$ 522,713</u>
\$ 2,034	\$ 9	\$ 7,836
—	—	202
27,585	—	148,325
92,738	6,696	1,990,909
—	5,501	5,501
<u>122,357</u>	<u>12,206</u>	<u>2,152,773</u>
—	29	18,649
—	—	1,309
—	—	27
—	—	10,594
—	—	43
<u>(26,397)</u>	<u>(5,531)</u>	<u>(1,660,682)</u>
<u>(26,397)</u>	<u>(5,502)</u>	<u>(1,630,060)</u>
<u>\$ 95,960</u>	<u>\$ 6,704</u>	<u>\$ 522,713</u>

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STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2004
(dollars in thousands)

	<u>SCHOOL FACILITIES COMMISSION</u>
Total Fund Balances	\$ (1,630,060)
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,</i>	
<i>net of \$78 accumulated depreciation</i>	73
	73
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.	
<i>Other Receivables</i>	5,501
	5,501
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>	(523)
Total Net Assets	\$ (1,625,009)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	SPECIAL REVENUE FUND		
	<u>ADMINISTRATION</u>	<u>SCHOOL BUILDING ASSISTANCE PROGRAM</u>	<u>PUBLIC SCHOOL BUILDING PROGRAM</u>
REVENUES:			
State Assistance	\$ —	\$ 600,000	\$ —
Sales, Services and Charges	6	—	—
Federal Government	—	—	—
Investment Income	61	2,248	1,414
Other	—	191	1,408
TOTAL REVENUES	<u>67</u>	<u>602,439</u>	<u>2,822</u>
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	5,376	—	—
INTERGOVERNMENTAL	—	305,198	10,693
TOTAL EXPENDITURES	<u>5,376</u>	<u>305,198</u>	<u>10,693</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	<u>(5,309)</u>	<u>297,241</u>	<u>(7,871)</u>
OTHER FINANCING SOURCES (USES):			
Transfers-in	6,192	—	—
Transfers-out	—	—	(6,192)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,192</u>	<u>—</u>	<u>(6,192)</u>
NET CHANGES IN FUND BALANCES	883	297,241	(14,063)
FUND BALANCES (DEFICITS), JULY 1	<u>1,568</u>	<u>(1,988,881)</u>	<u>105,091</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 2,451</u>	<u>\$ (1,691,640)</u>	<u>\$ 91,028</u>

<u>EDUCATION FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>TOTAL</u>
\$ 20,562	\$ —	\$ 620,562
—	—	6
—	15,695	15,695
1,018	—	4,741
—	—	1,599
<u>21,580</u>	<u>15,695</u>	<u>642,603</u>
—	4,930	10,306
118,625	—	434,516
<u>118,625</u>	<u>4,930</u>	<u>444,822</u>
<u>(97,045)</u>	<u>10,765</u>	<u>197,781</u>
—	—	6,192
—	—	(6,192)
—	—	—
<u>(97,045)</u>	<u>10,765</u>	<u>197,781</u>
<u>70,648</u>	<u>(16,267)</u>	<u>(1,827,841)</u>
<u>\$ (26,397)</u>	<u>\$ (5,502)</u>	<u>\$ (1,630,060)</u>

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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, 2004
(dollars in thousands)

	<u>SCHOOL FACILITIES COMMISSION</u>
Net Change in Fund Balances.....	<u>\$ 197,781</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.	
Capital Outlay Expense.....	91
Depreciation Expense.....	<u>(43)</u>
Excess of Capital Outlay Over Depreciation Expense.....	<u>48</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>(10,845)</u>
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	<u>(112)</u>
Change in Net Assets	<u><u>\$ 186,872</u></u>

STATE OF OHIO
COMBINING BALANCE SHEET
ARTS AND SPORTS FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2004
(dollars in thousands)

	<u>SPECIAL REVENUE FUND</u>		
	<u>ADMINISTRATION</u>	<u>ARTS FACILITIES IMPROVEMENTS</u>	<u>SPORTS FACILITIES IMPROVEMENTS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 825	\$ 4,324	\$ —
Collateral on Lent Securities	333	1,744	—
Other Assets	4	—	—
TOTAL ASSETS	\$ 1,162	\$ 6,068	\$ —
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 22	\$ 9,012	\$ —
Accrued Liabilities	35	—	—
Obligations Under Securities Lending	333	1,744	—
TOTAL LIABILITIES	390	10,756	—
FUND BALANCES:			
Reserved for:			
Encumbrances	51	4,025	8,388
Other:			
Prepays	4	—	—
Unreserved/Designated for Compensated Absences	7	—	—
Unreserved/Undesignated (Deficits)	710	(8,713)	(8,388)
TOTAL FUND BALANCES (DEFICITS)	772	(4,688)	—
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 1,162	\$ 6,068	\$ —

<u>CAPITAL DONATIONS</u>	<u>TOTAL</u>
\$ 100	\$ 5,249
41	2,118
—	4
\$ 141	\$ 7,371
\$ —	\$ 9,034
—	35
41	2,118
41	11,187
9	12,473
—	4
—	7
91	(16,300)
100	(3,816)
\$ 141	\$ 7,371

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STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
ARTS AND SPORTS FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2004
(dollars in thousands)

	<u>ARTS & SPORTS FACILITIES COMMISSION</u>
Total Fund Balances	\$ (3,816)
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.....	11,858
Buildings, net of \$11,719 accumulated depreciation.....	48,553
	<u>60,411</u>
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.....	<u>(66)</u>
Total Net Assets	\$ <u>56,529</u>

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ARTS AND SPORTS FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	<u>SPECIAL REVENUE FUND</u>		
	<u>ADMINISTRATION</u>	<u>ARTS FACILITIES IMPROVEMENTS</u>	<u>SPORTS FACILITIES IMPROVEMENTS</u>
REVENUES:			
Sales, Services and Charges	\$ 27	\$ —	\$ —
Investment Income	15	80	—
Other	1	—	—
TOTAL REVENUES	<u>43</u>	<u>80</u>	<u>—</u>
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	—	1,893	—
Community and Economic Development	883	—	—
INTERGOVERNMENTAL	—	16,638	505
DEBT SERVICE	—	729	10
TOTAL EXPENDITURES	<u>883</u>	<u>19,260</u>	<u>515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(840)</u>	<u>(19,180)</u>	<u>(515)</u>
OTHER FINANCING SOURCES (USES):			
Transfers-in	1,339	—	1
Transfers-out	(1)	(1,090)	(249)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,338</u>	<u>(1,090)</u>	<u>(248)</u>
NET CHANGE IN FUND BALANCES	498	(20,270)	(763)
FUND BALANCES, JULY 1	<u>274</u>	<u>15,582</u>	<u>763</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 772</u>	<u>\$ (4,688)</u>	<u>\$ —</u>

<u>CAPITAL DONATIONS</u>	<u>TOTAL</u>
\$ —	\$ 27
—	95
<u>77</u>	<u>78</u>
<u>77</u>	<u>200</u>
—	1,893
—	883
—	17,143
—	739
<u>—</u>	<u>20,658</u>
<u>77</u>	<u>(20,458)</u>
—	1,340
<u>—</u>	<u>(1,340)</u>
<u>—</u>	<u>—</u>
<u>77</u>	<u>(20,458)</u>
<u>23</u>	<u>16,642</u>
<u>\$ 100</u>	<u>\$ (3,816)</u>

STATE OF OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
ARTS AND SPORTS FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	<u>ARTS & SPORTS FACILITIES COMMISSION</u>
Net Change in Fund Balances	\$ (20,458)
<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>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>(14)</u>
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	<u>(1)</u>
Change in Net Assets	<u><u>\$ (21,812)</u></u>

STATE OF OHIO
BALANCE SHEET
SCHOOLNET COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2004
(dollars in thousands)

SCHOOLNET
COMMISSION

ASSETS:

Cash Equity with Treasurer	\$	8,654
Collateral on Lent Securities		3,491
Receivable from Primary Government		384
Other Assets		<u>2</u>
TOTAL ASSETS	\$	<u>12,531</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts Payable	\$	260
Accrued Liabilities		226
Obligations Under Securities Lending		<u>3,491</u>
TOTAL LIABILITIES		<u>3,977</u>

FUND BALANCES:

Reserved for:		
Encumbrances		443
Federal Programs		110
Other:		
Prepays		2
Unreserved/Designated for Compensated Absences		4
Unreserved/Undesignated		<u>7,995</u>
TOTAL FUND BALANCES		<u>8,554</u>
TOTAL LIABILITIES AND FUND BALANCES ...	\$	<u>12,531</u>

STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SCHOOLNET COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2004
(dollars in thousands)

	<u>SCHOOLNET COMMISSION</u>
Total Fund Balances	\$ 8,554
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,</i>	
<i>net of \$2,112 accumulated depreciation</i>	<u>937</u>
	<u>937</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>(548)</u>
Total Net Assets	\$ 8,943

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SCHOOLNET COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

SCHOOLNET
COMMISSION

REVENUES:

State Assistance	\$	34,520
Federal Government		565
Investment Income		159
Other		<u>832</u>
TOTAL REVENUES		<u>36,076</u>

EXPENDITURES:

CURRENT OPERATING:

Primary, Secondary and Other Education		<u>39,397</u>
TOTAL EXPENDITURES		<u>39,397</u>

EXCESS (DEFICIENCY) OF REVENUES

OVER EXPENDITURES (3,321)

FUND BALANCES, JULY 1 11,875

FUND BALANCES, JUNE 30 \$ 8,554

STATE OF OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
SCHOOLNET COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(dollars in thousands)

	<u>SCHOOLNET</u> <u>COMMISSION</u>
Net Change in Fund Balances	\$ (3,321)
<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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
<i>Capital Outlay Expenditures</i>	214
<i>Depreciation Expense</i>	<u>(561)</u>
<i>Excess of Capital Outlay Over Depreciation Expense</i>	<u>(347)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>(507)</u>
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	<u>(5)</u>
Change in Net Assets	\$ <u>(4,180)</u>

STATISTICAL SECTION

STATE OF OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
FOR THE GENERAL, SPECIAL REVENUE,
DEBT SERVICE, AND CAPITAL PROJECTS FUNDS
FOR THE LAST TEN FISCAL YEARS**
(dollars in thousands)

SOURCE	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Income Taxes.....	\$ 8,479,900	\$ 8,210,130	\$ 7,982,461	\$ 8,302,892	\$ 8,098,155	\$ 7,143,344	\$ 6,828,242	\$ 5,879,016	\$ 5,890,587	\$ 5,456,017
Sales Taxes	7,915,493	6,470,643	6,385,248	6,248,705	6,233,089	5,834,299	5,560,402	5,262,460	5,003,024	4,763,109
Corporate and Public Utility Taxes.....	1,755,736	1,682,943	1,640,433	1,726,263	1,697,970	1,817,641	1,969,190	1,897,439	1,831,300	1,810,396
Motor Vehicle Fuel Taxes	1,631,632	1,462,608	1,451,767	1,457,454	1,459,374	1,445,679	1,399,948	1,351,476	1,332,294	1,293,038
Cigarette Taxes.....	557,543	599,943	281,292	282,481	287,710	290,566	296,645	298,407	294,463	295,712
Other Taxes.....	641,274	649,027	614,122	647,857	625,376	626,939	593,906	574,462	548,225	556,454
Licenses, Permits and Fees	1,804,291	1,564,429	1,521,736	1,219,605	1,156,379	1,137,577	1,109,895	1,073,907	805,605	982,507
Sales, Services and Charges.....	85,547	87,628	94,597	83,891	86,981	81,731	76,091	79,051	106,517	103,620
Federal Government	13,775,366	12,791,973	11,734,436	10,433,668	9,321,234	8,697,800	8,349,038	8,454,831	8,435,891	8,305,109
Tobacco Settlement	316,322	369,619	368,588	315,812	412,270	—	—	—	—	—
Escheat Property.....	103,767	84,642	52,628	—	—	—	—	—	—	—
Investment Income.....	110,876	121,592	282,457	486,817	443,566	554,915	554,523	418,799	—	—
Other	577,637	526,164	635,812	514,544	481,856	481,748	473,432	436,154	654,457	562,031
<i>Total Revenues by Source.....</i>	<u>\$37,755,384</u>	<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>	<u>\$27,211,312</u>	<u>\$25,726,002</u>	<u>\$24,902,363</u>	<u>\$24,127,993</u>

Notes:

Revenues 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 1995 through 2001 have not been restated for the effects of the following, which impacted governmental fund revenues 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 not been reported in the General Fund.
- ⌘ For fiscal years 1995 and 1996, investment income had been included in "Other" revenue.

STATE OF OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
FOR THE GENERAL, SPECIAL REVENUE,
DEBT SERVICE, AND CAPITAL PROJECTS FUNDS
FOR THE LAST TEN FISCAL YEARS**
(dollars in thousands)

FUNCTION	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<i>Current Operating:</i>										
Primary, Secondary and Other Education....	\$ 9,084,263	\$ 8,451,164	\$ 8,142,972	\$ 7,194,883	\$ 6,634,181	\$ 6,403,978	\$ 5,927,471	\$ 5,449,086	\$ 5,251,805	\$ 4,850,750
Higher Education Support.....	2,386,950	2,408,059	2,449,614	506,511	439,137	377,868	354,530	422,482	423,473	407,839
Public Assistance and Medicaid.....	13,617,263	12,731,148	11,854,582	10,894,942	9,488,379	8,561,652	8,462,208	8,367,021	7,936,578	8,306,686
Health and Human Services	3,087,231	2,894,321	2,792,890	2,555,221	2,613,853	2,548,360	2,485,176	2,328,762	2,333,583	2,197,732
Justice and Public Protection.....	2,443,581	2,348,232	2,378,120	2,232,421	2,167,402	2,035,739	1,870,507	1,761,521	1,588,026	1,403,177
Environmental Protection and Natural Resources.....	365,511	369,119	355,576	340,574	354,180	330,069	315,522	299,607	286,987	273,138
Transportation.....	1,807,912	1,942,040	1,897,807	1,756,201	1,680,736	1,497,553	1,494,130	1,465,258	1,319,120	1,461,012
General Government.....	493,235	501,966	733,591	468,791	575,576	661,011	625,275	528,592	371,996	355,154
Community and Economic Development.....	801,024	718,088	748,185	541,166	452,516	398,905	391,893	344,950	323,277	335,159
Intergovernmental	3,707,216	3,573,227	3,563,306	3,361,184	3,257,632	2,898,094	2,735,799	2,570,501	2,467,137	2,312,160
Capital Outlay	458,118	498,066	465,843	411,817	629,753	1,256,271	1,248,346	1,138,286	884,456	872,236
Debt Service.....	1,335,446	1,251,004	1,193,604	1,137,537	1,053,995	1,024,125	1,022,418	1,033,948	909,134	801,994
Total Expenditures by Function	\$39,587,750	\$37,686,434	\$36,576,090	\$31,401,248	\$29,347,340	\$27,993,625	\$26,933,275	\$25,710,014	\$24,095,572	\$23,577,037

Notes:

Expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- € For comparative purposes, expenditure data for fiscal years 1995 through 2001 have not been restated for 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*. Expenditure data presented after fiscal year 2001 includes payments to colleges and universities that were in previous years reported as "Transfers to Component Units."
- € For comparative purposes, the expenditure data for fiscal year 2000 have been restated for the reclassification of capital outlay expenditures to the "Higher Education Support" function and the "Intergovernmental" expenditure character.

STATE OF OHIO

GOVERNMENT-WIDE REVENUES — PRIMARY GOVERNMENT FOR THE LAST THREE FISCAL YEARS (dollars in thousands)

REVENUES	2004	2003	2002
<i>Program Revenues:</i>			
Charges for Services, Fees, Fines and Forfeitures.....	\$ 7,526,310	\$ 7,166,371	\$ 8,048,899
Operating Grants, Contributions and Restricted Investment Income/(Loss) ..	15,401,755	13,667,798	11,170,874
Capital Grants, Contributions and Restricted Investment Income/(Loss)	890,776	931,453	942,200
<i>Total Program Revenues</i>	<u>23,818,841</u>	<u>21,765,622</u>	<u>20,161,973</u>
<i>General Revenues:</i>			
General Taxes.....	19,396,617	17,633,793	16,911,481
<i>Restricted for Transportation Purposes:</i>			
Motor Vehicle Fuel Taxes	1,631,631	1,462,608	1,451,767
Tobacco Settlement	316,799	345,075	368,588
Escheat Property.....	74,268	43,173	50,745
Unrestricted Investment Income.....	18,781	35,011	72,262
Federal	193,045	193,077	346,891
Other	1,940	6,624	2,482
<i>Total General Revenues</i>	<u>21,633,081</u>	<u>19,719,361</u>	<u>19,204,216</u>
<i>Total Revenues</i>	<u>\$45,451,922</u>	<u>\$41,484,983</u>	<u>\$39,366,189</u>

Revenues have been restated for prior period adjustments, corrections, and reclassifications, when practical.

STATE OF OHIO

GOVERNMENT-WIDE EXPENSES — PRIMARY GOVERNMENT FOR THE LAST THREE FISCAL YEARS (dollars in thousands)

EXPENSES	2004	2003	2002
<i>Governmental Activities:</i>			
Primary, Secondary and Other Education	\$ 9,190,983	\$ 8,498,696	\$ 8,141,634
Higher Education Support.....	2,495,208	2,515,379	2,710,111
Public Assistance and Medicaid	13,573,040	12,683,617	11,953,033
Health and Human Services	3,247,382	2,930,071	2,847,339
Justice and Public Protection.....	2,452,891	2,435,774	2,451,328
Environmental Protection and Natural Resources	419,933	403,445	371,103
Transportation.....	1,463,959	1,532,040	1,507,932
General Government	607,374	486,013	762,725
Community and Economic Development.....	821,841	739,814	766,464
Intergovernmental	3,770,780	3,675,073	3,617,678
Interest on Long-Term Debt (excludes interest charged as program expense)	189,583	195,559	203,811
<i>Total Governmental Activities</i>	<u>38,232,974</u>	<u>36,095,481</u>	<u>35,333,158</u>
<i>Business-Type Activities:</i>			
Worker's Compensation.....	3,072,477	4,088,796	4,565,493
Lottery Commission	1,575,279	1,523,764	1,467,203
Unemployment Compensation.....	1,639,014	1,838,949	1,660,148
Ohio Building Authority	27,524	30,824	33,724
Tuition Trust Authority.....	118,834	388,469	284,960
Liquor Control	374,507	354,547	339,294
Underground Parking Garage.....	2,199	2,515	2,336
Office of Auditor of State.....	75,758	84,087	78,302
<i>Total Business-Type Activities</i>	<u>6,885,592</u>	<u>8,311,951</u>	<u>8,431,460</u>
<i>Total Expenses</i>	<u>\$45,118,566</u>	<u>\$44,407,432</u>	<u>\$43,764,618</u>

Expenses have been restated for prior period adjustments, corrections, and reclassifications, when practical.

Table 5

STATE OF OHIO
CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES FOR THE GENERAL FUND
FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
REVENUES:										
Income Taxes.....	\$7,645,597	\$7,374,239	\$7,129,512	\$7,446,990	\$7,243,856	\$6,389,926	\$6,107,084	\$5,257,395	\$5,268,111	\$4,879,232
Sales Taxes.....	7,596,254	6,153,743	6,066,023	5,922,333	5,919,129	5,539,780	5,277,997	4,995,691	4,750,430	4,522,230
Corporate and Public Utility Taxes.....	1,381,752	1,302,968	1,276,159	1,604,402	1,604,604	1,718,482	1,862,497	1,794,592	1,731,956	1,708,674
Cigarette Taxes.....	557,532	599,941	281,290	282,481	287,709	290,563	296,627	298,407	294,460	295,694
Other Taxes.....	580,143	595,498	556,946	590,225	573,888	578,993	548,188	529,883	508,452	517,263
Licenses, Permits and Fees.....	121,953	115,199	100,858	101,352	96,954	94,789	96,411	87,511	89,249	81,772
Sales, Services and Charges.....	44,233	44,899	51,211	40,895	45,738	43,586	38,947	42,031	64,693	65,015
Federal Government.....	5,786,013	5,251,885	4,563,370	4,508,747	3,993,184	3,658,824	3,385,998	3,563,004	3,672,610	3,451,126
Escheat Property.....	103,767	84,642	52,628	—	—	—	—	—	—	—
Investment Income.....	43,029	33,095	145,483	234,590	287,937	399,520	381,574	277,337	—	—
Other.....	240,020	192,573	273,750	197,029	189,241	183,221	161,077	168,587	302,772	268,114
TOTAL REVENUES	24,100,293	21,748,682	20,497,230	20,929,044	20,242,240	18,897,684	18,156,400	17,014,438	16,682,733	15,789,120
EXPENDITURES:										
Current Operating.....	22,354,753	21,131,783	20,547,608	19,522,704	17,894,051	16,711,404	15,882,598	15,089,141	14,529,694	13,693,490
Intergovernmental.....	1,341,542	1,294,797	1,227,313	1,189,845	1,081,828	1,033,066	982,955	942,690	898,190	814,803
Capital Outlay.....	—	—	—	—	24,862	15,607	38,806	123,217	1,969	5,597
Debt Service.....	541	2,300	2,286	2,276	2,320	1,794	1,831	528	1,428	9,740
TOTAL EXPENDITURES	23,696,836	22,428,880	21,777,207	20,714,825	19,003,061	17,761,871	16,906,190	16,155,576	15,431,281	14,523,630
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	403,457	(680,198)	(1,279,977)	214,219	1,239,179	1,135,813	1,250,210	858,862	1,251,452	1,265,490
OTHER FINANCING SOURCES (USES):										
Bonds Issued.....	613,000	470,000	400,000	—	—	—	—	—	10,159	—
Bond Premiums.....	—	—	6,029	—	—	—	—	—	—	—
Capital Leases.....	260	2,692	1,451	—	2,668	1,575	4,737	1,107	335	—
Transfers-in.....	543,443	630,122	617,185	207,488	142,267	201,151	180,176	142,605	93,457	144,114
Transfers-out.....	(1,019,566)	(991,261)	(977,731)	(1,061,119)	(1,302,412)	(1,308,827)	(1,142,014)	(847,794)	(807,457)	(660,799)
TOTAL OTHER FINANCING SOURCES (USES)	137,137	111,553	46,934	(853,631)	(1,157,477)	(1,106,101)	(957,101)	(704,082)	(703,506)	(516,685)
NET CHANGE IN FUND BALANCES	540,594	(568,645)	(1,233,043)	(639,412)	81,702	29,712	293,109	154,780	547,946	748,805
FUND BALANCES, JULY 1	192,787	762,250	2,108,395	2,521,051	2,640,072	2,611,195	2,319,058	2,167,739	1,656,135	908,212
Increase (Decrease) for Changes in Inventories.....	2,455	(818)	105	(741)	511	(835)	(972)	(2,252)	(889)	(882)
Residual Equity Transfers-out.....	—	—	—	—	—	—	—	—	(22,986)	—
FUND BALANCES, JUNE 30	\$ 735,836	\$ 192,787	\$ 875,457	\$1,880,898	\$2,722,285	\$2,640,072	\$2,611,195	\$2,320,267	\$2,180,206	\$1,656,135

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 1995 through 2001 have not been restated for the effects of 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 not been reported in the General Fund.
- € For fiscal years 1995 and 1996, investment income had been included in "Other" revenue.
- € Current expenditures presented for fiscal years 1995 through 2001 have been restated to include amounts previously reported as "Transfers to Component Units."

STATE OF OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL AND SPECIAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE GENERAL, SPECIAL REVENUE, DEBT SERVICE,
AND CAPITAL PROJECTS FUNDS
FOR THE LAST TEN FISCAL YEARS**

(dollars in thousands)

Fiscal Year	Total Debt Service Expenditures	Governmental Fund Revenues	Percent	Governmental Fund Expenditures	Percent
2004	\$1,241,869	\$37,755,384	3.29%	\$39,587,750	3.14%
2003	1,179,169	34,621,341	3.41%	37,686,434	3.13%
2002	1,146,235	33,045,577	3.47%	36,576,090	3.13%
2001	1,105,541	31,719,989	3.49%	31,401,248	3.52%
2000	1,023,246	30,303,960	3.38%	29,347,340	3.49%
1999	993,260	28,112,239	3.53%	27,993,625	3.55%
1998	1,004,273	27,211,312	3.69%	26,933,275	3.73%
1997	1,014,767	25,726,002	3.95%	25,710,014	3.95%
1996	888,693	24,902,363	3.57%	24,095,572	3.69%
1995	780,482	24,127,993	3.23%	23,577,037	3.31%

Notes:

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 Fund and Capital Projects Fund:

Debt Service Fund

Coal Research/Development General Obligations
Improvements General Obligations
Highway Improvements General Obligations
Development General Obligations
Highway General Obligations
Public Improvements General Obligations
Vietnam Conflict Compensation 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
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

Capital Projects Fund

Mental Health/Mental Retardation Facilities Improvements
Parks and Recreation Improvements
Youth Services Building Improvements
Adult Correctional Building Improvements
Highway Safety Building Improvements
Ohio Parks and Natural Resources
Highway Capital Improvement

Revenues and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical. However, for comparative purposes, revenue and expenditure data for fiscal years 1995 through 2001 have not been restated for the effects of 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* which impacted governmental revenues and expenditures shown for fiscal year 2002 and thereafter.

STATE OF OHIO

NET GENERAL AND SPECIAL BONDED DEBT PER CAPITA FOR THE LAST TEN FISCAL YEARS

General and Special Obligation Bonds					
Fiscal Year	Population <i>(in thousands)</i>	Total Outstanding <i>(in thousands)</i>	Less Amount Reserved for Debt Service <i>(in thousands)</i>	Net Bonded Debt <i>(in thousands)</i>	Net Bonded Debt Per Capita
2004	11,436	\$9,325,191	\$71,736	\$9,253,455	\$809
2003	11,436	8,697,456	102,055	8,595,401	752
2002	11,421	8,160,231	94,323	8,065,908	706
2001	11,374	7,778,092	108,591	7,669,501	674
2000	11,353	7,435,330	112,300	7,323,030	645
1999	11,256	7,024,746	118,549	6,906,197	614
1998	11,210	6,399,741	141,230	6,258,511	558
1997	11,186	6,263,433	254,751	6,008,682	537
1996	11,173	5,753,400	386,059	5,367,341	480
1995	11,150	5,538,663	425,553	5,113,110	459

Notes:

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 Fund and Capital Projects Fund:

Debt Service Fund

Coal Research/Development General Obligations
 Improvements General Obligations
 Highway Improvements General Obligations
 Development General Obligations
 Highway General Obligations
 Public Improvements General Obligations
 Vietnam Conflict Compensation 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

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

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

Source: Population figures were obtained from the Population Division of the U.S. Census Bureau. An estimate for fiscal year 2004 was not available; therefore, population data from the prior year was used.

STATE OF OHIO

**ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS)
FOR GENERAL OBLIGATION BONDS (EXCLUDING HIGHWAY-RELATED BONDS) AND
SPECIAL OBLIGATION BONDS
FOR THE LAST TEN FISCAL YEARS**
(dollars in thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Debt Service Expenditures.....	\$1,013,200	\$ 959,490	\$ 926,142	\$ 918,248	\$ 871,314	\$ 843,207	\$ 771,015	\$ 726,496	\$ 701,007	\$ 658,539
General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund	24,678,900	23,055,920	22,072,703	21,921,276	20,711,678	19,736,608	18,833,028	17,964,425	17,288,649	16,367,015
Calculation of Annual 5% Debt Service Cap	1,233,945	1,152,796	1,103,635	1,096,064	1,035,584	986,830	941,651	898,221	864,432	818,351
Amount Under the Debt Service Expenditure Cap	220,745	193,306	177,493	177,816	164,270	143,623	170,636	171,725	163,425	159,812
Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers.....	4.11%	4.16%	4.20%	4.19%	4.21%	4.27%	4.09%	4.04%	4.05%	4.02%

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.

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 Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
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
1998	380,791	276,085	104,706	3,790	12,189	15,979	6.55
1997	366,636	270,525	96,111	9,330	6,738	16,068	5.98
1996	350,744	265,820	84,924	14,410	3,851	18,261	4.65
1995	346,979	267,545	79,434	13,500	4,761	18,261	4.35

Infrastructure Bank Revenue Bonds*

Issuer: Treasurer of State

Fiscal Year	Highway Operating Fund			Debt Service Requirements			
	GARVEE Receipts	Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2004	\$66,017	N/A	\$66,017	\$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	.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

Ohio Building Authority Revenue Bonds

Fiscal Year	Ohio Building Authority Enterprise Fund			Debt Service Requirements			
	Gross Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
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
1998	31,018	25,270	5,748	2,736	2,264	5,000	1.15
1997	27,929	26,913	1,016	3,480	1,801	5,281	0.19
1996	28,251	22,473	5,778	2,602	3,279	5,881	0.98
1995	30,638	22,046	8,592	1,878	4,275	6,153	1.40

* The State first issued the Infrastructure Bank Revenue Bonds in fiscal year 1999. GARVEE stands for Grant Anticipation Revenue Vehicles, which are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

(Continued)

Table 9 (Continued)

Bureau of Workers' Compensation Revenue Bonds
Issuer: Ohio Building Authority

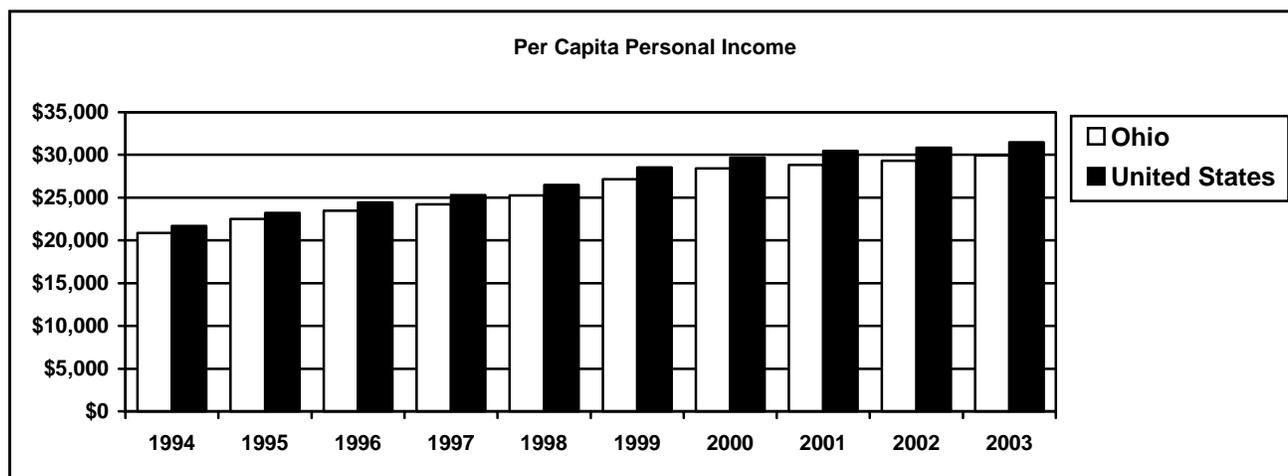
Fiscal Year	Bureau of Workers' Compensation Enterprise Fund			Debt Service Requirements			
	Gross Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2004	\$3,388,523	\$3,056,227	\$ 332,296	\$ —	\$6,183	\$6,183	53.74
2003	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
1998	5,115,778	5,891,409	(775,631)	5,000	9,655	14,655	N/A
1997	4,348,344	2,696,867	1,651,477	4,000	9,807	13,807	119.61
Calendar Year*							
1995	3,365,892	2,264,097	1,101,795	2,000	9,947	11,947	92.22
1994	3,161,387	665,854	2,495,533	2,000	9,947	11,947	208.88

* Prior to fiscal year 1997, the Bureau of Workers' Compensation reported on a calendar-year basis.

STATE OF OHIO

PERSONAL INCOME OHIO COMPARED TO THE UNITED STATES FOR THE LAST TEN CALENDAR YEARS

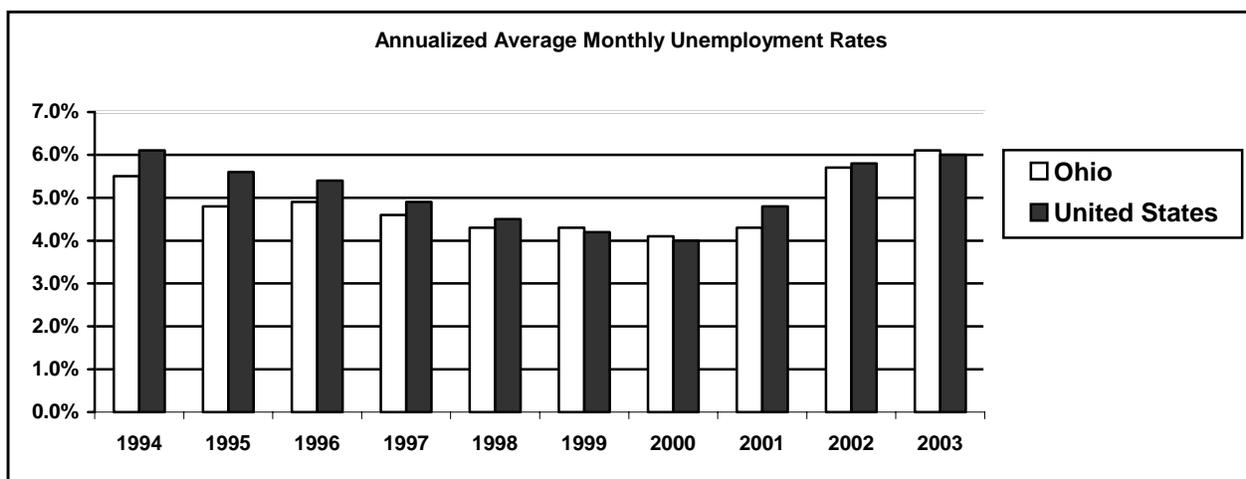
Calendar Year	Ohio's Total Personal Income (in millions)	Percent Change	Per Capita Personal Income	
			Ohio	United States
2003	\$342,533	2.3%	\$29,953	\$31,459
2002	334,832	2.2%	29,317	30,832
2001	327,745	1.6%	28,816	30,472
2000	322,432	5.5%	28,400	29,676
1999	305,643	8.0%	27,152	28,542
1998	282,920	4.5%	25,238	26,482
1997	270,741	3.3%	24,203	25,298
1996	262,077	4.4%	23,457	24,426
1995	251,037	8.3%	22,514	23,208
1994	231,843	6.5%	20,883	21,699



STATE OF OHIO

ANNUALIZED AVERAGE MONTHLY UNEMPLOYMENT RATES OHIO COMPARED TO THE UNITED STATES FOR THE LAST TEN CALENDAR YEARS

Calendar Year	Ohio	United States
2003	6.1%	6.0%
2002	5.7%	5.8%
2001	4.3%	4.8%
2000	4.1%	4.0%
1999	4.3%	4.2%
1998	4.3%	4.5%
1997	4.6%	4.9%
1996	4.9%	5.4%
1995	4.8%	5.6%
1994	5.5%	6.1%



Source: Ohio Department of Job and Family Services

STATE OF OHIO**LIST OF MAJOR CORPORATIONS WITH HEADQUARTERS IN OHIO**

	<u>Rank</u>		<u>Rank</u>
AK Steel Holding (Middletown)	410	Kroger (Cincinnati)	19
American Electric Power (Columbus)	132	Limited (Columbus)	228
American Financial Group (Cincinnati)	486	National City Corporation (Cleveland)	206
Big Lots (Columbus)	414	Nationwide Insurance Enterprise (Columbus)	118
Cardinal Health (Dublin)	17	NCR (Dayton)	322
Cinergy (Cincinnati)	393	OM Group (Cleveland)	405
Cooper Tire and Rubber (Findlay)	474	Owens-Corning Corporation (Toledo)	350
Dana Corporation (Toledo)	193	Owens-Illinois Incorporated (Toledo)	302
Eaton Corporation (Cleveland)	253	Parker-Hannifin Corporation (Cleveland)	291
Federated Department Stores (Cincinnati)	134	Procter & Gamble Company (Cincinnati)	28
Fifth Third Bancorp (Cincinnati)	287	Progressive (Mayfield Village)	165
FirstEnergy (Akron)	158	Sherwin-Williams Company (Cleveland)	333
Goodyear Tire & Rubber (Akron)	137	Timken	444
International Steel Group	426	Western & Southern Financial Group	443
KeyCorp (Cleveland)	319		

STATE OF OHIO**CONSTRUCTION CONTRACTS AND
RESIDENTIAL BUILDING ACTIVITY
FOR THE LAST TEN CALENDAR YEARS**

Calendar Year	Construction Contracts (in millions)	Residential Building Activity	
		Permits	Valuation (in thousands)
2003	\$17,242	53,041	\$7,502,920
2002	17,242	51,246	6,838,017
2001	18,201	49,931	6,452,250
2000	16,260	49,745	6,153,624
1999	17,100	55,880	6,400,599
1998	15,127	48,034	5,410,012
1997	14,617	46,487	4,795,483
1996	14,021	49,280	5,000,781
1995	12,364	44,812	4,375,036
1994	11,935	47,152	4,799,052

Sources: Construction Contracts – Statistical Abstract of the United States, U.S. Census Bureau
 Residential Activity - Current Construction Reports, U.S. Census Bureau
 Construction contracts data for 2003 was not available; therefore, data from the prior year was used.

STATE OF OHIO**ASSESSED AND MARKET VALUE OF TAXABLE REAL PROPERTY
FOR THE LAST TEN CALENDAR YEARS***(dollars in thousands)*

Calendar Year	Assessed Value Equals 35 Percent of Market Value	Market Value
2003	\$196,583,301	\$561,666,574
2002	186,756,854	533,591,011
2001	173,975,283	497,072,237
2000	167,857,658	479,593,309
1999	156,600,957	447,431,306
1998	142,864,247	408,183,563
1997	137,544,846	392,985,274
1996	129,853,309	371,009,454
1995	121,046,340	345,846,686
1994	116,576,831	333,076,660

STATE OF OHIO**MISCELLANEOUS STATISTICS AND DATA****STATE AND LOCAL GOVERNMENT:**

Form of State Government	Executive, Legislative, Judicial
Number of Counties	88
Number of Incorporated Cities and Villages	943
Number of State Agencies, Boards, Commissions, and Elected Offices (Includes those entities recorded on the State of Ohio's Central Accounting System)	114
Number of State Employees	60,362

PARKS AND RECREATION:

Number of State Parks	74
Area of State Parks, Natural and Wildlife Lands	310,964.08 acres
Area of State Forest Lands	185,838.39 acres

EDUCATION:

Number of State-Assisted Higher Education Institutions	38
2003-2004 Student Enrollment at State-Assisted Higher Education Institutions	457,281
Number of Public School Districts	612
Number of Joint Vocational School Districts	49

MISCELLANEOUS:

State of Ohio Population	11,435,798
State Capital	Columbus
Date of Statehood	March 1, 1803
State Motto	With God, All Things are Possible
State Song	"Beautiful Ohio"
State Nickname	The Buckeye State
Total Land Acreage	26.4 million acres
Total Farm Acreage	14.6 million acres
Ohio's Three Largest Metropolitan Areas	Cleveland, Cincinnati, Columbus
Largest Source of Federal Financial Support	U.S. Department of Health and Human Services

Sources: Ohio Department of Natural Resources
State of Ohio Official Statement
Ohio Board of Regents