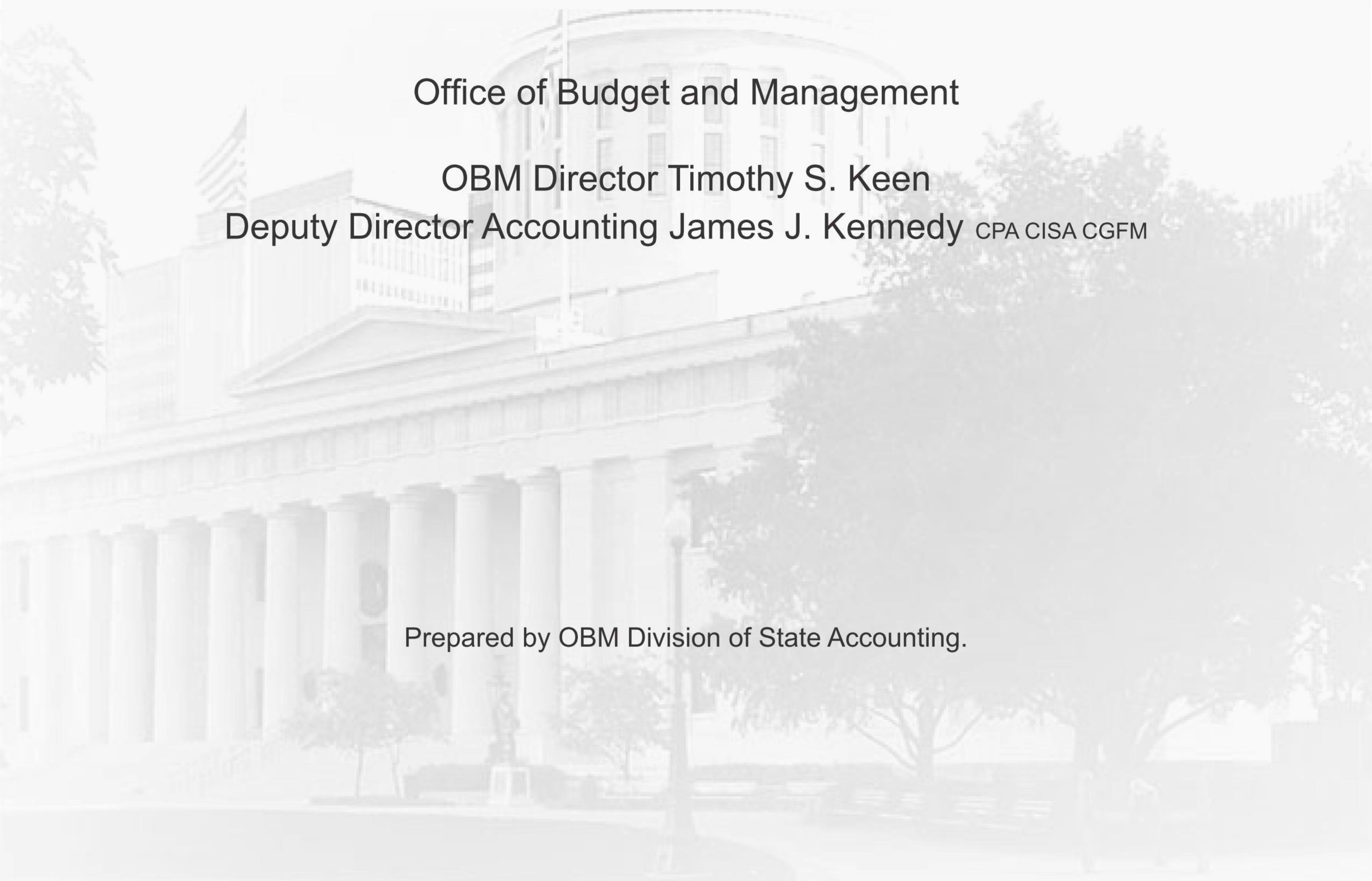
# State of Ohio
# Comprehensive Annual Financial Report
## Fiscal Year Ended June 30, 2013



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## ACKNOWLEDGMENTS

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# State of Ohio

## Management's Discussion and Analysis
## For the Fiscal Year Ended June 30, 2013
(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, 2013. 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*
During fiscal year 2013, net position of the State's primary government increased by $1.87 billion, after prior year restatements, and ended fiscal year 2013 with a balance of $27.04 billion. Net position of the State's component units increased by $755 million, after prior year restatements, and ended fiscal year 2013 with a balance of $11.89 billion. See additional discussion beginning on page 9.

*Fund Financial Statements*
Governmental funds reported a combined ending fund balance of $14.06 billion that was comprised of $119.8 million in nonspendable, $9.27 billion restricted for specific purposes, $1.37 billion committed, $2.04 billion in assigned, and $1.25 billion in unassigned. See additional discussion beginning on page 11.

As of June 30, 2013, the General Fund's fund balance was approximately $5.24 billion, including $59.9 million in nonspendable, $1.13 billion in restricted, $751.6 million in committed, $2.04 billion in assigned, and $1.26 billion in unassigned. The General Fund's fund balance increased by $2.06 billion (exclusive of a $6.6 million decrease in inventories) or 64.5 percent during fiscal year 2013. See additional discussion beginning on page 11.

Proprietary funds reported net position of $5.82 billion, as of June 30, 2013, a decrease of $742.4 million since June 30, 2012 (as restated). This decrease is largely due to the net decrease of $1.04 billion in the Workers' Compensation Fund. See additional discussion beginning on page 13.

*Capital Assets*
The carrying amount of capital assets for the State's primary government increased to $25.94 billion at June 30, 2013. The majority of the $186.9 million increase during fiscal year 2013 was from the acquisition of land and highway network infrastructure and additions to construction-in progress. See additional discussion beginning on page 14.

*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 decreased $1.04 billion or 5.7 percent during fiscal year 2013 for an ending balance of $17.25 billion. During the year, the State issued, at par, $1.18 billion of long-term debt of which $470.5 million was refunding bonds. See additional discussion beginning on page 15.

**Overview of the Financial Statements**
This annual report consists of three required components: management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, and required supplementary information. In addition, this report includes an optional section that contains combining statements and schedules for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds.

The basic financial statements are comprised of the government-wide financial statements and fund financial statements. The figure on the following page summarizes the major features of these statements.

| Major Features of the State of Ohio's Government-wide and Fund Financial Statements | | | | |
|---|---|---|---|---|
| | | Fund Statements | | |
| | **Government-wide 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, etc. | Instances in which the State is the trustee or agent for someone else's resources |
| **Required Financial Statements** | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• Statement of Revenues, Expenditures and Changes in Fund Balances | • Statement of Net Position<br>• Statement of Revenues, Expenses and Changes in Fund Net Position<br>• Statement of Cash Flows | • Statement of Fiduciary Net Position<br>• Statement of Changes in Fiduciary Net Position |
| **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 – Reporting the State as a Whole**

The two government-wide financial statements, prepared on a basis and focus similar to those used by private-sector companies, report the State's net position and how it has changed. Net position — the difference between the State's assets/deferred outflows of resources and liabilities/deferred inflows of resources — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net position 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.

These statements, found on pages 20 through 23 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, and transportation. Taxes, federal grants, and charges for services, fees, fines and forfeitures 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, guaranteed college tuition credit program, liquor control operations, and the Auditor of State's governmental auditing and accounting services.

*Component Units* — The State presents the financial activities of the Ohio Facilities Construction Commission, Ohio State University, and other entities as discretely presented component units under a separate column in the government-wide financial statements. The Buckeye Tobacco Settlement Financing Authority is presented as a blended component unit with its activities blended and included under governmental activities. Although legally separate, the State is financially accountable for its component units. For further explanation and a complete list of component units, see NOTE 1A. to the financial statements.

**Fund Financial Statements – Reporting more detail about the State's most significant funds**

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 basic fund financial statements can be found on pages 24 through 45 of this report while the combining fund statements and schedules can be found on pages 135 through 209. The State has the following three kinds of 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. Because these statements do not encompass the 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, Job, Family and Other Human Services Special Revenue Fund, and the Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund, all of which are considered major funds. Data from the other governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

*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.

Presented under separate columns on the three statements is information for the Workers' Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows.

*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. 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 are presented on two statements. Fiduciary information is excluded from the government-wide financial statements because the State cannot use these assets to finance its operations.

**Discretely Presented Component Unit Statements (Component Unit)**

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

**Notes to the Financial Statements**

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes can be found on pages 50 through 127 of this report.

**Required Supplementary Information**

Following the notes is a section of required supplementary information that 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 129 through 132 of this report.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

*Net Position.* During fiscal year 2013, as shown in the table below, the combined net position of the State's primary government increased $1.87 billion or 7.4 percent, after prior year restatements. Net position reported for governmental activities increased $2.61 billion or 14.1 percent, after restatements, and business-type activities decreased $742.4 million, or 11.3 percent, after restatements. Condensed financial information derived from the Statement of Net Position for the primary government is presented in the following table.

**Net Position**
**As of June 30, 2013 and 2012**
*(dollars in thousands)*

| | As of June 30, 2013 | | | As of June 30, 2012 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Current and Other Assets ........................ | $ 21,329,915 | $ 29,375,395 | $ 50,705,310 | $ 18,274,202 | $ 29,364,751 | $ 47,638,953 |
| Capital Assets............................................ | 25,801,905 | 140,708 | 25,942,613 | 25,611,543 | 144,164 | 25,755,707 |
| Total Assets............................................ | 47,131,820 | 29,516,103 | 76,647,923 | 43,885,745 | 29,508,915 | 73,394,660 |
| Deferred Outflow of Resources................ | $ 41,889 | $ - | $ 41,889 | $ 59,117 | $ - | $ 59,117 |
| Current and Other Liabilities....................... | 6,439,713 | 171,188 | 6,610,901 | 6,239,624 | (16,211) * | 6,223,413 |
| Noncurrent Liabilities.................................. | 19,518,656 | 23,523,049 | 43,041,705 | 19,107,231 | 22,956,562 | 42,063,793 |
| Total Liabilities......................................... | 25,958,369 | 23,694,237 | 49,652,606 | 25,346,855 | 22,940,351 | 48,287,206 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets............ | 22,489,929 | 92,290 | 22,582,219 | 22,147,262 | 67,331 | 22,214,593 |
| Restricted................................................ | 4,509,550 | 6,814,878 | 11,324,428 | 3,579,618 | 7,884,358 | 11,463,976 |
| Unrestricted............................................ | (5,784,139) | (1,085,302) | (6,869,441) | (7,128,873) | (1,383,125) | (8,511,998) |
| Total Net Position.................................. | $ 21,215,340 | $ 5,821,866 | $ 27,037,206 | $ 18,598,007 | $ 6,568,564 | $ 25,166,571 |

*Internal balances exceeded current and other liabilities.

As of June 30, 2013, the primary government's net investment in capital assets (e.g., land, buildings, infrastructure, and construction-in-progress) was $22.58 billion. Restricted net position was approximately $11.32 billion, resulting in a $6.87 billion deficit. Net position is restricted when constraints placed on their use are either 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 position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The government-wide Statement of Net Position reflects a $5.78 billion deficit for unrestricted governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the $10.55 billion of outstanding general obligation and special obligation debt at June 30, 2013, $7.81 billion is attributable to debt issued for state assistance to component units (Ohio Facilities Construction Commission, Cultural 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 Position as restricted net position. 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, 2013, the State's governmental activities have significant unearned revenue relating to the franchising of the State's spirituous liquor system in the amount of $1.44 billion (see additional discussion on page 12) and a $665.4 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 position of the State's primary government changed during fiscal years 2013 and 2012, follows.

**Changes in Net Position**
**For the Fiscal Years Ended June 30, 2013 and 2012**
*(dollars in thousands)*

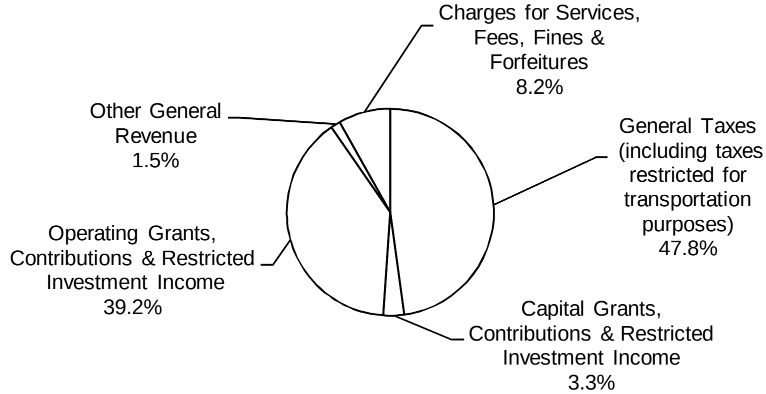
| | Fiscal Year 2013 | | | Fiscal Year 2012 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Program Revenue: | | | | | | |
| Charges for Services, Fees, Fines and Forfeitures | $ 4,193,678 | $ 6,331,737 | $ 10,525,415 | $ 4,031,628 | $ 7,283,146 | $ 11,314,774 |
| Operating Grants, Contributions and Restricted Investment Income/(loss) | 20,189,757 | 1,697,735 | 21,887,492 | 20,053,477 | 3,568,091 | 23,621,568 |
| Capital Grants, Contributions and Restricted Investment Income/(loss) | 1,695,846 | - | 1,695,846 | 1,573,765 | - | 1,573,765 |
| Total Program Revenues | 26,079,281 | 8,029,472 | 34,108,753 | 25,658,870 | 10,851,237 | 36,510,107 |
| General Revenues: | | | | | | |
| General Taxes | 22,843,622 | - | 22,843,622 | 21,374,384 | - | 21,374,384 |
| Taxes Restricted for Transportation | 1,774,781 | - | 1,774,781 | 1,800,473 | - | 1,800,473 |
| Tobacco Settlement | 336,255 | - | 336,255 | 333,148 | - | 333,148 |
| Escheat Property | 167,140 | - | 167,140 | 153,556 | - | 153,556 |
| Unrestricted Investment Income | 25,881 | 3 | 25,884 | 3,702 | 3 | 3,705 |
| Other | 239,435 | - | 239,435 | 48,078 | 5 | 48,083 |
| Total General Revenues | 25,387,114 | 3 | 25,387,117 | 23,713,341 | 8 | 23,713,349 |
| Total Revenue | 51,466,395 | 8,029,475 | 59,495,870 | 49,372,211 | 10,851,245 | 60,223,456 |
| Expenses: | | | | | | |
| Primary, Secondary and Other Education | 11,463,579 | - | 11,463,579 | 12,340,848 | - | 12,340,848 |
| Higher Education Support | 2,404,369 | - | 2,404,369 | 2,348,154 | - | 2,348,154 |
| Public Assistance and Medicaid | 21,624,298 | - | 21,624,298 | 21,206,515 | - | 21,206,515 |
| Health and Human Services | 3,504,294 | - | 3,504,294 | 3,835,369 | - | 3,835,369 |
| Justice and Public Protection | 3,136,239 | - | 3,136,239 | 3,202,970 | - | 3,202,970 |
| Environmental Protection and Natural Resources | 437,322 | - | 437,322 | 407,379 | - | 407,379 |
| Transportation | 2,657,896 | - | 2,657,896 | 2,564,702 | - | 2,564,702 |
| General Government | 921,636 | - | 921,636 | 595,797 | - | 595,797 |
| Community and Economic Development | 3,516,001 | | 3,516,001 | 3,867,888 | | 3,867,888 |
| Interest on Long term Debt (excludes interest charged as program expense) | 115,019 | - | 115,019 | 118,902 | - | 118,902 |
| Workers' Compensation | - | 3,428,859 | 3,428,859 | - | 1,945,190 | 1,945,190 |
| Lottery Commission | - | 2,100,887 | 2,100,887 | - | 2,001,671 | 2,001,671 |
| Unemployment Compensation | - | 1,976,518 | 1,976,518 | - | 2,754,835 | 2,754,835 |
| Ohio Building Authority | - | - | - | - | 13,010 | 13,010 |
| Tuition Trust Authority | - | 80,560 | 80,560 | - | 80,157 | 80,157 |
| Liquor Control | - | 310,209 | 310,209 | - | 543,729 | 543,729 |
| Underground Parking Garage | - | - | - | - | 3,842 | 3,842 |
| Office of Auditor of State | - | 65,845 | 65,845 | - | 69,183 | 69,183 |
| Total Expenses | 49,780,653 | 7,962,878 | 57,743,531 | 50,488,524 | 7,411,617 | 57,900,141 |
| Surplus/ (Deficiency) Before Gains (Losses) and Transfers | 1,685,742 | 66,597 | 1,752,339 | (1,116,313) | 3,439,628 | 2,323,315 |
| Gain (Loss) on Extinguishment of Debt | (154,607) | 273,851 | 119,244 | - | - | - |
| Transfers - Internal Activities | 1,082,887 | (1,082,887) | - | 949,952 | (949,952) | - |
| Change In Net Position | 2,614,022 | (742,439) | 1,871,583 | (166,361) | 2,489,676 | 2,323,315 |
| Net Position, July 1 (as restated) | 18,601,318 | 6,564,305 | 25,165,623 | 18,764,368 | 4,078,888 | 22,843,256 |
| Net Position, June 30 | $ 21,215,340 | $ 5,821,866 | $ 27,037,206 | $ 18,598,007 | $ 6,568,564 | $ 25,166,571 |

## Governmental Activities

Revenue exceeded expenses during fiscal year 2013 for governmental activities. Combined with the loss on extinguishment of debt and transfers from the State's business-type activities, net position for governmental activities increased from $18.6 billion, at July 1, 2012, as restated, to $21.22 billion, at June 30, 2013, or $2.61 billion. Revenues of $51.47 billion for fiscal year 2013 were 4.2 percent higher than those reported for fiscal year 2012. General taxes (including taxes restricted for transportation purposes) comprised 47.8 percent of fiscal year 2013 total revenues and increased by 6.2 percent compared to fiscal year 2012. Operating grants, contributions and restricted investment income, making up 39.2 percent of total revenues, increased by less than one percent compared to fiscal year 2012. Fiscal year 2013 net transfers of $1.08 billion reflect an increase of 14 percent over fiscal year 2012. Expenses for fiscal year 2013 dropped $707.9 million from fiscal year 2012.

The following chart illustrates revenues by source of governmental activities as percentages of total reported for the fiscal year ended June 30, 2013.

**Governmental Activities — Sources of Revenue**
**Fiscal Year 2013**




**Total FY 13 Revenue for Governmental Activities = $51.47 Billion**

The following table presents the total expenses and net cost of each of the State's governmental programs for the fiscal year ended June 30, 2013, with comparative numbers from June 30, 2012. 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. This cost is essentially funded with the State's general revenues from taxes, tobacco settlement, and escheat property.

**Program Expenses and Net Costs of Governmental Activities by Program**
**For the Fiscal Years Ended June 30, 2013 and 2012**
*(dollars in thousands)*

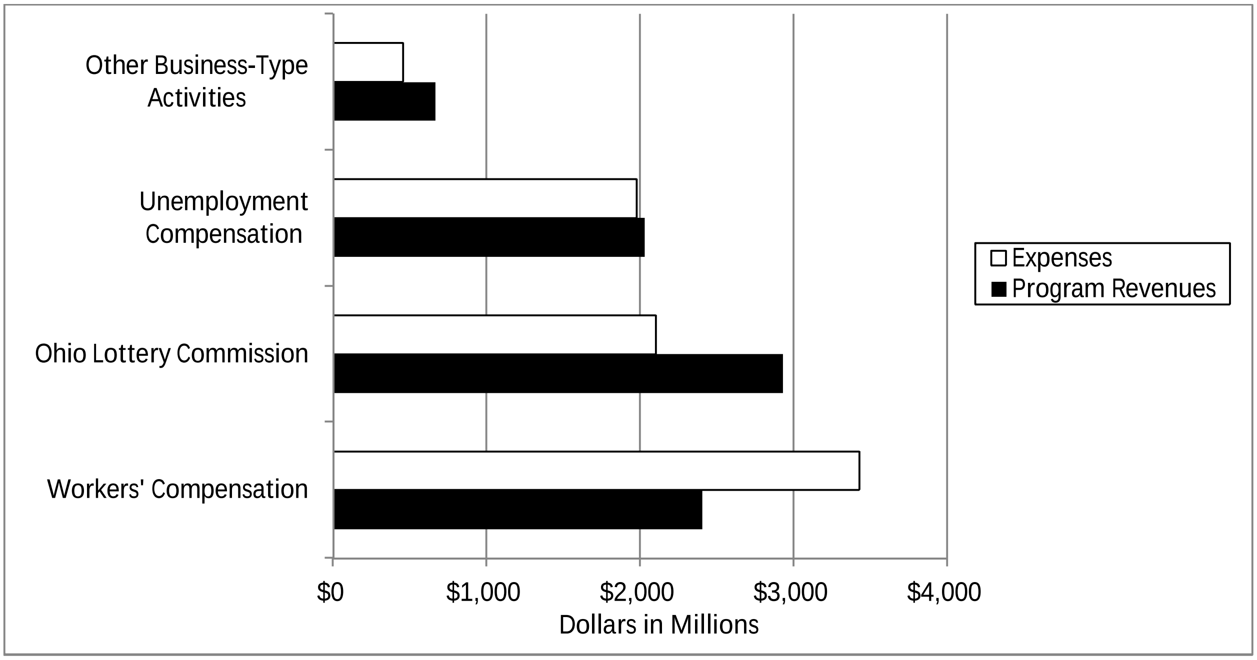
| Program | Program Expenses 2013 | Percent of Total Expense 2013 | Net Cost of Program 2013 | Net Cost of Program 2012 | Net Cost as Percentage of Total Expenses for Program 2013 | Net Cost as Percentage of Total Expenses for Program 2012 | Net Cost as Percentage of Total Expenses — All Programs 2013 | Net Cost as Percentage of Total Expenses — All Programs 2012 |
|---|---|---|---|---|---|---|---|---|
| Primary, Secondary and Other Education | $ 11,463,579 | 23.0% | $ 9,393,055 | $ 10,016,493 | 81.9% | 81.2% | 18.9% | 19.8% |
| Higher Education Support | 2,404,369 | 4.8% | 2,377,993 | 2,320,263 | 98.9% | 98.8% | 4.8% | 4.6% |
| Public Assistance and Medicaid | 21,624,298 | 43.5% | 5,258,004 | 5,368,909 | 24.3% | 25.3% | 10.5% | 10.6% |
| Health and Human Services | 3,504,294 | 7.0% | 835,893 | 946,317 | 23.9% | 24.7% | 1.7% | 1.9% |
| Justice and Public Protection | 3,136,239 | 6.3% | 1,839,823 | 2,058,956 | 58.7% | 64.3% | 3.7% | 4.1% |
| Environmental Protection and Natural Resources | 437,322 | 0.9% | 113,831 | 109,574 | 26.0% | 26.9% | 0.2% | 0.2% |
| Transportation | 2,657,896 | 5.3% | 795,157 | 847,524 | 29.9% | 33.0% | 1.6% | 1.7% |
| General Government | 921,636 | 1.9% | (103,808) | 20,614 | -11.3% | 3.5% | -0.2% | 0.1% |
| Community and Economic Development | 3,516,001 | 7.1% | 3,076,405 | 3,022,102 | 87.5% | 78.1% | 6.2% | 6.0% |
| Interest on Long-Term Debt | 115,019 | 0.2% | 115,019 | 118,902 | 100.0% | 100.0% | 0.2% | 0.2% |
| Total Governmental Activities | $ 49,780,653 | 100.0% | $ 23,701,372 | $ 24,829,654 | 47.6% | 49.2% | 47.6% | 49.2% |

### Business-Type Activities

The State's enterprise funds reported net position of $5.82 billion, as of June 30, 2013, as compared to $6.56 billion in net position, as of June 30, 2012 (as restated), a decrease of $742.4 million, or 11.3 percent. The primary cause for the decrease in business-type activities' net position was the Workers' Compensation Fund, which reported net position of $6.78 billion, as of June 30, 2013, as compared to $7.82 billion, as of June 30, 2012, a $1.04 billion decrease. The Lottery Commission and the Unemployment Compensation Fund reported increases in net position during fiscal year 2013. The Lottery Commission Fund reported a net position of $266.1 million, as of June 30, 2013, as compared to $238.5 million, as of June 30, 2012, a $27.6 million increase. The net position in the Unemployment Compensation Fund increased $323.1 million from $(1.61) billion, as of June 30, 2012, to $(1.29) billion, as of June 30, 2013.

The chart below compares program expenses and program revenues for business-type activities. Additional analysis of the Business-Type Activities' revenues, expenses, and other changes in net position is included with the discussion of the Proprietary Funds beginning on page 13.

**Business-Type Activities — Expenses and Program Revenues**
**Fiscal Year 2013**




## 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, 2013 and June 30, 2012 (dollars in thousands).

| | As of and for the Fiscal Year Ended June 30, 2013 | | | |
|---|---|---|---|---|
| | General Fund | Other Major Funds | Nonmajor Governmental Funds | Total Governmental Funds |
| Unassigned Fund Balance (Deficit) ....................... | $ 1,259,670 | $ (344) | $ (5,439) | $ 1,253,887 |
| Total Fund Balance.............................................. | 5,240,113 | 5,612,048 | 3,203,451 | 14,055,612 |
| Total Revenues ................................................... | 32,243,038 | 9,723,036 | 9,198,001 | 51,164,075 |
| Total Expenditures............................................... | 29,451,916 | 9,417,817 | 12,006,338 | 50,876,071 |

| | As of and for the Fiscal Year Ended June 30, 2012 | | | |
|---|---|---|---|---|
| | General Fund | Other Major Funds | Nonmajor Governmental Funds | Total Governmental Funds |
| Unassigned Fund Balance (Deficit) ....................... | $ (415,658) | $ (547) | $ - | $ (416,205) |
| Total Fund Balance.............................................. | 3,189,993 | 5,340,400 | 2,786,073 | 11,316,466 |
| Total Revenues ................................................... | 30,928,235 | 9,331,664 | 9,037,918 | 49,297,817 |
| Total Expenditures............................................... | 29,972,837 | 9,651,271 | 11,553,067 | 51,177,175 |

*General Fund*

The main operating fund of the State is the General Fund. During fiscal year 2013, General Fund revenue increased by $1.31 billion and expenditures decreased by $520.9 million. Higher personal income tax revenue and increased non-auto sales and use tax revenue primarily constituted the increase in revenue. The reduction in expenditures was the result of decreases in state funding provided for various subsidies. Additionally, other sources and uses showed a decrease of net sources of $2.21 billion when compared with fiscal year 2012. The decrease is primarily a result of decreased bond issuance proceeds and from a substantial transfer-out associated with the defeasement of bonds. Also reported for fiscal year 2013 was a $1.46 billion special item relating to the franchising of the State's spirituous liquor system. Total fund balance at June 30, 2013, after considering restatements, increased by $2.06 billion (exclusive of a $6.6 million decrease in inventories) or 64.5 percent.

*General Fund Budgetary Highlights*

The State ended the second year of its 2012-13 biennial budget on June 30, 2013, with a General Fund budgetary fund balance (i.e., cash less encumbrances) of $4.7 billion. Total budgetary sources for the General Fund (including $1.01 billion in transfers from other funds) in the amount of $35.46 billion were above final estimates by $44.3 million or .1 percent during fiscal year 2013. Total tax receipts were above final estimates by $671.7 million or 2.9 percent.

Total budgetary uses for the General Fund (including $1.37 billion in transfers to other funds) in the amount of $34.32 billion were below final estimates by $3.63 billion or 9.6 percent for fiscal year 2013. There was no budget stabilization designation at June 30, 2012, for use in balancing the final fiscal year 2013 budget.

The main appropriations act (Act) for the 2012-13 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2011. To address the use of non-recurring funding sources in the prior budget biennium including amounts received under the American Recovery and Reinvestment Act (ARRA), the Act included targeted spending cuts across most State Agencies and major new Medicaid reform and cost containment measures. The Act provided for GRF biennial appropriations of approximately $55.78 billion, an 11 percent increase from the 2010-11 GRF biennial expenditures, and GRF biennial estimated revenue of approximately $56.07 billion, a six percent increase from the 2010-11 GRF biennial revenues.

GRF appropriations for major program categories compared to the 2010-11 biennium actual GRF spending reflected increases of 30 percent for Medicaid and three percent for elementary and secondary education; decreases of nine percent for higher education and eight percent for mental health and developmental disabilities; and flat funding for corrections and youth services. The Act also reflected the restructuring of $440 million of fiscal year 2012 GRF debt service into fiscal years 2013 through 2025.

The Act authorized the transfer of the State's spirituous liquor distribution and merchandising operations to JobsOhio Beverage System, an Ohio nonprofit corporation, the sole member of which is JobsOhio, a nonprofit corporation created to promote economic development, job creation and retention, job training, and the recruitment of business to the State. On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system to JobsOhio Beverage System. In exchange for the franchise, the State received a payment of $1.46 billion, $500 million of which was deposited in the GRF; $863.5 million was used to make provision for payment of all debt service on the outstanding Economic Development and Revitalization revenue bonds and notes; and $100 million will be used to fund certain revitalization projects. Pursuant to the transaction agreement, the State will forego deposits into the GRF from the net liquor profits during the 25-year term. The Ohio Supreme Court is currently hearing oral arguments on an appeal filed in June 2012 regarding legal standing on litigation challenging certain aspects of JobsOhio and the law authorizing its creation. Additional information regarding this transaction can be found in NOTE 2, NOTE 11, and NOTE 14.

The Act also authorized the sale of five State-owned prison facilities to private operators. On September 1, 2011, the State announced that it opted to sell only one of the facilities. An appeal on litigation challenging the authorization in the Act to sell the facilities is awaiting a decision from the Court.

Additional expenditure savings authorized by the Act included reduced allocations to the local government fund and the public library fund and the accelerated phase-out of reimbursement payments in connection with the elimination of the tangible personal property tax and electric power generation deregulation and natural gas deregulation for local governments and school districts. It also provided for cost savings through changes to the State's construction bidding procedures and authorized transfers to the GRF from unclaimed funds, other non-GRF funds, and a tax amnesty program.

Several tax law changes were enacted, including the implementation of the previously postponed final 4.2 percent annual decrease in State personal income tax rates and elimination of the estate tax. The Act created the InvestOhio income tax credit program under which investors in small businesses based in Ohio, who hold their investments for at least two years, may be eligible to receive income tax credits.

New funds were created by the Act, including a $130 million Medicaid reserve fund and a $104 million Unemployment Compensation Contingency Fund. The Unemployment Compensation Contingency Fund is used to pay interest on federal advances to the State Unemployment Compensation Fund.

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

In March 2012, the Governor announced a series of policy proposals resulting from a "mid-biennium review" (MBR), with a stated focus on job creation as a priority. In May and June 2012, the General Assembly passed seven pieces of legislation addressing the subjects of energy, tax reform, education, workforce development, and management efficiency for both state and local governments.

The State ended fiscal year 2013 with a GRF cash balance of 2.64 billion and a GRF budgetary fund balance of $2.28 billion. In addition to meeting the State's statutory target to maintain an ending fund balance reflecting one-half of one percent of fiscal year 2013 GRF revenues, the State deposited $995.9 million into the Budget Stabilization Fund in early fiscal year 2014.

*Other Major Governmental Funds*

The *Job, Family and Other Human Services Fund* had a fund balance of $544.5 million at June 30, 2013, an increase of $348.4 million, or 177.6 percent, compared to fiscal year 2012. The increase in fund balance is primarily due to revenues exceeding expenditures by $367.9 million. Federal Government revenue and Other revenue increased by $117.9 million and $195.7 million, respectively. The increases are largely attributable to an overall increase in the Medicaid caseload and programmatic costs. In addition to the revenue increase, Public Assistance and Medicaid expenditures decreased $177.6 million due to a delay in the collection of certain assessments, which resulted in the General Fund covering those expenditures. Health and Human Services expenditures also decreased $59 million during fiscal year 2013.

The decrease in other sources and uses is a result of a reduction in bonds and notes issued in fiscal year 2013 and an increase in Transfers-out as a result of changes in operations between the Ohio Department of Job and Family Services (JFS) and the Ohio Department of Developmental Disabilities (DDD). Beginning in fiscal year 2013, the assessments collected by JFS for intermediate care facilities for individuals with intellectual disabilities was transferred to DDD.

The fund balance for the *Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund*, as of June 30, 2013, totaled approximately $5.07 billion dollars, a decrease of $76.7 million or 1.5 percent since June 30, 2012. Debt Service expenditures increased by $2.9 million during fiscal year 2013 as a result of changing debt service requirements for the bonds. The ending fund balance decreased at June 30, 2013, as a result of the total expenditures being in excess of revenue collected during the fiscal year.

**Proprietary Funds**

*Major Proprietary Funds*

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

For the *Workers' Compensation Fund*, net position decreased $1.04 billion to $6.78 billion at June 30, 2013. Over the past several years, net position had grown to exceed BWC's internally established guidelines. During fiscal year 2013, premium rates were adjusted and a premium rebate was approved and recorded to realign the net position with the guidelines. In addition, BWC recorded a loss contingency of $859 million (see NOTE 19A).

For fiscal year 2013, the *Lottery Commission Fund* reported $831 million in net income before transfers of approximately $803 million to the Education Fund. The $27.6 million or 11.6 percent increase in the fund's net position to $266.1 million, as of June 30, 2013, was predominately due to increased video lottery terminal and license revenues. Ticket sales and Video Lottery operations account for the $158.4 million or 5.7 percent increase in charges for sales and service revenues from $2.78 billion in fiscal year 2012 to $2.93 billion in fiscal year 2013. A decrease in investment income of $87 million and a $97.6 million increase in bonuses and commissions expense offset the overall increase.

The $323.1 million increase in net position in the *Unemployment Compensation Fund* is primarily due to a declining unemployment rate. The unemployment rate in Ohio dropped from an average of 7.9 percent in fiscal year 2012 to an average of 7.1 percent in fiscal year 2013. The decrease in the unemployment rate caused the State's benefits and claims expense to decrease by $776.2 million or 28.2 percent from the previous fiscal year. While the benefits and claims expense decreased, the State also received less money from the federal government. During fiscal year 2013, the State received only $719.4 million of federal funding compared to $1.43 billion in fiscal year 2012 resulting in a 49.8 percent decrease. Also reported during fiscal year 2013 was a $238.7 million decrease in premium and assessment income and a $273.9 million gain on extinguishment of debt.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2013, and June 30, 2012, the State had invested $25.94 billion and $25.76 billion, respectively, net of accumulated depreciation of $3.44 billion and $3.28 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, 2013 and 2012**
*(dollars in thousands)*

| | As of June 30, 2013 | | | As of June 30, 2012 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Land | $ 2,241,945 | $ 11,994 | $ 2,253,939 | $ 2,154,598 | $ 11,994 | $ 2,166,592 |
| Buildings | 1,642,747 | 56,742 | 1,699,489 | 1,686,151 | 67,505 | 1,753,656 |
| Land Improvements | 179,988 | 8 | 179,996 | 185,119 | 9 | 185,128 |
| Machinery and Equipment | 240,860 | 40,186 | 281,046 | 247,555 | 55,023 | 302,578 |
| Vehicles | 162,360 | 1,065 | 163,425 | 139,444 | 2,309 | 141,753 |
| Infrastructure: | | | | | | |
| Highway Network: | | | | | | |
| General Subsystem | 8,567,374 | - | 8,567,374 | 8,588,032 | - | 8,588,032 |
| Priority Subsystem | 8,297,960 | - | 8,297,960 | 8,195,288 | - | 8,195,288 |
| Bridge Network | 2,931,984 | - | 2,931,984 | 2,964,043 | - | 2,964,043 |
| Parks, Recreation, and Natural Resources System | 85,497 | - | 85,497 | 81,827 | - | 81,827 |
| | 24,350,715 | 109,995 | 24,460,710 | 24,242,057 | 136,840 | 24,378,897 |
| Construction-in-Progress | 1,451,190 | 30,713 | 1,481,903 | 1,369,486 | 7,324 | 1,376,810 |
| Total Capital Assets, Net | $ 25,801,905 | $ 140,708 | $25,942,613 | $ 25,611,543 | $ 144,164 | $25,755,707 |

The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was .7 percent (approximately a .7 percent increase for governmental activities and a 2.4 percent decrease for business-type activities). Depreciation expense decreased 24.1 percent for governmental activities.

The State completed construction on a variety of projects at various state facilities during fiscal year 2013 totaling approximately $248.4 million, as compared with $574.8 million in the previous fiscal year. As is further detailed in NOTE 19C of the notes to the financial statements, the State had $170.2 million in major construction commitments (unrelated to infrastructure), as of June 30, 2013, as compared with $83.5 million for 2012.

*Modified Approach*

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. To use this approach, a government must maintain an asset management system and demonstrate that the infrastructure is being preserved approximately at or above an established condition level. Under this approach, infrastructure is not depreciated, and maintenance and preservation costs are expensed. Infrastructure assets accounted for using the modified approach include approximately 43,090 in lane miles of highway and approximately 105.7 million square feet of deck area that comprises 14,223 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: Priority and General. 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 to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation (ODOT) for fiscal year 2013, indicates that only 1.8 percent and 1.1 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For fiscal year 2012, only 1.3 percent and one 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 (ODOT) for fiscal year 2013, indicates that only 3.7 percent of the number of square feet of bridge deck area was considered to be in "fair" and "poor" conditions. For fiscal year 2012, only four percent of the number of square feet of bridge deck area was considered to be in "fair" and "poor" conditions.

For fiscal year 2013, total actual maintenance and preservation costs for the pavement network were $874.7 million, compared to estimated costs of $739.9 million, while total actual maintenance and preservation costs for the bridge network was $513.6 million, $29.5 million above estimate. For the previous fiscal year, total actual maintenance and preservation costs for the pavement network were $795.8 million, compared to estimated costs of $615 million, while total actual maintenance and preservation costs for the bridge network was $511.5 million, only $2.5 million above estimate. Overall, the State's costs for actual maintenance and preservation for highway infrastructure assets have exceeded estimates over the past two years due to steadily increasing underlying costs for the materials and labor associated with infrastructure projects.

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

**Debt — Bonds and Notes Payable and Certificates of Participation Obligations**

As of June 30, 2013, and June 30, 2012, the State had total debt of approximately $17.25 billion and $18.3 billion, respectively, as shown in the table below.

**Bonds and Notes Payable and Certificates of Participation**
**As of June 30, 2013 and 2012**
*(dollars in thousands)*

| | As of June 30, 2013 | | | As of June 30, 2012 | | |
|---|---|---|---|---|---|---|
| | Govern-mental Activities | Business-Type Activities | Total | Govern-mental Activities | Business-Type Activities | Total |
| Bonds and Notes Payable: | | | | | | |
| General Obligation Bonds | $ 8,667,232 | $ - | $ 8,667,232 | $ 8,888,085 | $ - | $ 8,888,085 |
| Revenue Bonds and Notes | 6,486,884 | 15,422 | 6,502,306 | 7,129,786 | 31,633 | 7,161,419 |
| Special Obligation Bonds | 1,886,134 | - | 1,886,134 | 2,090,889 | - | 2,090,889 |
| Certificates of Participation | 198,266 | - | 198,266 | 156,664 | - | 156,664 |
| Total Debt | $17,238,516 | $15,422 | $17,253,938 | $18,265,424 | $31,633 | $18,297,057 |

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds and notes are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds are supported with lease payments from tenants of facilities constructed with the proceeds from the bonds. 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 2013, the State issued, at par, $742.8 million in general obligation bonds, $183.5 million in revenue bonds and notes, and $200.4 million in special obligation bonds. Of the general obligation bonds and special obligation bonds issued, at par, $328.1 million and $142.4 million, respectively, were refunding bonds. The total decrease in the State's debt obligations for the current fiscal year, as based on carrying amount, was 5.7 percent (a 5.6 percent decrease for governmental activities and a 51.2 percent decrease for business-type activities).

*Credit Ratings*

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

The State's special obligation debt, which is secured by and subject to General Revenue Fund appropriations, is rated one notch below the State's general obligation debt, with Moody's assigning an Aa2 rating and Fitch and S&P assigning an AA rating.

The State's revenue bonds and notes are rated as follows:

| **Revenue Bonds and Notes** | Fitch | Moody's | S&P | Source of State Payment |
|---|---|---|---|---|
| Governmental Activities (Treasurer of State): | | | | |
| State Infrastructure Bank | A+* | Aa2 | AA | Federal Transportation Grants and Loan Receipts |
| Buckeye Tobacco Settlement Financing Authority (ratings are in a range) | B- to BBB | B3 to Aaa | B- to BBB | Pledged Receipts from the Tobacco Master Settlement Agreement |
| Business-Type Activities: | | | | |
| Bureau of Workers' Compensation | AA | Aa3 | AA | Workers' Compensation Enterprise Fund |

*This rating applies to GARVEE bond issuances Series 2010 and earlier.

On March 16, 2012, Moody's revised its "credit outlook" on the State from "negative" to "stable." A credit outlook is an indication of the pressure on the rating over the near-to-intermediate term and is not a precursor to a rating change. With this revision, Ohio is rated at AA+/Aa1 with a stable outlook from all three credit rating agencies.

The ratings and rating outlooks in effect from time to time reflect only the views of the particular rating organization. An explanation of its view of the meaning and significance of its rating or outlook may be obtained from the respective rating agency. Generally, the rating agencies base their rating on submitted information and on their own investigations, studies, and assumptions. There can be no assurance that the ratings or outlooks assigned will continue for any given time. Rating agencies may lower or withdraw a rating at any time, if in its judgment circumstances so warrant.

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

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation debt for Third Frontier Research and Development, development of sites and facilities, and veterans compensation, and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the State official responsible for making the five percent determinations and certifications. Application of the five percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

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 to the financial statements.

**Conditions Expected to Affect Future Operations**

*Economic Factors*
Through October 2013, leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and especially in Ohio. The Ohio unemployment rate in October was 7.5 percent, .2 percentage points above the national unemployment rate. From October 2012 to October 2013, Ohio's nonfarm payroll employment increased by 27 thousand jobs.

Nationally, real gross domestic product (GDP) increased by 2.8 percent in the third quarter of calendar year 2013 according to the advance estimate. The GDP growth rate exceeded expectations of an approximately two percent gain and is the fastest growth of the year. Year-over-year growth remained a subdued 1.6 percent.

The national labor market picture was stronger than expected in October 2013, as the level of nonfarm payroll employment increased by 204 thousand jobs and the August and September 2013 increases were revised upward by a total of 60 thousand jobs. The U.S. unemployment rate for October 2013 was 7.3 percent, up from 7.2 percent in September 2013, and down from 7.9 percent in October 2012.

*The 2013 MBR-Additional Action*
In December 2012, the General Assembly enacted an eighth piece of legislation and the Governor signed into law a financial institutions tax that will apply to tax year 2014. This tax replaces both the current corporate franchise tax on financial institutions and the current dealers in intangibles tax and appears to be revenue neutral to the GRF based on revenue targets and mechanisms established in the legislation.

*The 2014-15 Biennial Budget*
The main appropriations act (Act) for the 2014-15 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2013. Reflecting a stated focus on job creation and continued spending restraint, and based on a conservative economic forecast, the Act provides for GRF appropriations of approximately $30.3 billion in fiscal year 2014, a 10.3 percent increase from fiscal year 2013 GRF expenditures, and approximately $31.7 billion in fiscal year 2015, a 4.7 percent increase from fiscal year 2014 appropriations.

GRF appropriations for major program categories in fiscal years 2014 and 2015 reflect the following increases: 16.8 percent in Medicaid in fiscal year 2014 relative to fiscal year 2013 actual spending and 6.2 percent in fiscal year 2015 relative to fiscal year 2014 Medicaid appropriations; five percent in fiscal year 2014 and 5.8 percent in fiscal year 2015 for primary and secondary education; 1.8 percent in fiscal year 2014 and 2.1 percent in fiscal year 2015 for higher education; 8.9 percent in fiscal year 2014 and .3 percent in fiscal year 2015 for mental health and addiction services and developmental disabilities; and .1 percent in fiscal year 2014 and .2 percent in fiscal year 2015 for corrections and youth services. The Act also implements a new school funding formula and allocates a portion of State public higher education funding to institutions based on their graduation rates.

The Act reflects tax reductions and related adjustments of major State taxes, primarily in personal income and sales and use taxes. These reductions and adjustments are projected to reduce GRF revenues by approximately $1.16 billion in fiscal year 2014 and by approximately $771 million in fiscal year 2015.

*Medicaid Expansion*
Subsequent to the passage of the Act, the State Controlling Board voted five to two to increase federal Medicaid appropriations by approximately $562 million in fiscal year 2014 and $2 billion in fiscal year 2015. These additional federal appropriations were authorized to support the federally-authorized expansion of the Medicaid program to cover those with incomes up to 138 percent of the federal poverty level using 100 percent federal funds in fiscal years 2014 and 2015. In October 2013, a complaint regarding the authorization for drawing down and expending additional federal Medicaid funds was filed against the Controlling Board and the Ohio Department of Medicaid in the Ohio Supreme Court.

*General Revenue Fund*
For fiscal year 2014, total fiscal year-to-date GRF receipts collected through October 2013 are $145.4 million above estimates and $608.7 million higher than collections through October of the prior fiscal year. Total fiscal year-to-date GRF disbursements through October 2013 are $375.4 million below estimates for the first four months of fiscal year 2014 and $57.9 million above expenditures for the first four months of the prior fiscal year. As of October 2013, receipts were 1.5 percent above budget estimates and disbursements were 3.4 percent below budget estimates for fiscal year 2014. Fiscal year 2014 receipts are 6.5 percent ahead of receipts for the first four months of fiscal year 2013. Disbursements for fiscal year 2014 are .5 percent above disbursements for the same time period of fiscal year 2013.

*Unemployment Compensation Fund*
During fiscal years 2009 and 2010, the State sought federal assistance in meeting its unemployment benefit costs and received repayable advances in the Unemployment Trust Fund of $2.31 billion from the Federal Unemployment Account to cover the insufficient State funds for benefit claims during those fiscal years. The State continues to make principal and interest payments on these advances. During fiscal year 2013, Federal Unemployment Tax Act (FUTA) credits of $273.9 million also offset the outstanding repayable advances. As of June 30, 2013, $1.55 billion of the repayable advances remains. More information relating to the FUTA credits and remaining advances can be found in NOTE 2D and NOTE 14, respectively.

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

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