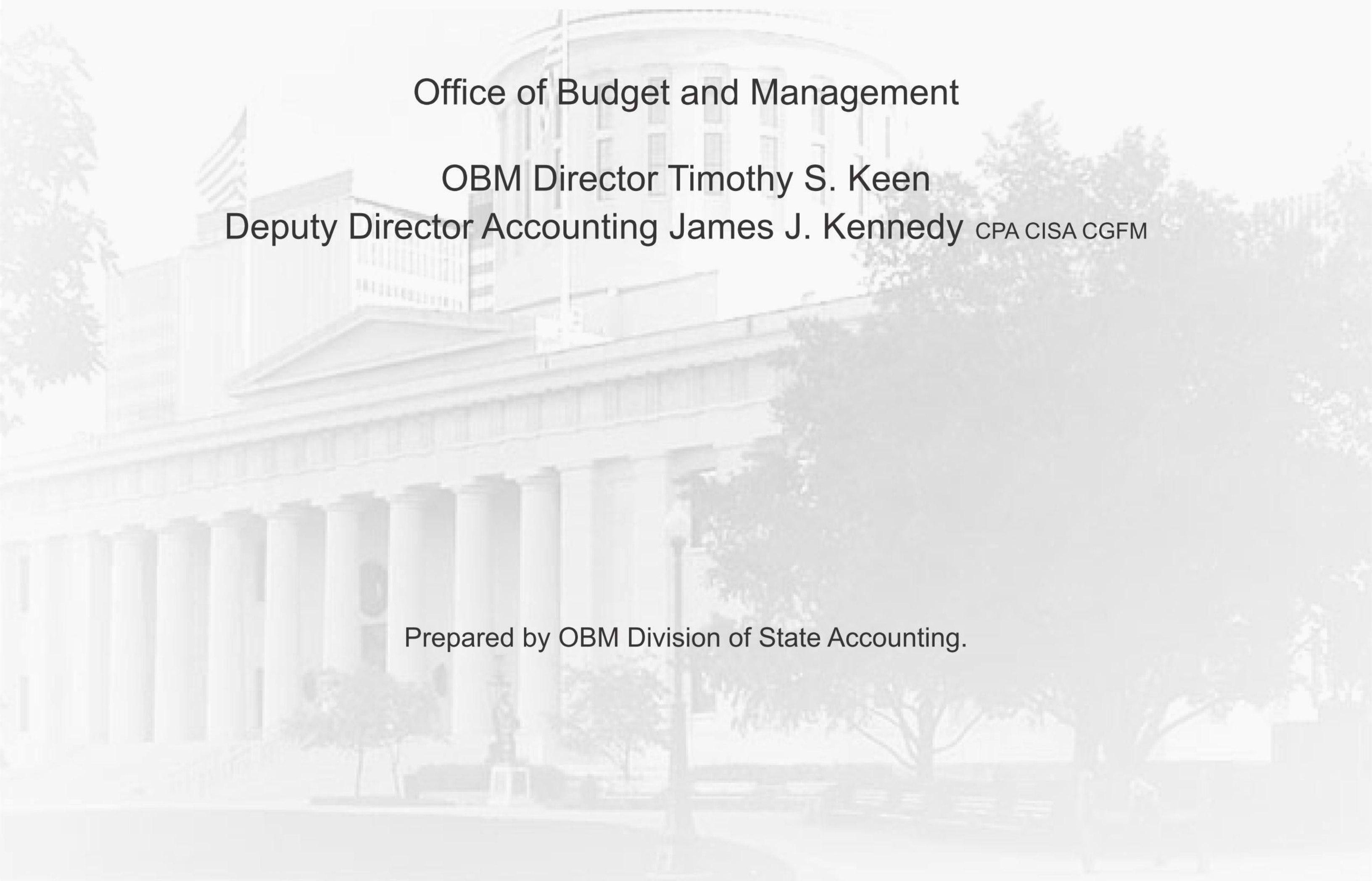
State of Ohio
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013



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ACKNOWLEDGMENTS

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Financial Section

Basic Financial Statements

STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2013
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 9,817,173	$ 139,294	$ 9,956,467	$ 272,732
Cash and Cash Equivalents	146,580	956,248	1,102,828	1,301,928
Investments	808,098	22,129,593	22,937,691	7,776,104
Collateral on Lent Securities	1,172,602	14,057	1,186,659	28,903
Deposit with Federal Government	—	193,288	193,288	—
Taxes Receivable	1,610,949	—	1,610,949	—
Intergovernmental Receivable	1,269,598	9,717	1,279,315	59,179
Premiums and				
Assessments Receivable	—	3,466,891	3,466,891	—
Investment Trade Receivable	—	876,163	876,163	—
Loans Receivable, Net	1,126,856	—	1,126,856	261,026
Receivable from Primary Government	—	—	—	35,047
Receivable from Component Units	3,705,749	—	3,705,749	—
Other Receivables	635,520	386,719	1,022,239	1,202,369
Inventories	84,594	—	84,594	113,527
Other Assets	72,274	21,147	93,421	1,989,557
Restricted Assets:				
Cash Equity with Treasurer	—	20	20	—
Cash and Cash Equivalents	944	14	958	1,395,699
Investments	516,150	1,044,794	1,560,944	1,766,212
Collateral on Lent Securities	—	135,635	135,635	—
Other Receivables	362,828	1,815	364,643	—
Capital Assets Being Depreciated, Net	2,248,664	98,001	2,346,665	9,599,969
Capital Assets Not Being Depreciated	23,553,241	42,707	23,595,948	2,014,567
TOTAL ASSETS	**47,131,820**	**29,516,103**	**76,647,923**	**27,816,819**
Deferred Outflows of Resources	41,889	—	41,889	345
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**47,173,709**	**29,516,103**	**76,689,812**	**27,817,164**
LIABILITIES:				
Accounts Payable	674,616	18,781	693,397	558,205
Accrued Liabilities	359,599	3,447	363,046	412,594
Medicaid Claims Payable	1,151,488	—	1,151,488	—
Obligations Under Securities Lending	1,172,602	149,692	1,322,294	28,903
Investment Trade Payable	—	292,822	292,822	—
Intergovernmental Payable	1,147,874	1,430	1,149,304	2,579
Internal Balances	675,404	(675,404)	—	—
Payable to Primary Government	—	—	—	3,705,992
Payable to Component Units	35,047	—	35,047	—
Unearned Revenue	455,146	2,028	457,174	486,430
Benefits Payable	—	16,949	16,949	—
Refund and Other Liabilities	767,937	361,443	1,129,380	124,873
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,147,234	15,422	1,162,656	700,770
Due in More Than One Year	15,893,016	—	15,893,016	7,688,506
Certificates of Participation:				
Due in One Year	25,330	—	25,330	515
Due in More Than One Year	172,936	—	172,936	2,330
Other Noncurrent Liabilities:				
Due in One Year	189,428	3,544,510	3,733,938	537,523
Due in More Than One Year	2,090,712	19,963,117	22,053,829	1,196,928
TOTAL LIABILITIES	**25,958,369**	**23,694,237**	**49,652,606**	**15,446,148**
Deferred Inflows of Resources	—	—	—	478,730
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**25,958,369**	**23,694,237**	**49,652,606**	**15,924,878**

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION (DEFICITS):				
Net Investment in Capital Assets	22,489,929	92,290	22,582,219	6,413,528
Restricted for:				
Primary, Secondary and Other Education	236,391	—	236,391	726
Higher Education Support	—	—	—	—
Public Assistance and Medicaid	535,410	—	535,410	—
Health and Human Services	100,424	—	100,424	—
Justice and Public Protection	42,623	—	42,623	—
Environmental Protection and Natural Resources	147,955	—	147,955	—
Transportation	3,064,127	—	3,064,127	—
General Government	131,823	—	131,823	—
Community and Economic Development	250,797	—	250,797	74,975
Deferred Lottery Prizes	—	85,085	85,085	—
Workers Compensation	—	6,690,414	6,690,414	—
Tuition Trust Authority	—	39,379	39,379	—
Nonexpendable for Colleges and Universities	—	—	—	3,332,225
Expendable for Colleges and Universities	—	—	—	2,449,057
Unrestricted	(5,784,139)	(1,085,302)	(6,869,441)	(378,225)
TOTAL NET POSITION (DEFICITS)	**$ 21,215,340**	**$ 5,821,866**	**$ 27,037,206**	**$ 11,892,286**

STATE OF OHIO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(dollars in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education	$ 11,463,579	$ 20,409	$ 2,050,115	$ —	$ (9,393,055)
Higher Education Support	2,404,369	1,876	24,500	—	(2,377,993)
Public Assistance and Medicaid	21,624,298	1,152,467	15,213,827	—	(5,258,004)
Health and Human Services	3,504,294	581,787	2,086,614	—	(835,893)
Justice and Public Protection	3,136,239	1,078,277	218,054	85	(1,839,823)
Environmental Protection and Natural Resources	437,322	231,612	91,815	64	(113,831)
Transportation	2,657,896	115,135	59,743	1,687,861	(795,157)
General Government	921,636	418,085	31,622	129	(471,800)
Community and Economic Development	3,516,001	594,030	413,467	7,707	(2,500,797)
Interest on Long-Term Debt (excludes interest charged as program expense)	115,019	—	—	—	(115,019)
TOTAL GOVERNMENTAL ACTIVITIES	**49,780,653**	**4,193,678**	**20,189,757**	**1,695,846**	**(23,701,372)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	3,428,859	1,504,112	900,854	—	(1,023,893)
Lottery Commission	2,100,887	2,939,773	(7,848)	—	831,038
Unemployment Compensation	1,976,518	1,342,217	687,105	—	52,804
Tuition Trust Authority	80,560	12,710	117,624	—	49,774
Liquor Control	310,209	485,607	—	—	175,398
Office of Auditor of State	65,845	47,318	—	—	(18,527)
TOTAL BUSINESS-TYPE ACTIVITIES	**7,962,878**	**6,331,737**	**1,697,735**	**—**	**66,594**
TOTAL PRIMARY GOVERNMENT	**$ 57,743,531**	**$ 10,525,415**	**$ 21,887,492**	**$ 1,695,846**	**$ (23,634,778)**
COMPONENT UNITS:					
Ohio Facilities Construction Commission	$ 381,938	$ 25,736	$ 5,098	$ —	$ (351,104)
Ohio State University	4,904,365	3,587,661	658,432	41,176	(617,096)
Other Component Units	6,709,729	4,259,104	840,608	37,880	(1,572,137)
TOTAL COMPONENT UNITS	**$ 11,996,032**	**$ 7,872,501**	**$ 1,504,138**	**$ 79,056**	**$ (2,540,337)**

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 POSITION:				
Net (Expense) Revenue	$ (23,701,372)	$ 66,594	$ (23,634,778)	$ (2,540,337)
General Revenues:				
Taxes:				
Income	9,826,097	—	9,826,097	—
Sales	8,635,076	—	8,635,076	—
Corporate and Public Utility	2,560,420	—	2,560,420	—
Cigarette	828,812	—	828,812	—
Other	993,217	—	993,217	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,774,781	—	1,774,781	—
Total Taxes	24,618,403	—	24,618,403	—
Tobacco Settlement	336,255	—	336,255	—
Escheat Property	167,140	—	167,140	—
Unrestricted Investment Income	25,881	3	25,884	667,540
State Assistance	—	—	—	1,878,729
Other	239,435	—	239,435	686,657
Gain (Loss) on Extinguishment of Debt	(154,607)	273,851	119,244	—
Additions to Endowments and Permanent Fund Principal	—	—	—	73,675
Special Items	—	—	—	(11,269)
Transfers-Internal Activities	1,082,887	(1,082,887)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	26,315,394	(809,033)	25,506,361	3,295,332
CHANGE IN NET POSITION	2,614,022	(742,439)	1,871,583	754,995
NET POSITION (DEFICITS), JULY 1 (as restated)	18,601,318	6,564,305	25,165,623	11,137,291
NET POSITION (DEFICITS), JUNE 30	$ 21,215,340	$ 5,821,866	$ 27,037,206	$ 11,892,286

STATE OF OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 5,685,182	$ 573,183	$ —
Cash and Cash Equivalents	103,607	2,529	944
Investments	732,049	—	516,150
Collateral on Lent Securities	679,983	68,335	—
Taxes Receivable	1,520,628	—	—
Intergovernmental Receivable	630,869	223,472	—
Loans Receivable, Net	1,052,688	—	—
Interfund Receivable	—	—	845,018
Receivable from Component Units	322	—	3,705,427
Other Receivables	189,012	364,433	362,828
Inventories	24,692	—	—
Other Assets	23	—	—
TOTAL ASSETS	**$ 10,619,055**	**$ 1,231,952**	**$ 5,430,367**
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	$ 190,490	$ 96,879	$ —
Accrued Liabilities	108,812	17,510	—
Medicaid Claims Payable	984,909	—	—
Obligations Under Securities Lending	679,983	68,335	—
Intergovernmental Payable	865,039	70,708	—
Interfund Payable	1,340,828	13,907	—
Payable to Component Units	25,131	386	—
Deferred Revenue	409,273	66,643	362,785
Unearned Revenue	—	349,027	—
Refund and Other Liabilities	763,151	4,091	—
Liability for Escheat Property	11,326	—	—
TOTAL LIABILITIES	5,378,942	687,486	362,785
FUND BALANCES (DEFICITS):			
Nonspendable	59,896	—	—
Restricted	1,126,686	464,723	5,067,582
Committed	751,615	80,087	—
Assigned	2,042,246	—	—
Unassigned	1,259,670	(344)	—
TOTAL FUND BALANCES (DEFICITS)	5,240,113	544,466	5,067,582
TOTAL LIABILITIES AND FUND BALANCES	**$ 10,619,055**	**$ 1,231,952**	**$ 5,430,367**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,558,808	$ 9,817,173
40,444	147,524
76,049	1,324,248
424,284	1,172,602
90,321	1,610,949
415,257	1,269,598
74,168	1,126,856
2,474	847,492
—	3,705,749
82,075	998,348
59,902	84,594
5,911	5,934
$ 4,829,693	**$ 22,111,067**
$ 387,247	$ 674,616
64,056	190,378
166,579	1,151,488
424,284	1,172,602
212,127	1,147,874
168,161	1,522,896
9,530	35,047
87,444	926,145
106,119	455,146
695	767,937
—	11,326
1,626,242	8,055,455
59,902	119,798
2,615,091	9,274,082
533,897	1,365,599
—	2,042,246
(5,439)	1,253,887
3,203,451	14,055,612
$ 4,829,693	**$ 22,111,067**

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STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013
(dollars in thousands)

Total Fund Balances for Governmental Funds	***$ 14,055,612***
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
Land	*2,241,945*
Buildings and Improvements, net of $2,027,069 accumulated depreciation	*1,642,747*
Land Improvements, net of $284,703 accumulated depreciation	*179,988*
Machinery and Equipment, net of $653,313 accumulated depreciation	*240,860*
Vehicles, net of $187,065 accumulated depreciation	*162,360*
Infrastructure, net of $22,990 accumulated depreciation	*19,882,815*
Construction-in-Progress	*1,451,190*
	25,801,905
Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.	
Taxes Receivable	*137,875*
Intergovernmental Receivable	*284,013*
Other Receivables	*498,346*
Other Assets	*5,911*
	926,145
Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.	*66,340*
Deferred outflows of resources are not financial resources, and therefore, are not reported in the funds.	*41,889*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued Liabilities:	
Interest Payable	*(169,221)*
Bonds and Notes Payable:	
General Obligation Bonds	*(8,667,232)*
Revenue Bonds and Notes	*(6,486,884)*
Special Obligation Bonds	*(1,886,134)*
Certificates of Participation	*(198,266)*
Other Noncurrent Liabilities:	
Compensated Absences	*(425,242)*
Net Pension Obligation	*(15,306)*
Net OPEB Obligation	*(106,686)*
Capital Leases Payable	*(2,294)*
Derivatives	*(55,792)*
Estimated Claims Payable	*(2,710)*
Pollution Remediation, net of liabilities reported as accounts payable in the funds and recoveries reported above as other receivables	*(4,549)*
Liability for Escheat Property	*(217,121)*
Unearned Revenue	*(1,439,114)*
	(19,676,551)
Total Net Position of Governmental Activities	***$ 21,215,340***

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, 2013

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 9,798,658	$ —	$ —
Sales Taxes	8,637,501	—	—
Corporate and Public Utility Taxes	2,554,965	—	—
Motor Vehicle Fuel Taxes	1,087,748	—	—
Cigarette Taxes	828,812	—	—
Other Taxes	747,882	1,598	—
Licenses, Permits and Fees	816,564	1,156,801	—
Sales, Services and Charges	59,839	2,307	—
Federal Government	7,225,992	7,818,253	—
Tobacco Settlement	—	—	294,951
Escheat Property	175,284	—	—
Investment Income	26,454	4,325	1,310
Other	283,339	443,491	—
TOTAL REVENUES	**32,243,038**	**9,426,775**	**296,261**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	8,239,305	173	60,899
Higher Education Support	2,239,364	1,404	—
Public Assistance and Medicaid	12,671,846	8,651,165	—
Health and Human Services	1,033,391	332,401	—
Justice and Public Protection	2,268,285	69,485	—
Environmental Protection and Natural Resources	93,188	—	—
Transportation	8,946	—	—
General Government	471,161	3,173	—
Community and Economic Development	2,426,388	—	—
CAPITAL OUTLAY	42	1,097	—
DEBT SERVICE	—	—	298,020
TOTAL EXPENDITURES	**29,451,916**	**9,058,898**	**358,919**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**2,791,122**	**367,877**	**(62,658)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and Certificates of Participation Issued	178,000	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Premiums/Discounts	7,911	—	—
Capital Leases	108	—	—
Transfers-in	545,356	21,609	—
Transfers-out	(2,928,231)	(41,132)	(14,048)
TOTAL OTHER FINANCING SOURCES (USES)	**(2,196,856)**	**(19,523)**	**(14,048)**
SPECIAL ITEMS	1,463,506	—	—
NET CHANGE IN FUND BALANCES	**2,057,772**	**348,354**	**(76,706)**
FUND BALANCES (DEFICITS), July 1 (as restated)	3,188,956	196,112	5,144,288
Increase (Decrease) for Changes in Inventories	(6,615)	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 5,240,113**	**$ 544,466**	**$ 5,067,582**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 13,324	$ 9,811,982
5,967	8,643,468
994	2,555,959
687,033	1,774,781
—	828,812
243,737	993,217
1,234,049	3,207,414
33,540	95,686
6,492,856	21,537,101
135	295,086
—	175,284
6,166	38,255
480,200	1,207,030
9,198,001	**51,164,075**
2,729,521	11,029,898
22,258	2,263,026
337,367	21,660,378
2,003,714	3,369,506
724,236	3,062,006
323,687	416,875
2,629,043	2,637,989
347,178	821,512
950,540	3,376,928
351,531	352,670
1,587,263	1,885,283
12,006,338	**50,876,071**
(2,808,337)	**288,004**
534,470	712,470
470,520	470,520
(1,465,468)	(1,465,468)
201,470	209,381
—	108
3,881,288	4,448,253
(381,955)	(3,365,366)
3,240,325	**1,009,898**
—	1,463,506
431,988	**2,761,408**
2,786,093	11,315,449
(14,630)	(21,245)
$ 3,203,451	**$ 14,055,612**

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, 2013

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		*2,761,408*
Change in Inventories		*(21,245)*
		2,740,163
The change in net position 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	*397,306*	
Depreciation Expense	*(211,223)*	
Excess of Capital Outlay Over Depreciation Expense		*186,083*
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	*(414,705)*	
Revenue Bonds and Notes	*(183,530)*	
Special Obligation Bonds	*(58,000)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(576,755)*	
Certificates of Participation	*(56,235)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(57,853)*	
Revenue Bonds and Notes	*(29,731)*	
Special Obligation Bonds	*(7,216)*	
Certificates of Participation	*(8,347)*	
Deferred Refunding Loss	*36,833*	
Capitalized Interest	*1,937*	
Capital Leases	*(108)*	
Total Debt Proceeds		*(1,353,710)*
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt Principal Retirement and Defeasements:		
General Obligation Bonds	*1,026,707*	
Revenue Bonds and Notes	*892,613*	
Special Obligation Bonds	*416,760*	
Certificates of Participation	*21,610*	
Capital Lease Payments	*2,013*	
Total Long-Term Debt Repayment		*2,359,703*
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		*124,464*

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:

Decrease in Bond Issue Costs Included in Other Assets...................................	*(9,375)*	
Decrease in Accrued Interest and Other Accrued Liabilities...............................	*(21,159)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net......................	*66,550*	
Amortization of Deferred Refunding Loss...	*(41,793)*	
Decrease in Compensated Absences..	*15,120*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*26,026*	
Decrease in Estimated Claims Payable..	*320*	
Increase in Pollution Remediation..	*(1,420)*	
Increase in Net Pension Obligation..	*(6,917)*	
Increase in Liability for OPEB Obligation..	*(22,775)*	
Increase in Liability for Escheat Property...	*(8,144)*	
Increase in Unearned Revenue..	*(1,439,114)*	
Total additional expenditures..		*(1,442,681)*
Change in Net Position of Governmental Activities...		***$ 2,614,022***

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes	$ 9,318,668	$ 9,318,668	$ 9,856,494	$ 537,826
Sales Taxes	8,619,663	8,619,663	8,639,514	19,851
Corporate and Public Utility Taxes	2,524,506	2,524,506	2,558,095	33,589
Motor Vehicle Fuel Taxes	1,070,620	1,070,620	1,070,620	—
Cigarette Taxes	815,000	815,000	827,440	12,440
Other Taxes	683,943	683,943	751,950	68,007
Licenses, Permits and Fees	951,429	951,429	983,059	31,630
Sales, Services and Charges	83,946	83,946	85,114	1,168
Federal Government	8,266,746	8,266,746	7,641,345	(625,401)
Investment Income	12,929	12,929	17,652	4,723
Other	1,364,902	1,364,902	1,850,140	485,238
TOTAL REVENUES	**33,712,352**	**33,712,352**	**34,281,423**	**569,071**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	8,400,097	8,427,712	8,336,739	90,973
Higher Education Support	2,864,548	2,867,661	2,447,342	420,319
Public Assistance and Medicaid	15,054,843	14,454,319	13,387,303	1,067,016
Health and Human Services	1,011,570	1,222,873	1,149,039	73,834
Justice and Public Protection	2,667,775	2,693,806	2,571,735	122,071
Environmental Protection and Natural Resources	120,101	121,666	110,385	11,281
Transportation	16,279	16,279	16,138	141
General Government	832,047	1,060,180	936,505	123,675
Community and Economic Development	3,726,956	3,739,429	2,798,832	940,597
CAPITAL OUTLAY	—	20,441	692	19,749
DEBT SERVICE	1,274,226	1,274,226	1,188,229	85,997
TOTAL BUDGETARY EXPENDITURES	**35,968,442**	**35,898,592**	**32,942,939**	**2,955,653**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(2,256,090)**	**(2,186,240)**	**1,338,484**	**3,524,724**
OTHER FINANCING SOURCES (USES):				
Bonds Issued	166,386	166,386	166,386	—
Transfers-in	1,532,198	1,532,198	1,007,433	(524,765)
Transfers-out	(2,052,628)	(2,052,628)	(1,373,965)	678,663
TOTAL OTHER FINANCING SOURCES (USES)	**(354,044)**	**(354,044)**	**(200,146)**	**153,898**
NET CHANGE IN FUND BALANCES	**$ (2,610,134)**	**$ (2,540,284)**	**1,138,338**	**$ 3,678,622**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated)			2,331,438	
Outstanding Encumbrances at Beginning of Fiscal Year			1,227,102	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 4,696,878**	

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

JOB, FAMILY AND OTHER HUMAN SERVICES

BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
		$ —	
		—	
		—	
		—	
		—	
		1,598	
		1,156,605	
		2,307	
		4,350,193	
		4,325	
		760,007	
		6,275,035	
$ 248	$ 248	204	$ 44
4,305	4,305	2,757	1,548
8,056,165	8,262,008	6,827,131	1,434,877
427,230	452,587	372,918	79,669
89,544	91,544	70,447	21,097
—	—	—	—
—	—	—	—
4,297	4,297	3,010	1,287
180	180	—	180
28,599	28,680	3,129	25,551
—	—	—	—
$ 8,610,568	**$ 8,843,849**	**7,279,596**	**$ 1,564,253**
		(1,004,561)	
		—	
		19,669	
		(42,081)	
		(22,412)	
		(1,026,973)	
		(674,149)	
		996,657	
		$ (704,465)	

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2013
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 4,070	$ 108,439	$ —
Cash and Cash Equivalents	857,378	88,294	—
Collateral on Lent Securities	1,030	12,928	—
Restricted Assets:			
Cash Equity with Treasurer	—	20	—
Investments	—	50,712	—
Collateral on Lent Securities	—	135,635	—
Other Receivables	—	1,815	—
Deposit with Federal Government	—	—	193,288
Intergovernmental Receivable	—	—	249
Premiums and Assessments Receivable	834,786	—	40,299
Investment Trade Receivable	876,163	—	—
Interfund Receivable	78,991	1,518	—
Other Receivables	276,024	57,697	51,341
Other Assets	7,371	8,011	5,757
TOTAL CURRENT ASSETS	**2,935,813**	**465,069**	**290,934**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	14	—	—
Investments	—	607,920	—
Investments	22,014,815	—	—
Premiums and Assessments Receivable	2,591,806	—	—
Interfund Receivable	595,570	—	—
Capital Assets Being Depreciated, Net	61,365	34,659	—
Capital Assets Not Being Depreciated	42,707	—	—
TOTAL NONCURRENT ASSETS	**25,306,277**	**642,579**	**—**
TOTAL ASSETS	**28,242,090**	**1,107,648**	**290,934**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	9,622	7,239	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	1,030	148,563	—
Investment Trade Payable	292,822	—	—
Intergovernmental Payable	—	—	1,430
Deferred Prize Awards Payable	—	52,547	—
Interfund Payable	—	147	—
Unearned Revenue	—	1,202	—
Benefits Payable	2,015,531	—	16,949
Refund and Other Liabilities	1,379,335	89,756	8,010
Bonds and Notes Payable	15,422	—	—
TOTAL CURRENT LIABILITIES	**3,713,762**	**299,454**	**26,389**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	1,554,298
Deferred Prize Awards Payable	—	527,065	—
Interfund Payable	—	1,657	—
Benefits Payable	15,288,626	—	—
Refund and Other Liabilities	2,460,625	13,399	—
TOTAL NONCURRENT LIABILITIES	**17,749,251**	**542,121**	**1,554,298**
TOTAL LIABILITIES	**21,463,013**	**841,575**	**1,580,687**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	88,663	1,650	—
Restricted for Deferred Lottery Prizes	—	85,085	—
Unrestricted	6,690,414	179,338	(1,289,753)
TOTAL NET POSITION (DEFICITS)	**$ 6,779,077**	**$ 266,073**	**$ (1,289,753)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 26,785	$ 139,294
10,576	956,248
99	14,057
—	20
79,800	130,512
—	135,635
—	1,815
—	193,288
9,468	9,717
—	875,085
—	876,163
1,243	81,752
1,657	386,719
8	21,147
129,636	**3,821,452**
—	14
306,362	914,282
114,778	22,129,593
—	2,591,806
7,277	602,847
1,977	98,001
—	42,707
430,394	**26,379,250**
560,030	**30,200,702**
1,920	18,781
3,447	3,447
99	149,692
—	292,822
—	1,430
—	52,547
114	261
826	2,028
79,800	2,112,280
3,444	1,480,545
—	15,422
89,650	**4,129,255**
—	1,554,298
—	527,065
7,277	8,934
389,900	15,678,526
6,734	2,480,758
403,911	**20,249,581**
493,561	**24,378,836**
1,977	92,290
—	85,085
64,492	5,644,491
$ 66,469	**$ 5,821,866**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 2,933,482	$ 24,976
Premium and Assessment Income	1,492,389	—	1,278,268
Federal Government	—	—	719,366
Investment Income	—	—	—
Other	11,723	6,291	6,712
TOTAL OPERATING REVENUES	**1,504,112**	**2,939,773**	**2,029,322**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	56,406	99,523	—
Bonuses and Commissions	—	276,993	—
Prizes	—	1,668,038	—
Benefits and Claims	1,491,515	—	1,976,235
Depreciation	9,655	21,600	—
Other	1,871,283	14	—
TOTAL OPERATING EXPENSES	**3,428,859**	**2,066,168**	**1,976,235**
OPERATING INCOME (LOSS)	**(1,924,747)**	**873,605**	**53,087**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	900,854	(7,848)	—
Interest Expense	—	(1,923)	—
Other	—	(32,796)	(283)
TOTAL NONOPERATING REVENUES (EXPENSES)	**900,854**	**(42,567)**	**(283)**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**(1,023,893)**	**831,038**	**52,804**
Gain on Extinguishment of Debt	—	—	273,851
Transfers-in	—	—	—
Transfers-out	(14,769)	(803,466)	(3,513)
TOTAL GAIN (LOSS) AND TRANSFERS	**(14,769)**	**(803,466)**	**270,338**
NET INCOME (LOSS)	**(1,038,662)**	**27,572**	**323,142**
NET POSITION (DEFICITS), JULY 1 (as restated)	7,817,739	238,501	(1,612,895)
NET POSITION (DEFICITS), JUNE 30	**$ 6,779,077**	**$ 266,073**	**$ (1,289,753)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 544,789	$ 3,503,247
—	2,770,657
—	719,366
34,323	34,323
84,147	108,873
663,259	**7,136,466**
339,365	339,365
45,069	200,998
—	276,993
—	1,668,038
70,653	3,538,403
480	31,735
1,047	1,872,344
456,614	**7,927,876**
206,645	**(791,410)**
3	893,009
—	(1,923)
—	(33,079)
3	**858,007**
206,648	**66,597**
—	273,851
26,889	26,889
(288,028)	(1,109,776)
(261,139)	**(809,036)**
(54,491)	**(742,439)**
120,960	6,564,305
$ 66,469	**$ 5,821,866**

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	2,857,109	—
Cash Received from Multi-State Lottery for Grand Prize Winner	—	29,993	—
Cash Received from Premiums and Assessments	2,018,899	—	1,284,158
Cash Received from Interfund Services Provided	69,826	3,253	—
Other Operating Cash Receipts	55,028	73,074	33,026
Cash Payments to Suppliers for Goods and Services	(46,541)	(66,109)	—
Cash Payments to Employees for Services	(201,268)	(25,473)	—
Cash Payments for Benefits and Claims	(1,958,567)	—	(1,788,203)
Cash Payments for Lottery Prizes	—	(1,734,272)	—
Cash Payments for Bonuses and Commissions	—	(276,993)	—
Cash Payments for Premium Reductions and Refunds	(83,022)	—	—
Cash Payments for Interfund Services Used	(17,866)	(5,016)	—
Other Operating Cash Payments	—	(14)	(181,997)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(163,511)**	**855,552**	**(653,016)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(14,769)	(803,466)	(3,513)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(14,769)**	**(803,466)**	**(3,513)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(15,915)	(20,217)	—
Interest Paid	(1,543)	(1,656)	—
Acquisition and Construction of Capital Assets	(25,154)	(283)	—
Proceeds from Sales of Capital Assets	77	51	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(42,535)**	**(22,105)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(8,317,413)	(112,959)	(1,271,868)
Proceeds from the Sales and Maturities of Investments	8,274,646	164,858	1,928,397
Investment Income Received	700,116	8,806	—
Borrower Rebates and Agent Fees	(17,343)	(278)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**640,006**	**60,427**	**656,529**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**419,191**	**90,408**	**—**
CASH AND CASH EQUIVALENTS, JULY 1 (as restated)	442,271	106,345	—
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 861,462**	**$ 196,753**	**$ —**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 528,369	$ 3,385,478
—	29,993
—	3,303,057
10,217	83,296
15,210	176,338
(357,398)	(470,048)
(73,775)	(300,516)
—	(3,746,770)
—	(1,734,272)
—	(276,993)
—	(83,022)
(5,252)	(28,134)
(70,659)	(252,670)
46,712	**85,737**
28,443	28,443
(241,413)	(1,063,161)
(212,970)	**(1,034,718)**
—	(36,132)
—	(3,199)
(668)	(26,105)
—	128
(668)	**(65,308)**
(512,550)	(10,214,790)
576,091	10,943,992
9,196	718,118
—	(17,621)
72,737	**1,429,699**
(94,189)	**415,410**
131,550	680,166
$ 37,361	**$ 1,095,576**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(dollars in thousands)
(continued)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (1,924,747)	$ 873,605	$ 53,087
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	9,655	21,600	—
Provision for Uncollectible Accounts	40,764	—	—
Amortization of Premiums and Discounts	(295)	—	—
Interest on Bonds, Notes and Capital Leases	1,543	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government	—	—	(722,544)
Intergovernmental Receivable	—	—	(235)
Premiums and Assessments Receivable	427,210	—	(6,121)
Interfund Receivable	37,859	—	—
Other Receivables	(45,208)	(6,546)	26,280
Inventories	—	—	—
Other Assets	1,913	2,139	(198)
Increase (Decrease) in Liabilities:			
Accounts Payable	(2,146)	2,696	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	(229)
Deferred Prize Awards Payable	—	(59,392)	—
Interfund Payable	—	(891)	—
Unearned Revenue	—	209	—
Benefits Payable	(510,943)	—	(2,347)
Refund and Other Liabilities	1,800,884	22,132	(709)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (163,511)**	**$ 855,552**	**$ (653,016)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 230,200	$ (85,221)	$ —
Gain on Extinguishment of Debt	—	—	273,851

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 206,645	$ (791,410)
(34,323)	(34,323)
480	31,735
—	40,764
—	(295)
—	1,543
—	(722,544)
(714)	(949)
—	421,089
1,554	39,413
12,900	(12,574)
(2,647)	(2,647)
599	4,453
(44,919)	(44,369)
316	316
—	(229)
—	(59,392)
(5,734)	(6,625)
81	290
(83,300)	(596,590)
(4,226)	1,818,081
$ 46,712	**$ 85,737**
$ —	$ 144,979
—	273,851

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/12)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	12,423	230,971	90,690
Investments (at fair value):			
U.S. Government and Agency Obligations	19,183	—	1,524,999
Common and Preferred Stock	102,941	—	—
Corporate Bonds and Notes	47,376	—	111,519
Foreign Stocks and Bonds	6,200	—	—
Commercial Paper	—	—	637,294
Repurchase Agreements	—	—	—
Mutual Funds	384,859	7,134,510	191,137
Real Estate	25,933	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	140,170	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	1,088	—	—
Employee Contributions Receivable	676	—	—
Other Receivables	1,171	140,627	1,168
Other Assets	52	—	14
Capital Assets, Net	17	—	—
TOTAL ASSETS	**742,089**	**7,506,108**	**2,556,821**
LIABILITIES:			
Accounts Payable	493	—	—
Accrued Liabilities	23,647	2,790	7
Obligations Under Securities Lending	—	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	82	139,749	209
TOTAL LIABILITIES	**24,222**	**142,539**	**216**
NET POSITION (DEFICITS):			
Held in Trust for:			
Employees' Pension Benefits	620,443	—	—
Employees' Postemployment Healthcare Benefits	97,424	—	—
Individuals, Organizations and Other Governments	—	7,363,569	—
Pool Participants	—	—	2,556,605
TOTAL NET POSITION (DEFICITS)	**$ 717,867**	**$ 7,363,569**	**$ 2,556,605**

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

AGENCY
$ 266,343
181,839
12,053,529
43,509,428
13,562,812
41,655,148
3,987,857
693,289
11,409,353
17,683,712
14,790,900
9,321,047
7,098,287
113,576
31,208
—
—
1,293
416,961
—
176,776,582
—
—
31,208
185,582
176,559,792
176,776,582
—
—
—
—
$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/12)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 25,445	$ —	$ —
Employees	8,756	—	—
Plan Participants	—	1,919,336	—
Other	2,714	—	—
Total Contributions	36,915	1,919,336	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	63,663	529,738	—
Interest, Dividends and Other	14,444	183,658	3,853
Total Investment Income	78,107	713,396	3,853
Less: Investment Expense	4,404	31,919	1,983
Net Investment Income	73,703	681,477	1,870
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	11,011,145
Reinvested Distributions	—	—	1,870
Shares Redeemed	—	—	(11,096,069)
Net Capital Share and Individual Account Transactions	—	—	(83,054)
TOTAL ADDITIONS	**110,618**	**2,600,813**	**(81,184)**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	58,298	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	12,303	—	—
Refunds of Employee Contributions	180	—	—
Administrative Expense	997	—	—
Transfers to Other Retirement Systems	378	—	—
Distributions to Shareholders and Plan Participants	—	1,610,140	1,870
TOTAL DEDUCTIONS	**72,156**	**1,610,140**	**1,870**
CHANGE IN NET POSITION HELD FOR:			
Employees' Pension Benefits	36,873	—	—
Employees' Postemployment Healthcare Benefits	1,589	—	—
Individuals, Organizations and Other Governments	—	990,673	—
Pool Participants	—	—	(83,054)
TOTAL CHANGE IN NET POSITION	38,462	990,673	(83,054)
NET POSITION (DEFICITS), JULY 1	679,405	6,372,896	2,639,659
NET POSITION (DEFICITS), JUNE 30	**$ 717,867**	**$ 7,363,569**	**$ 2,556,605**

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

STATE OF OHIO
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2013
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 217,106	$ —	$ 55,626
Cash and Cash Equivalents	104	117,186	1,184,638
Investments	1,548	1,021,806	1,795,105
Collateral on Lent Securities	25,883	—	3,020
Restricted Assets:			
Cash and Cash Equivalents	—	—	65,445
Intergovernmental Receivable	—	4,692	54,487
Loans Receivable, Net	529	23,998	28,633
Receivable from Primary Government	—	7,833	27,214
Other Receivables	17	470,193	508,202
Inventories	—	33,651	79,876
Other Assets	—	52,427	87,516
TOTAL CURRENT ASSETS	**245,187**	**1,731,786**	**3,889,762**
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	926,444	403,810
Investments	—	—	1,766,212
Investments	—	3,220,056	1,737,589
Loans Receivable, Net	2,385	58,133	147,348
Other Receivables	—	71,655	152,302
Other Assets	—	—	1,849,614
Capital Assets Being Depreciated, Net	2,442	3,260,536	6,336,991
Capital Assets Not Being Depreciated	38,642	956,018	1,019,907
TOTAL NONCURRENT ASSETS	**43,469**	**8,492,842**	**13,413,773**
TOTAL ASSETS	**288,656**	**10,224,628**	**17,303,535**
Deferred Outflows of Resources	—	—	345
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**288,656**	**10,224,628**	**17,303,880**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	3,574	271,024	283,607
Accrued Liabilities	377	137,578	274,639
Obligations Under Securities Lending	25,883	—	3,020
Intergovernmental Payable	351,442	—	2,579
Unearned Revenue	—	180,511	305,919
Refund and Other Liabilities	1,787	66,584	242,582
Bonds and Notes Payable	—	500,919	199,851
Certificates of Participation	—	515	—
TOTAL CURRENT LIABILITIES	**383,063**	**1,157,131**	**1,312,197**
NONCURRENT LIABILITIES:			
Intergovernmental Payable	234,282	—	34,172
Unearned Revenue	—	—	10,940
Refund and Other Liabilities	854	390,337	526,344
Payable to Primary Government	3,705,428	—	564
Bonds and Notes Payable	—	2,184,972	5,503,534
Certificates of Participation	—	2,330	—
TOTAL NONCURRENT LIABILITIES	**3,940,564**	**2,577,639**	**6,075,554**
TOTAL LIABILITIES	**4,323,627**	**3,734,770**	**7,387,751**
Deferred Inflows of Resources	—	474,332	4,398
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,323,627**	**4,209,102**	**7,392,149**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	41,084	2,446,605	3,925,839
Restricted for:			
Primary, Secondary and Other Education	—	—	726
Community and Economic Development	—	—	74,975
Nonexpendable:			
Scholarships and Fellowships	—	—	259,682
Research	—	—	60,374
Endowments and Quasi-Endowments	—	1,340,681	1,099,404
Loans, Grants and Other College and University Purposes	—	—	572,084
Expendable:			
Scholarships and Fellowships	—	—	249,141
Research	—	—	113,563
Instructional Department Uses	—	—	139,256
Student and Public Services	—	—	61,286
Academic Support	—	—	139,271
Debt Service	—	—	22,940
Capital Purposes	—	14,609	136,779
Endowments and Quasi-Endowments	—	109,706	384,663
Current Operations	—	613,533	55,237
Loans, Grants and Other College and University Purposes	—	—	409,073
Unrestricted	(4,076,055)	1,490,392	2,207,438
TOTAL NET POSITION (DEFICITS)	**$ (4,034,971)**	**$ 6,015,526**	**$ 9,911,731**

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

TOTAL
$ 272,732
1,301,928
2,818,459
28,903
65,445
59,179
53,160
35,047
978,412
113,527
139,943
5,866,735
1,330,254
1,766,212
4,957,645
207,866
223,957
1,849,614
9,599,969
2,014,567
21,950,084
27,816,819
345
27,817,164
558,205
412,594
28,903
354,021
486,430
310,953
700,770
515
2,852,391
268,454
10,940
917,535
3,705,992
7,688,506
2,330
12,593,757
15,446,148
478,730
15,924,878
6,413,528
726
74,975
259,682
60,374
2,440,085
572,084
249,141
113,563
139,256
61,286
139,271
22,940
151,388
494,369
668,770
409,073
(378,225)
$ 11,892,286

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education	$ 380,459	$ —	$ 13,182
Community and Economic Development	—	—	298,098
Education and General:			
Instruction and Departmental Research	—	911,216	1,964,735
Separately Budgeted Research	—	434,671	400,537
Public Service	—	105,113	189,128
Academic Support	—	170,142	535,470
Student Services	—	94,237	295,727
Institutional Support	—	279,126	617,476
Operation and Maintenance of Plant	—	115,797	395,298
Scholarships and Fellowships	—	111,364	319,654
Auxiliary Enterprises	—	242,376	696,961
Hospitals	—	2,112,661	306,376
Interest on Long-Term Debt	—	62,940	186,366
Depreciation	1,479	264,722	436,512
Other	—	—	54,209
TOTAL EXPENSES	**381,938**	**4,904,365**	**6,709,729**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	25,736	3,587,661	4,259,104
Operating Grants, Contributions and Restricted Investment Income	5,098	658,432	840,608
Capital Grants, Contributions and Restricted Investment Income	—	41,176	37,880
TOTAL PROGRAM REVENUES	**30,834**	**4,287,269**	**5,137,592**
NET PROGRAM (EXPENSE) REVENUE	**(351,104)**	**(617,096)**	**(1,572,137)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	386,886	280,654
State Assistance	60,899	507,779	1,310,051
Other	70	188,507	498,080
TOTAL GENERAL REVENUES	**60,969**	**1,083,172**	**2,088,785**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**57,480**	**16,195**
SPECIAL ITEM	**—**	**—**	**(11,269)**
CHANGE IN NET POSITION	**(290,135)**	**523,556**	**521,574**
NET POSITION (DEFICITS), JULY 1 (as restated)	(3,744,836)	5,491,970	9,390,157
NET POSITION (DEFICITS), JUNE 30	**$ (4,034,971)**	**$ 6,015,526**	**$ 9,911,731**

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

TOTAL	
$	393,641
	298,098
	2,875,951
	835,208
	294,241
	705,612
	389,964
	896,602
	511,095
	431,018
	939,337
	2,419,037
	249,306
	702,713
	54,209
	11,996,032
	7,872,501
	1,504,138
	79,056
	9,455,695
	(2,540,337)
	667,540
	1,878,729
	686,657
	3,232,926
	73,675
	(11,269)
	754,995
	11,137,291
$	***11,892,286***

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2013, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

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

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

1. Blended Component Units

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

2. Discretely Presented Component Units

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

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

Ohio Facilities Construction Commission
Cultural Facilities Commission
eTech Ohio Commission
Ohio Air Quality Development Authority
Ohio Capital Fund
JobsOhio

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Ohio State University
University of Cincinnati
Ohio University
Miami University
University of Akron
Bowling Green State University
Kent State University
University of Toledo
Cleveland State University
Youngstown State University
Wright State University
Shawnee State University
Central State University
Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College
Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

The Ohio Facilities Construction Commission, Cultural Facilities Commission, and eTech Ohio Commission, which are governmental component units, do not issue separately audited financial reports.

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

3. Joint Ventures and Related Organizations
As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14, as amended by GASB 39 and GASB 61.

B. Basis of Presentation
Government-wide Statements — The Statement of Net Position 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 position and changes in fiduciary net position.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Net Investment in Capital Assets* component consists of 1.) capital assets, net of accumulated depreciation, and deferred outflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt less 2.) outstanding balances of any bonds or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. The portion of debt and deferred inflows of resources attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net position component.

- The *Restricted Net Position* component represents the net position with constraints placed on its 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 position is displayed in two additional components — nonexpendable and expendable. Nonexpendable net position is for those endowments that are required to be retained in perpetuity.

- The *Unrestricted Net Position* component consists of the net position that does not meet the definition of the preceding two components.

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Ohio Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

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

The State reports the following major proprietary funds:

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

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

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

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2012.

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 discretely presented component unit funds:

The *Ohio Facilities Construction Commission Fund* primarily accounts for grants that provide assistance to local school districts for the construction of school buildings.

The *Ohio State University Fund* is a business-type activity that uses proprietary fund reporting. It reports the university's operations, including the University's health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

D. Budgetary Process

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

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

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

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

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

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation General Obligations
- Economic Development Revenue Bonds
- Infrastructure Bank Revenue Bonds
- Revitalization Project Revenue Bonds
- Buckeye Tobacco Settlement Financing Authority Revenue Bonds
- Lease Rental Special Obligations
- MARCS Certificates of Participation
- OAKS Certificates of Participation
- STARS Certificates of Participation
- MARCS Project
- OAKS Project
- STARS Project

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

E. Cash Equity with Treasurer and Cash and Cash Equivalents

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

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

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

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

F. Investments

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Taxes Receivable

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

H. Intergovernmental Receivable

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

I. Inventories

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

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

J. Restricted Assets

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

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

K. Capital Assets

Primary Government

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

The State has established the following capitalization thresholds:

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

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

Buildings	20-45 Years
Land Improvements	10-30 Years
Machinery and Equipment	3-15 Years
Vehicles..	7-15 Years
Park and Natural Resources Infrastructure Network	10-50 Years

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

Discretely Presented Component Unit Funds

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

L. Medicaid Claims Payable

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

N. Compensated Absences
Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted
Fund balance amounts should be *restricted* when constraints placed on the use of resources are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2.) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position.

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

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

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

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

R. Intra-Entity Balances and Activities

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

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

S. Derivatives Instruments

The State's derivative instruments include investment derivatives and interest rate swaps. Interest rate swaps that are ineffective hedging derivatives are reported within the investment derivatives classification.

The State reports its derivative instruments at fair value in the Statement of Net Position. Changes in fair value for investment derivatives are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivatives are reported as deferred outflows/inflows of resources in the Statement of Net Position.

Additional disclosures on the State's investment derivatives and its hedging derivatives can be found in NOTE 4 and NOTE 10, respectively.

T. Use of Estimates

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

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS

A. Restatements

Restatements of net position, as of June 30, 2013, for the primary government and discretely presented component units are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities	Total Primary Government	Total Discretely Presented Component Units
Net Position, as of June 30, 2012, As Previously Reported	$18,598,007	$6,568,564	$25,166,571	$ 14,371,005
Change in Reporting Entity:				
General	$8		$8	
Underground Parking Garage	$4,259	($4,259)		
Ohio Facilities Construction Commission	($956)		($956)	956
Ohio Water Development Authority Related Organization (Previously a Component Unit)*				(3,268,923)
JobsOhio Component Unit				3,965
Correction of an Error:				
Ohio State University Component Unit				684
Cleveland State University Component Unit				(1,471)
Other Adjustments that Increased/(Decreased) Net Position:				
Ohio Air Quality Development Authority Component Unit				(3)
Kent State University Component Unit				31,078
Total Changes in Net Position	$3,311	($4,259)	($948)	(3,233,714)
Net Position, July 1, 2012, As Restated	$ 18,601,318	$ 6,564,305	$ 25,165,623	$ 11,137,291

Governmental Fund and Proprietary Fund Financial Statements:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Nonmajor Proprietary Funds	Total Proprietary Funds
Net Position, as of June 30, 2012, As Previously Reported	$3,189,993	$2,786,073	$11,316,466	$ 125,219	$ 6,568,564
Change in Reporting Entity:					
General		$20	$20		
Underground Parking Garage	$184		$184	(4,259)	(4,259)
Ohio Facilities Construction Commission	($1,221)		($1,221)		
Total Changes in Net Position	($1,037)	$20	($1,017)	(4,259)	(4,259)
Net Position, July 1, 2012, As Restated	$ 3,188,956	$ 2,786,093	$11,315,449	$ 120,960	$ 6,564,305

*The assessment of reporting entity criteria resulted in the Ohio Water Development Authority being changed from a Discretely Presented Component Unit to a Related Organization.

B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2013, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.*
- Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus.*
- Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
- Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

GASB 60 establishes guidance for accounting and financial reporting for service concession arrangements (SCAs). This Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators by requiring both to account for and report SCAs in the same manner. This improves the comparability of financial statements.

GASB 61 addresses reporting entity issues that have arisen since the issuance of Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations are Component Units*

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)

and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. It also modifies existing requirements for including, presenting, and disclosing information about component units and equity interest transactions.

GASB 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It eliminates the need to determine which FASB and AICPA pronouncements apply to state and local governments for more consistent application of guidance and improved comparability of financial statements.

GASB 63 standardizes financial reporting of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position and improves the comparability of financial statements by providing guidance where none previously existed.

C. Recently Issued GASB Pronouncements
In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The provisions of GASB 65 are effective for financial statements for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It also provides other financial reporting guidance related to the impact of deferred outflows and inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections–2012.* The provisions of GASB 66 are effective for financial statements for periods beginning after December 15, 2012. This statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by providing guidance on (1) accounting for operating lease payments that vary from a straight-line basis, (2) accounting for the difference between the initial investment and the principal amount of a purchased loan or group of loans, and (3) recognition by a transferor for servicing fees related to mortgage loans.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* The provisions of GASB 67 are effective for financial statements for fiscal years beginning after June 15, 2013. This Statement amends Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* by establishing financial reporting standards for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements. Additionally, for defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* The provisions of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2014. This statement amends Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project and discount benefit payments.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The provisions of GASB 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The provisions of GASB 70 are effective for reporting periods beginning after June 15, 2013. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees.

Management is assessing the impact that the new GASB pronouncements will have on the State's financial statements.

D. Extinguishments of Debt

Extinguishments of debt reflected in the State's basic financial statements, as of June 30, 2013 (dollars in thousands) are as follows:

Gain on Extinguishment of Debt

The $273.9 million gain on extinguishment of debt reported in the business-type activities relates to Unemployment Compensation. To assist the State in the repayment of outstanding advances owed to the federal government, the federal government implemented a reduction to the Federal Unemployment Tax Act (FUTA) credit it gives to employers. The additional tax paid by the employers and collected directly by the federal government as a result of the FUTA credit reduction is offset against the State's outstanding advance balance.

Loss on Extinguishment of Debt

The $154.6 million loss on extinguishment of debt reported in the governmental activities relates to the defeasance of all Economic Development and Revitalization Project Bonds and Notes as part of the agreement for franchising the State's spirituous liquor system. See Note 11A for additional information.

E. Special Items-Major Funds

The Special Item reported in the General Fund in the amount of $1.46 billion is for payments received from the franchising of the State's spirituous liquor system. The 25-year franchise was granted during fiscal year 2013 and the agreed-upon consideration was received as a lump sum at the commencement of the franchise.

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 2013. 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 2013, whenever signed into law or otherwise legally authorized.

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

For fiscal year 2013, no excess expenditures over appropriations were reported in individual funds.

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

Primary Government
Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Fund
As of June 30, 2013
(dollars in thousands)

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis	$ 5,240,113	$ 544,466
Less: Nonspendable Fund Balances	59,896	-
Less: Restricted Fund Balances	1,126,686	464,723
Less: Committed Fund Balances	751,615	80,087
Less: Assigned Fund Balances	2,042,246	-
Unassigned Fund Balances — GAAP Basis	1,259,670	(344)
BASIS DIFFERENCES		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer	(45,271)	(241,074)
Taxes Receivable	(1,520,628)	-
Intergovernmental Receivable	(630,869)	(223,472)
Loans Receivable, Net	(1,052,688)	-
Receivables from Component Units	(322)	-
Other Receivables	(189,012)	(364,433)
Deferred Revenue	409,273	66,643
Unearned Revenue	-	349,027
Total Revenue Accruals/Adjustments	(3,029,517)	(413,309)
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer	(76,956)	(9,095)
Inventories	(24,692)	-
Other Assets	(23)	-
Accounts Payable	190,491	96,879
Accrued Liabilities	108,812	17,510
Medicaid Claims Payable	984,909	-
Intergovernmental Payable	865,039	70,708
Interfund Payable	1,340,828	13,907
Payable to Component Units	25,130	386
Refund and Other Liabilities	763,151	4,091
Liability for Escheat Property	11,326	-
Total Expenditure Accruals/Adjustments	4,188,015	194,386
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable	59,896	-
Restricted	1,126,686	464,723
Committed	751,615	80,087
Assigned	2,042,246	-
Cash and Investments Held Outside State Treasury	(835,656)	(2,529)
Other	-	-
Total Other Adjustments	3,144,787	542,281
Total Basis Differences	4,303,285	323,358
TIMING DIFFERENCES		
Encumbrances	(866,077)	(1,027,479)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$ 4,696,878	$ (704,465)

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

of the following three classifications:

Active Deposits – Moneys required to be kept in cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in any of the following: a commercial account that is payable or about to be withdrawn, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account or a designated warrant clearance account.

Inactive Deposits – Those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits – Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- US Treasury bills, notes, bonds or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, and the Ohio Housing Finance Agency;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;
- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under section 135.45, Ohio Revised Code;
- The Treasurer of State's STAR Plus program;
- Debt interest, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, of foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are denominated and payable in U.S. funds; and
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code.

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

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 System Pension Trust Fund, the Tuition Trust

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate and other investments.

B. State-Sponsored Investment Pool

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

C. Deposit and Investment Risks

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

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

1. Custodial Credit Risk

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

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

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

The table below reports the carrying amount of deposits, as of June 30, 2013, held by the primary government, including fiduciary activities, and its major discretely presented component units and the extent of exposure to custodial credit risk.

Primary Government (including Fiduciary Activities) and Major Discretely Presented Component Units
Deposits—Custodial Credit Risk
As of June 30, 2013
(dollars in thousands)

			Uninsured Portion of Reported Bank Balance		
	Carrying Amount	Bank Balance	Uncollateralized	Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government	$ 1,163,728	$ 1,161,053	$ 15,216	$ 281,948	$ 12,136
Major Discretely Presented Component Units:					
Ohio State University	1,043,630	1,015,287	-	-	1,006,614
Ohio Facilities Construction Commission	104	104	-	104	-

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

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

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

The following table reports the fair value, as of June 30, 2013, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk (dollars in thousands).

Primary Government (including Fiduciary Activities)
Investments—Fair Value and Custodial Credit Risk
As of June 30, 2013
(dollars in thousands)

	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
Investments Subject to Custodial Credit Risk Exposure:		
U.S. Government Obligations	$ 15,356,542	$ -
U.S. Government Obligations—Strips	639,389	366,693
U.S. Agency Obligations	12,135,068	-
U.S. Agency Obligations—Strips	332,024	-
Common and Preferred Stock	48,717,561	-
Corporate Bonds and Notes	17,783,304	-
Corporate Bonds and Notes—Strips	109	-
Municipal Obligations	879,465	-
Negotiable Certificates of Deposit	312,972	-
Commercial Paper	6,042,973	-
Repurchase Agreements	703,132	-
Mortgage and Asset-Backed Securities	9,378,139	-
International Investments:		
Foreign Stocks	33,601,848	-
Foreign Bonds	4,473,566	-
High-Yield and Emerging Markets Fixed Income	5,108,611	-
Securities Lending Collateral:		
Common and Preferred Stock	31,628	-
Corporate Bonds and Notes	161,981	-
Commercial Paper	299,286	-
Repurchase Agreements	553,761	-
Bond Mutual Funds	335,242	-
		$ 366,693
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	913,992	
U.S. Government Obligations—Strips	78,020	
U.S. Agency Obligations	360,914	
U.S. Agency Obligations—Strips	2,320	
International Investments-Commingled Equity Funds	8,252,314	
Equity Mutual Funds	15,471,841	
Bond Mutual Funds	7,847,522	
Real Estate	11,583,380	
Venture Capital	14,790,900	
Partnerships and Hedge Funds	7,238,457	
Deposit with Federal Government	193,288	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(301,635)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(109,448)	
Total Investments — Primary Government	$ 223,168,466	

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component units. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.

Major Discretely Presented Component Units
Investment Custodial Credit Risk
As of June 30, 2013
(dollars in thousands)

	Fair Value	Uninsured, Unregistered, and Held by the Counterparty but not in the Component Unit's Name
Ohio State University:		
U.S. Government Obligations	$ 141,466	$ 141,466
U.S. Agency Obligations	179,390	179,390
Common and Preferred Stock	255,365	255,365
Corporate Bonds and Notes	545,725	545,725
Municipal Obligations	11,188	11,188
Negotiable Certificates of Deposit	141,510	141,510
Commercial Paper	21,733	21,733
Repurchase Agreements	51,844	51,844
International Investments:		
Foreign Stocks	114,383	114,383
Foreign Bonds	49,652	49,652
Total Ohio State University		$ 1,512,256

2. Credit Risk

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

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

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

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

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

Workers' Compensation Enterprise Fund
The Fund requires investment-grade ratings by at least two nationally-recognized bond rating services for fixed income securities.

Variable College Savings Plan Private-Purpose Trust Fund
All fixed income securities in non-U.S. Treasury or government sponsored sectors shall carry an investment grade rating by Standard & Poor's or Moody's. The lowest rating considered investment grade is "BBB-" for Standard & Poor's and "Baa3" for Moody's. No more than 20 percent of the fixed income portfolios shall be in the lowest ratings.

STAR Ohio Investment Trust Fund
Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1" or higher. Money market funds must be rated AAA or better by Standard and Poor's.

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

For the Ohio Police and Fire Pension Fund,

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

The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government. For its investments in bond mutual funds separate from the pool, all $1.4 million is rated as AAA/Aaa.

Descriptions of the investment credit ratings are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
D	Currently highly vulnerable to nonpayment for failure to pay by due date

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2013
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 3,113,401	$ 4,382,508	$ 4,989,357	$ -	$ -	$ -
U.S. Agency Obligations—Strips	283,742	50,602	-	-	-	-
Corporate Bonds and Notes	672,745	1,400,422	5,275,597	5,223,141	1,790,697	2,525,989
Corporate Bonds and Notes—Strips	1	41	46	-	-	-
Municipal Obligations	103,427	440,890	329,972	4,464	-	-
Negotiable Certificates of Deposit	-	24,052	19,998	-	-	-
Commercial Paper	2,624,488	561,158	2,857,327	-	-	-
Repurchase Agreements	531,732	96,400	-	-	-	-
Mortgage and Asset-Backed Securities	1,634,489	6,682,535	193,506	196,593	93,615	61,810
International Investments:						
Foreign Bonds	1,280,831	937,603	869,694	1,258,444	69,472	14,287
High-Yield & Emerging Markets Fixed Income	9,489	100,321	606,407	1,385,703	1,066,358	1,202,511
Bond Mutual Funds	1,399,366	2,381,515	25,675	6,931	40,832	9,402
Securities Lending Collateral:						
Corporate Bonds	-	50,290	111,691	-	-	-
Commercial Paper	-	-	254,286	45,000	-	-
Repurchase Agreements	-	65,000	363,761	125,000	-	-
Bond Mutual Funds	335,242	-	-	-	-	-
Total Primary Government	$ 11,988,953	$ 17,173,337	$ 15,897,317	$ 8,245,276	$ 3,060,974	$ 3,813,999

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 10,716	$12,495,982
U.S. Agency Obligations—Strips	-	-	-	-	-	334,344
Corporate Bonds and Notes	776,010	25,061	7	-	93,635	17,783,304
Corporate Bonds and Notes—Strips	-	-	-	-	21	109
Municipal Obligations	-	-	-	-	712	879,465
Negotiable Certificates of Deposit	-	-	-	-	268,922	312,972
Commercial Paper	-	-	-	-	-	6,042,973
Repurchase Agreements	-	-	-	-	75,000	703,132
Mortgage and Asset-Backed Securities	292,188	70,132	42,134	57,298	53,839	9,378,139
International Investments:						
Foreign Bonds	39,690	3,542	1	-	2	4,473,566
High-Yield & Emerging Markets Fixed Income	371,135	28	3,600	523	362,536	5,108,611
Bond Mutual Funds	6,379	-	-	-	3,977,422	7,847,522
Securities Lending Collateral:						
Corporate Bonds	-	-	-	-	-	161,981
Commercial Paper	-	-	-	-	-	299,286
Repurchase Agreements	-	-	-	-	-	553,761
Bond Mutual Funds	-	-	-	-	-	335,242
Total Primary Government	$ 1,485,402	$ 98,763	$ 45,742	$ 57,821	$ 4,842,805	$66,710,389

Major Discretely Presented Component Units
Investment Credit Ratings
As of June 30, 2013
(dollars in thousands)

Ohio State University:	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ -	$ 131,180	$ 1,937	$ 1,537	$ -	$ -
Corporate Bonds and Notes	76,760	82,274	235,992	111,698	8,391	6,146
Municipal Obligations	-	7,430	2,858	-	-	-
Negotiable Certificates of Deposit	-	-	-	-	-	-
Commercial Paper	-	-	19,733	-	-	-
Repurchase Agreements	-	51,844	-	-	-	-
International Investments-Foreign Bonds	6,397	18,263	10,795	3,539	2,163	-
Bond Mutual Funds	115,167	10,936	20,542	9,571	115	-
Total Ohio State University	$ 198,324	$ 301,927	$ 291,857	$ 126,345	$ 10,669	$ 6,146

Ohio State University (continued):	Credit Rating CCC/Caa	CC/Ca	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ 44,736	$ 179,390
Corporate Bonds and Notes	2,581	1,764	15,608	4,511	545,725
Municipal Obligations	-	-	-	900	11,188
Negotiable Certificates of Deposit	-	-	-	141,510	141,510
Commercial Paper	-	-	-	2,000	21,733
Repurchase Agreements	-	-	-	-	51,844
International Investments-Foreign Bonds	-	-	-	8,495	49,652
Bond Mutual Funds	700	-	-	73	157,104
Total Ohio State University	$ 3,281	$ 1,764	$ 15,608	$ 202,225	$ 1,158,146

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

3. Concentration of Credit Risk

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

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

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

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

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

The investment policies of the Treasurer of State's Office also specify that commercial paper is limited to no more than five percent of the issuing corporation's total outstanding commercial paper, and investments in a single issuer are further limited to no more than two percent of the total average portfolio except for the U.S. government obligations, limited at 100 percent; repurchase agreement counterparties, limited at the lesser of five percent or $250 million; and mutual funds, limited at ten percent.

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

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

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

STAR Ohio Investment Trust Fund
Investments in a single issuer are further limited to no more than five percent of the total average portfolio except as follows:

- U.S. Treasury obligations, limited at 100 percent;
- U.S. Agency obligations, limited to 100 percent with no single U.S. Agency exceeding 33 percent unless maturing in 30 days or less and rated AA or higher;
- repurchase agreement counterparties, limited at a maximum of 25 percent for A-1 rated counterparties and at a maximum of 50 percent for A-1+ rated counterparties, with further limitations based on the maturity of the investment;
- mutual funds, limited at 100 percent;
- corporate obligations, limited to 25 percent, with no more than one-half of one percent invested with any single issuer;
- municipal bonds, limited at ten percent;
- commercial paper, limited to 25 percent, with no more than five percent invested with any single issuer; and
- bankers' acceptances, limited at ten percent.

Retirement Systems Agency Fund
For the Ohio Police and Fire Pension Fund, no more than ten percent of the core Fixed Income Portfolio may be invested in the securities of any one issuer, and no more than five percent in any one issuer on a dollar duration basis, with the exception of U.S. government or agency securities. For its High Yield Portfolio, no more than ten percent of the portfolio may be invested in securities of a single issue or issuer, unless approved by the Board of Trustees.

As of June 30, 2013, all investments meet the requirements of the State's law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
Governmental and Business-Type Activities:		
Federal Home Loan Bank	1,910,441	5%
Federal Farm Credit Bank................................	3,379,865	10%
STAR Ohio Investment Trust Fund:		
Federal National Mortgage Association	302,138	9%
Federal Home Loan Bank	1,125,501	33%
Federal Home Loan Mortgage Corporation	351,786	10%
Federal Farm Credit Bank................................	230,712	7%
Ohio Facilities Construction Commission Component Unit Fund:		
Federal National Mortgage Association	13,492	6%
Federal Home Loan Bank	40,956	17%
Federal Home Loan Mortgage Corporation	22,612	10%
Federal Farm Credit Bank................................	73,598	31%

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

4. Interest Rate Risk

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

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments. Policy also limits maturities for specific investment types as follows: two years for corporate notes, 180 days for commercial paper, 90 days for repurchase agreements, 270 days for bankers' acceptances, and five years for foreign debt.

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

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

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

Workers' Compensation Enterprise Fund
Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Capital Fixed Income Index ranges.

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

STAR Ohio Investment Trust Fund
Investment policies limit maturities of investments to a final stated maturity of 397 days or less. Repurchase agreements are limited to maturities of 30 days and both commercial paper and bankers' acceptances are limited to maturities of 270 days.

Retirement Systems Agency Fund
The Public Fixed Income Policy of the Ohio Public Employees Retirement System requires an average effective duration of all defined benefit and health care assets to be within 20 percent of the option-adjusted duration of the Public Fixed Income asset class, excluding Liquidity Funds. Liquidity Funds duration must be within a range of zero to 120 percent of the average option-adjusted duration.

As of June 30, 2013, investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to the interest rate changes. The U.S. agency obligations investment type includes $1.8 billion of investments with call dates during fiscal years 2014 and 2015. The majority of these investments, $1.77 billion, has maturities between fiscal years 2014 and 2018 and is reported in the table on the following page as maturing in one to five years. The remaining $33 million of investments is reported as maturing in six to ten years.

In addition, several investments reported as "Investments" have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of $545.4 million and corporate bonds of $32 million have daily, weekly, monthly, and quarterly reset dates. Commercial paper of $67 million has a 31-day put notice. For "Collateral on Lent Securities," variable rate notes of $140.4 million and commercial paper of $40 million have quarterly reset dates.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The Lottery Commission Enterprise Fund has "Collateral on Lent Securities" with reset dates. Variable rate notes of $21.5 million and commercial paper of $5 million have quarterly reset dates.

Also during fiscal year 2013, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund's investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective retirement system's Comprehensive Annual Financial Report.

The following tables list the investment maturities of the investments for the primary government, including fiduciary activities, and its major discretely presented component units. All investments at June 30, 2013, meet the requirements of the State's laws and policies, when applicable. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government. The Ohio Facilities Construction Commission also holds investments in bond mutual funds of $1.4 million at June 30, 2013, that mature in less than one year.

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2013
(dollars in thousands)

	Investment Maturities (in years)				
Investment Type	Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 2,121,459	$ 7,189,460	$ 3,155,939	$ 3,803,676	$ 16,270,534
U.S. Government Obligations—Strips	213,990	291,430	109,898	102,091	717,409
U.S. Agency Obligations	8,398,702	2,867,800	158,138	1,071,342	12,495,982
U.S. Agency Obligations—Strips	29,092	127,961	145,479	31,812	334,344
Corporate Bonds and Notes	1,032,890	5,002,901	5,857,089	5,890,424	17,783,304
Corporate Bonds and Notes—Strips	-	-	21	88	109
Municipal Obligations	1,262	21,886	13,125	843,192	879,465
Negotiable Certificates of Deposit	312,736	236	-	-	312,972
Commercial Paper	6,042,973	-	-	-	6,042,973
Repurchase Agreements	703,132	-	-	-	703,132
Mortgage and Asset-Backed Securities	47,992	758,460	448,227	8,123,460	9,378,139
International Investments:					
Foreign Bonds	310,803	1,199,026	801,481	2,162,256	4,473,566
High-Yield & Emerging Markets Fixed Income	264,409	1,244,283	2,523,295	1,076,624	5,108,611
Bond Mutual Funds	5,839,291	723,998	1,255,020	29,213	7,847,522
Securities Lending Collateral:					
Corporate Bonds	161,981	-	-	-	161,981
Commercial Paper	299,286	-	-	-	299,286
Repurchase Agreements	553,761	-	-	-	553,761
Bond Mutual Funds	335,242	-	-	-	335,242
Total Primary Government	$ 26,669,001	$ 19,427,441	$ 14,467,712	$ 23,134,178	$ 83,698,332

Major Discretely Presented Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2013
(dollars in thousands)

	Investment Maturities (in years)				
Ohio State University:	Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 27,707	$ 91,981	$ 6,650	$ 15,128	$ 141,466
U.S. Agency Obligations	18,361	80,686	18,019	62,324	179,390
Corporate Bonds and Notes	84,475	379,784	25,387	56,079	545,725
Municipal Obligations	1,514	6,189	1,365	2,120	11,188
Negotiable Certificates of Deposit	141,510	-	-	-	141,510
Commercial Paper	21,733	-	-	-	21,733
Repurchase Agreements	51,844	-	-	-	51,844
International Investments-Foreign Bonds	9,540	26,783	9,812	3,517	49,652
Bond Mutual Funds	6,352	66,481	26,563	57,708	157,104
Total Ohio State University	$ 363,036	$ 651,904	$ 87,796	$ 196,876	$ 1,299,612

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates.

As of June, 30, 2013, investments denominated in the currency of foreign nations, as detailed in the following tables for the primary government, including fiduciary activities, and its major discretely presented component units, meet the requirements of the State's laws and policies, when applicable.

Primary Government (including Fiduciary Activities)
International Investments—Foreign Currency Risk
As of June 30, 2013
(dollars in thousands)

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	
Argentinean Peso	$ 49	$ -	$ 178	$ -	$ 227
Australian Dollar	1,084,578	10,608	-	121,827	1,217,013
Brazilian Real	638,437	2,739	155,393	103,672	900,241
British Pound	4,302,065	297,715	37,703	539,466	5,176,949
Bulgarian Lev	299	-	-	-	299
Canadian Dollar	1,217,247	206,511	1,768	158,159	1,583,685
Chilean Peso	61,344	-	12,920	15,331	89,595
Chinese Yuan	-	-	-	64,683	64,683
Costa Rican Colon	-	-	12,854	-	12,854
Colombian Peso	11,121	-	60,260	10,000	81,381
Czech Koruna	22,910	-	-	2,104	25,014
Danish Krone	317,320	-	-	16,847	334,167
Dominican Peso	-	-	16,228	-	16,228
Egyptian Pound	7,129	-	57	1,131	8,317
Euro	6,288,028	603,994	193,728	494,764	7,580,514
Ghana Cedi	-	-	15,771	-	15,771
Hong Kong Dollar	1,951,779	-	-	195,973	2,147,752
Hungarian Forint	16,913	-	52,086	1,862	70,861
Indian Rupee	508,891	-	447	55,208	564,546
Indonesian Rupiah	218,331	-	68,070	24,127	310,528
Israeli Shekel	69,675	-	1,126	7,682	78,483
Japanese Yen	4,892,547	-	-	305,721	5,198,268
Malaysian Ringgit	200,344	-	101,137	31,245	332,726
Mexican Peso	261,439	1,449	221,926	43,799	528,613
Moroccan Dirham	507	-	-	393	900
New Zealand Dollar	32,566	2,041	-	1,902	36,509
Nigerian Naira	8,449	-	2,286	332	11,067
Norw egian Krone	318,661	-	24,802	12,418	355,881
Omani Rial	2,830	-	-	-	2,830
Peruvian New Sol	1,383	-	12,656	2,112	16,151
Philippines Peso	76,412	-	30,892	11,728	119,032
Polish Zloty	97,407	-	122,890	13,345	233,642
Qatari Rial	13,147	-	-	-	13,147
Renminbi Yuan	(15)	-	-	765	750
Romanian Leu	-	-	6,894	2,521	9,415
Russian Ruble	2,667	-	129,035	54,538	186,240
Singapore Dollar	339,327	-	-	63,322	402,649
South African Rand	568,385	-	129,680	55,245	753,310
South Korean Won	1,226,857	-	10,449	122,337	1,359,643
Sw edish Krona	456,879	98,123	-	50,901	605,903
Sw iss Franc	1,538,024	-	-	139,705	1,677,729
Taiw an Dollar	505,920	-	-	100,203	606,123
Thailand Baht	394,047	-	45,832	22,016	461,895
Turkish Lira	293,555	-	141,834	22,017	457,406
Uganda Shilling	-	-	6,014	-	6,014
Uruguayan Peso	-	451	39,410	-	39,861
Investments Held in Foreign Currency	$27,947,454	$ 1,223,631	$ 1,654,326	$ 2,869,401	$33,694,812
Foreign Investments Held in U.S. Dollars					17,741,527
Total Foreign Investments-Primary Government, including Fiduciary Activities					$51,436,339

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
International Investments—Foreign Currency Risk
As of June 30, 2013
(dollars in thousands)

Ohio State University:

Currency	Stocks	Bonds	Total
Australian Dollar	$ 730	$ 492	$ 1,222
Brazilian Real	6,650	(293)	6,357
British Pound	12,182	4,274	16,456
Canadian Dollar	422	1,505	1,927
Chilean Peso	1,197	-	1,197
Czech Koruna	1,021	-	1,021
Danish Krone	-	1,002	1,002
Egyptian Pound	786	-	786
Euro	11,620	17,080	28,700
Hong Kong Dollar	15,481	-	15,481
Indian Rupee	5,147	-	5,147
Indonesian Rupiah	1,224	298	1,522
Japanese Yen	3,701	4,008	7,709
Malaysian Ringgit	97	290	387
Mexican Peso	1,463	4,488	5,951
South African Rand	6,397	1,386	7,783
Sri Lankan Rupee	9,439	770	10,209
Swedish Krona	512	-	512
Swiss Franc	8,896	-	8,896
Taiwan Dollar	6,925	-	6,925
Thailand Baht	519	-	519
Turkish Lira	1,613	-	1,613
United Arab Emirates Dirham	1,135	-	1,135
Investments Held in Foreign Currency	$ 97,157	$ 35,300	$ 132,457
Foreign Investments Held in U.S. Dollars			31,578
Total Foreign Investments - Ohio State University			$ 164,035

The State's laws and investment policies include provisions to limit the exposure to this type of risk. According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation.

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

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

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to 25 percent of the total Fixed Income assets. Additionally, no more than 30 percent of the Fixed Income assets may be from non-U.S. issuers.

D. Securities Lending Transactions

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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

Consequently, as of June 30, 2013, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

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

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

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

During fiscal year 2013, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2013, the Treasurer of State lent U.S. government and agency obligations in exchange for cash collateral.

E. Investment Derivatives

As of June 30, 2013, the State reports the following investment derivatives in its financial statements (dollars in thousands):

Investment Derivatives
As of June 30, 2013
(dollars in thousands)

		Fair Value at 6/30/2013		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$ 131,100	$ (13,903)	Other Noncurrent Liability	$ 8,799	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Call options	18,325	(157)	Investments	364	Investment Income
Credit default swaps	83,560	(311)	Investments	(94)	Investment Income
Credit linked notes	1,496	1,496	Investments	(4,737)	Investment Income
Equity swaps	1,339,303	(41,632)	Investments	(85,448)	Investment Income
Foreign exchange forward currency contracts	9,008,983	133,392	Investments	160,765	Investment Income
Futures contracts	174,476	(1,278)	Investments	(5,334)	Investment Income
Interest rate swap	123,750	(476)	Investments	171	Investment Income
Options	189,600	7,374	Investments	7,305	Investment Income
Put options	3,250	60	Investments	44	Investment Income
Total return swaps	872,841	69	Investments	(13,198)	Investment Income
Warrants	179	791	Investments	(16)	Investment Income
Major Discretely Presented Component Units:					
Investment Derivatives:					
Ohio State University:					
Pay-fixed interest rate swaps	-	-	Accounts Payable	2,400	Other Revenues

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2013, and are reported as investment derivatives. The increases in the fair values for fiscal year 2013 of $8.8 million are reported as operating restricted investment gains for the primary, secondary and other education function in the Statement of Activities.

The credit quality ratings of JPMorgan Chase, the counterparty, are Aa3/A+ as of June 30, 2013. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2013. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

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

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 65 percent of the 1 month LIBOR rate plus 20 basis points. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio have entered into the derivatives reported in the Agency Fund. All derivatives of these retirement systems are categorized as investment derivatives. The fair values and associated risks of the investment derivatives for the Agency Fund are included in the balances and risks disclosed in the previous sections of this note disclosure.

NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2013, approximately $137.9 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately $761.3 million are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Position and in the General Fund on the governmental funds' Balance Sheet.

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

	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Current-Due Within One Year:			
Income Taxes	$ 440,158	$ -	$ 440,158
Sales Taxes	435,225	-	435,225
Motor Vehicle Fuel Taxes	148,056	86,709	234,765
Commercial Activity Taxes	389,287	-	389,287
Public Utility Taxes	82,487	-	82,487
Casino Taxes	-	3,612	3,612
	1,495,213	90,321	1,585,534
Noncurrent-Due in More Than One Year:			
Income Taxes	25,415	-	25,415
Taxes Receivable, Net	$1,520,628	$ 90,321	$ 1,610,949

NOTE 5 RECEIVABLES (Continued)

B. Intergovernmental Receivable – Primary Government

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2013 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		
	Federal Government	Local Government	Other State Governments	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$ 630,337	$ 532	$ -	$ -	$ 630,869
Job, Family and Other Human Services	181,161	42,311	-	-	223,472
Nonmajor Governmental Funds	345,094	56,282	-	13,881	415,257
Total Governmental Activities	1,156,592	99,125	-	13,881	1,269,598
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	249	-	249
Nonmajor Proprietary Funds	-	-	-	9,468	9,468
Total Business-Type Activities	-	-	249	9,468	9,717
Intergovernmental Receivable	$ 1,156,592	$ 99,125	$ 249	$ 23,349	$ 1,279,315

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2013, are detailed in the following table (dollars in thousands):

Primary Government - Loans Receivable

	Governmental Activities		
Loan Program	General	Nonmajor Governmental Funds	Total Primary Government
Economic Development			
Office of Loan Administration	$ 448,593	$ -	$ 448,593
Local Infrastructure Improvements	426,095	-	426,095
Housing Finance	162,991	-	162,991
Highway, Transit,			
& Aviation Infrastructure Bank	-	69,959	69,959
School District Solvency Assistance	10,501	-	10,501
Brownfield Revolving Loan	-	3,040	3,040
Wayne Trace Local School District	2,899	-	2,899
Rail Development	-	1,169	1,169
Office of Minority Financial Incentives	1,609	-	1,609
Loans Receivable, Net	1,052,688	74,168	1,126,856
Current-Due Within One Year	83,873	13,446	97,319
Noncurrent-Due in More Than One Year	968,815	60,722	1,029,537
Loans Receivable, Net	$ 1,052,688	$ 74,168	$ 1,126,856

The “Loans Receivable” balance reported in the major discretely presented component units, as of June 30, 2013, is comprised of student loans and other miscellaneous loans.

NOTE 5 RECEIVABLES (Continued)

D. Other Receivables

The other receivables balances reported for the primary government, as of June 30, 2013, consist of the following (dollars in thousands):

Primary Government - Other Receivables

	Governmental Activities				
	Major Governmental Funds				
Types of Receivables	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Manufacturers' Rebates	$ 141,420	$ 246,993	$ -	$ 469	$ 388,882
Tobacco Settlement	-	-	362,785	72,719	435,504
Health Facility Bed Assessments	-	105,782	-	-	105,782
Interest	4,658	-	43	110	4,811
Accounts	6,306	10,993	-	1,301	18,600
Environmental Legal Settlements	-	-	-	5,026	5,026
Miscellaneous	36,628	665	-	2,450	39,743
Other Receivables, Net	189,012	364,433	362,828	82,075	998,348
Current-Due Within One Year	189,012	364,433	43	9,356	562,844
Noncurrent-Due in More Than One Year	-	-	362,785	72,719	435,504
Other Receivables, Net	$ 189,012	$ 364,433	$ 362,828	$ 82,075	$ 998,348

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 135,961	$ -	$ 95,025	$ 536	$ 231,522
Interest and Dividends (including restricted portion)	141,192	1,815	-	1,121	144,128
Lottery Sales Agents	-	57,748	-	-	57,748
Other Receivables, Gross	277,153	59,563	95,025	1,657	433,398
Estimated Uncollectible	(1,129)	(51)	(43,684)	-	(44,864)
Other Receivables, Net-Due Within One Year	$ 276,024	$ 59,512	$ 51,341	$ 1,657	$ 388,534
Total Primary Government					$ 1,386,882

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2013, is comprised of interest due of approximately $5.4 million, investment trade receivable of $137.6 million, and miscellaneous receivables of $1.3 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2013, is comprised of accounts receivable, interest receivable, pledges receivable, unbilled charges receivable, grants receivable, and other miscellaneous receivables.

NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government, as of June 30, 2013, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$ 108,812	$ -	$ 108,812
Job, Family and Other Human Services	17,510	-	17,510
Nonmajor Governmental Funds	64,056	-	64,056
	190,378	-	190,378
Reconciliation of fund level statements to government-wide statements due to basis differences	-	169,221	169,221
Total Governmental Activities	190,378	169,221	359,599
Business-Type Activities:			
Nonmajor Proprietary Funds	3,447	-	3,447
Total Primary Government	$ 193,825	$ 169,221	$ 363,046

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2012)	$ 22,980	$ 667	$ -	$ 23,647
Variable College Savings Plan Private-Purpose Trust	-	-	2,790	2,790
STAR Ohio Investment Trust	-	-	7	7
Total Fiduciary Activities	$ 22,980	$ 667	$ 2,797	$ 26,444

The “Accrued Liabilities” balance reported in the major discretely presented component units, as of June 30, 2013, is comprised largely of payables similar to those of the primary government, such as wages and employee benefits, self-insurance, and accrued interest.

NOTE 6 PAYABLES (Continued)

B. Intergovernmental Payable
The intergovernmental payable balances for the primary government, as of June 30, 2013, are comprised of the following (dollars in thousands).

Primary Government - Intergovernmental Payable	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ 746,650	$ 80,821	$ 36,099	$ 1,469	$ 865,039
Job, Family and Other Human Services	-	70,708	-	-	70,708
Nonmajor Governmental Funds	88,263	123,864	-	-	212,127
Total Governmental Activities	834,913	275,393	36,099	1,469	1,147,874
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	433	1,555,295	-	1,555,728
	-	433	1,555,295	-	1,555,728
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the business-type financial statements	-	-	(1,554,298)	-	(1,554,298)
Total Business-Type Activities	-	433	997	-	1,430
Total Primary Government					$ 1,149,304
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ -	$ 1,389	$ 12,221	$ 13,610
Payroll Withholding and Fringe Benefits Agency Fund	-	26,492	-	-	26,492
Other Agency Fund	137,766	7,714	-	-	145,480
Total Fiduciary Activities	$ 137,766	$ 34,206	$ 1,389	$ 12,221	$ 185,582

As of June 30, 2013, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately $585.7 million for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Position, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities." The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

NOTE 6 PAYABLES (Continued)

C. Refund and Other Liabilities

Refund and other liabilities for the primary government, as of June 30, 2013, consist of the balances, as follows (dollars in thousands):

Primary Government - Refund and Other Liabilities

	Personal Income Tax Estimated Refund Claims	Other	Total
Governmental Activities:			
Major Governmental Funds:			
General	$ 763,151	$ -	$ 763,151
Job, Family and Other Human Services	-	4,091	4,091
Nonmajor Governmental Funds	-	695	695
Total Governmental Activities	$ 763,151	$ 4,786	$ 767,937

	Reserve for Compensation Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$1,885,900	$86,486	$25,216	$ -	$1,842,358	$3,839,960
Lottery Commission	-	64,862	3,449	33,009	1,835	103,155
Unemployment Compensation	-	8,010	-	-	-	8,010
Nonmajor Proprietary Funds	-	15	8,264	-	1,899	10,178
	1,885,900	159,373	36,929	33,009	1,846,092	3,961,303
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the government-wide financial statements	(1,885,900)	(86,486)	(36,929)	(33,009)	(1,557,536)	(3,599,860)
Total Business-Type Activities	$ -	$ 72,887	$ -	$ -	$ 288,556	$ 361,443
Total Primary Government						$ 1,129,380

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2012)	$ -	$ -	$ -	$ -	$ 82	$ 82
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	139,749	139,749
STAR Ohio Investment Trust	-	-	-	-	209	209
Agency Funds:						
Holding and Distribution	-	10,265	-	-	-	10,265
Centralized Child Support Collections	62,119	-	-	-	-	62,119
Retirement Systems	-	-	-	175,762,665	-	175,762,665
Payroll Withholding and Fringe Benefits	-	-	99,317	-	-	99,317
Other	-	390,941	-	71,888	162,597	625,426
Total Fiduciary Activities	$ 62,119	$ 401,206	$ 99,317	$ 175,834,553	$ 302,637	$ 176,699,832

In the major discretely presented component units, the “Refunds and Other Liabilities” balance reported, as of June 30, 2013, is comprised largely of payables similar to the primary government, such as refund and security deposits, compensated absences, capital leases, and other miscellaneous payables.

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

A. Interfund Balances

Interfund balances, as of June 30, 2013, consist of the following (in thousands):

	Due To		
	Governmental Activities		
Due from	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Major Governmental Funds:			
General	$ 845,018	$ 1,061	$ 846,079
Nonmajor Governmental Funds	-	1,413	1,413
Total Governmental Activities	845,018	2,474	847,492
Total Primary Government	$ 845,018	$ 2,474	$ 847,492

	Business-Type Activities				
Due from	Workers' Compensation	Lottery Commission	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:					
General	$ 486,229	$ -	$ 8,520	$ 494,749	$1,340,828
Job, Family and Other Human Services	13,907	-	-	13,907	13,907
Nonmajor Governmental Funds	165,230	1,518	-	166,748	168,161
Total Governmental Activities	665,366	1,518	8,520	675,404	1,522,896
Business-Type Activities:					
Major Proprietary Funds:					
Lottery Commission	1,804	-	-	1,804	1,804
Nonmajor Proprietary Funds	7,391	-	-	7,391	7,391
Total Business-Type Activities	9,195	-	-	9,195	9,195
Total Primary Government	$ 674,561	$ 1,518	$ 8,520	$ 684,599	$1,532,091

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

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized $674.6 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 Position, the State includes the liability in the internal balance reported for governmental activities.

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

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2013, consist of the following (dollars in thousands):

	Transferred to			
	Governmental Activities			
Transferred from	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Total
Major Governmental Funds:				
General	$ -	$ 21,609	$ 2,879,733	$2,901,342
Job, Family and Other Human Services	-	-	41,132	41,132
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	14,048	14,048
Nonmajor Governmental Funds	257,328	-	124,627	381,955
Total Governmental Activities	257,328	21,609	3,059,540	3,338,477
Major Proprietary Funds:				
Workers' Compensation	-	-	14,769	14,769
Lottery Commission	-	-	803,466	803,466
Unemployment Compensation	-	-	3,513	3,513
Nonmajor Proprietary Funds	288,028	-	-	288,028
Total Business-Type Activities	288,028	-	821,748	1,109,776
Total Primary Government	$ 545,356	$ 21,609	$ 3,881,288	$4,448,253

	Business-Type Activities	
Transferred from	Nonmajor Proprietary Funds	Total Primary Government
Major Governmental Funds:		
General	$ 26,889	$2,928,231
Job, Family and Other Human Services	-	41,132
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	14,048
Nonmajor Governmental Funds	-	381,955
Total Governmental Activities	26,889	3,365,366
Major Proprietary Funds:		
Workers' Compensation	-	14,769
Lottery Commission	-	803,466
Unemployment Compensation	-	3,513
Nonmajor Proprietary Funds	-	288,028
Total Business-Type Activities	-	1,109,776
Total Primary Government	$ 26,889	$4,475,142

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

C. Discretely Presented Component Units

For fiscal year 2013, the discretely presented component units reported $1.88 billion in state assistance revenue from the primary government in the Statement of Activities.

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

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

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

The primary government also transferred bond proceeds to the Ohio Facilities Construction Commission to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. This assistance is included as a receivable of the Buckeye Tobacco Settlement Financing Authority for $3.71 billion and is being amortized over the projected payment period of the future tobacco settlement receipts.

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

Primary Government
(dollars in thousands)

	Receivable from the Component Units	Payable to the Component Units	Program Expenses for State Assistance to Component Units: Primary, Secondary, and Other Education Function	Higher Education Support Function	Total State Assistance to the Component Units
Major Governmental Funds:					
General	$ 322	$ 25,131	$ 91,955	$1,656,164	$ 1,748,119
Job, Family and Other Human Services	-	386	-	-	-
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	3,705,427	-	-	-	-
Nonmajor Governmental Funds	-	9,530	-	130,610	130,610
Total Governmental Activities	3,705,749	35,047	91,955	1,786,774	1,878,729
Total Primary Government	$ 3,705,749	$ 35,047	$ 91,955	$1,786,774	$ 1,878,729

Discretely Presented Component Units
(dollars in thousands)

	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistance from the Primary Government
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	$ -	$3,705,428	$ 60,899
Ohio State University	7,833	-	507,779
Nonmajor Discretely Presented Component Units	27,214	564	1,310,051
	35,047	3,705,992	1,878,729
Variance Due to Year-End Differences (June 30 versus December 31)	-	(243)	-
Total Discretely Presented Component Units	$ 35,047	$3,705,749	$ 1,878,729

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2013, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,154,598	$ 87,712	$ (365)	$ 2,241,945
Buildings	60,998	374	-	61,372
Land Improvements	1,416	-	-	1,416
Construction-in-Progress	1,369,486	330,144	(248,440)	1,451,190
Infrastructure:				
Highway Network:				
General Subsystem	8,588,032	-	(20,658)	8,567,374
Priority Subsystem	8,195,288	107,227	(4,555)	8,297,960
Bridge Network	2,964,043	25,262	(57,321)	2,931,984
Total Capital Assets Not Being Depreciated	23,333,861	550,719	(331,339)	23,553,241
Other Capital Assets:				
Buildings	3,541,787	70,168	(3,511)	3,608,444
Land Improvements	447,295	17,022	(1,042)	463,275
Machinery and Equipment	893,112	53,096	(52,035)	894,173
Vehicles	322,981	57,068	(30,624)	349,425
Infrastructure:				
Parks, Recreation and Natural Resources Network	100,867	8,741	(1,121)	108,487
Total Other Capital Assets at Historical Cost	5,306,042	206,095	(88,333)	5,423,804
Less Accumulated Depreciation for:				
Buildings	1,916,634	111,501	(1,066)	2,027,069
Land Improvements	263,592	22,066	(955)	284,703
Machinery and Equipment	645,557	44,374	(36,618)	653,313
Vehicles	183,537	29,238	(25,710)	187,065
Infrastructure:				
Parks, Recreation and Natural Resources Network	19,040	4,044	(94)	22,990
Total Accumulated Depreciation	3,028,360	211,223	(64,443)	3,175,140
Other Capital Assets, Net	2,277,682	(5,128)	(23,890)	2,248,664
Governmental Activities - Capital Assets, Net	$ 25,611,543	$ 545,591	$ (355,229)	$ 25,801,905
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 11,994	$ -	$ -	$ 11,994
Construction-In Progress	7,324	23,389	-	30,713
Total Capital Assets Not Being Depreciated	19,318	23,389	-	42,707
Other Capital Assets:				
Buildings	227,079	-	(17,766)	209,313
Land Improvements	66	-	-	66
Machinery and Equipment	147,376	10,254	(3,889)	153,741
Vehicles	5,249	89	(2,561)	2,777
Total Other Capital Assets at Historical Cost	379,770	10,343	(24,216)	365,897
Less Accumulated Depreciation for:				
Buildings	159,574	6,964	(13,967)	152,571
Land Improvements	57	1	-	58
Machinery and Equipment	92,353	24,508	(3,306)	113,555
Vehicles	2,940	307	(1,535)	1,712
Total Accumulated Depreciation	254,924	31,780	(18,808)	267,896
Other Capital Assets, Net	124,846	(21,437)	(5,408)	98,001
Business-Type Activities - Capital Assets, Net	$ 144,164	$ 1,952	$ (5,408)	$ 140,708

NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2013, the State charged depreciation expense to the following functions (dollars in thousands):

Governmental Activities:	***Depreciation Expense***
Primary, Secondary and Other Education	$ 953
Public Assistance and Medicaid	3,321
Health and Human Services	19,563
Justice and Public Protection	61,475
Environmental Protection and Natural Resources	20,709
Transportation	131,381
General Government	70,996
Community and Economic Development	7,921
Total Depreciation Expense for Governmental Activities	316,319
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(105,096)
Fiscal Year 2013 Increases to Accumulated Depreciation	$ 211,223
Business-Type Activities:	
Workers' Compensation	$ 9,655
Lottery Commission	21,600
Tuition Trust Authority	51
Office of Auditor of State	429
Total Depreciation Expense for Business-Type Activities	31,735
Gains (Losses) on Capital Asset Disposals Included in Depreciation	45
Fiscal year 2013 Increase to Accumulated Depreciation	$ 31,780

As of June 30, 2013, the State considered the following governmental capital asset balances as being temporarily impaired and removed from service (dollars in thousands).

Governmental Activities:	***Net Book Value***
Temporarily Impaired Assets Removed from Service:	
Buildings	$ 44,537
Land Improvements	230
Construction-In-Progress	2,280
Total	$ 47,047

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Units

Capital asset activity, for the year ended June 30, 2013, reported for major discretely presented component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Discretely Presented Component Units			
	Balance July 1, 2012 (as restated)	Increases	Decreases	Balance June 30, 2013
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$ 75,683	$ 1,173	$ (1,871)	$ 74,985
Construction-in-Progress	911,390	658,034	(706,804)	862,620
Patents and Trademarks	7,913	10,500	-	18,413
Total Capital Assets Not Being Depreciated	994,986	669,707	(708,675)	956,018
Other Capital Assets:				
Buildings	4,124,034	370,350	(915)	4,493,469
Land Improvements	313,657	199,804	(6,921)	506,540
Machinery, Equipment and Vehicles	1,048,097	101,791	(51,340)	1,098,548
Library Books and Publications	162,250	4,655	(932)	165,973
Total Other Capital Assets at Historical Cost	5,648,038	676,600	(60,108)	6,264,530
Less Accumulated Depreciation for:				
Buildings	1,758,752	147,334	(18,593)	1,887,493
Land Improvements	192,068	16,330	(3,791)	204,607
Machinery, Equipment and Vehicles	704,704	98,192	(38,086)	764,810
Library Books and Publications	145,149	2,866	(931)	147,084
Total Accumulated Depreciation	2,800,673	264,722	(61,401)	3,003,994
Other Capital Assets, Net	2,847,365	411,878	1,293	3,260,536
Total Capital Assets, Net	$ 3,842,351	$1,081,585	$ (707,382)	$ 4,216,554

For fiscal year 2013, Ohio State University reported approximately $264.7 million in depreciation expense.

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 (unless otherwise excluded in Ohio Revised Code), are eligible to be covered by one of the following retirement plans:

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

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

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

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

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit but prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Senate Bill 343 was signed into law in September 2012. The pension changes included in the bill modify the retirement eligibility criteria and benefits to provide for longer life expectancies of members. The pension plan design changes also include updated benefits to the disability program, which addresses eligibility for members to return to work. Other changes include updated provisions such as the cost of purchasing service credit and the impact of retiring early with a reduced retirement benefit.

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

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

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

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, payments for a guaranteed period, payments for a specific monthly amount, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS 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 cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected, and cannot result in a monthly allowance that is less than 50 percent of that monthly amount.

Employer and employee required contributions to OPERS are established by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contribution rates for fiscal year 2013, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2012 through June 30, 2013	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2012 through December 31, 2012	12.10%	18.10%
January 1, 2013 through June 30, 2013	12.60%	18.10%

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

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

	2013	2012	2011
Primary Government:			
Regular Employees	$ 297,367	$ 266,051	$ 267,671
Law Enforcement Employees	4,460	4,277	4,235
Total	$ 301,827	$ 270,328	$ 271,906
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	$ 612	$ 429	$ 378
Ohio State University	125,745	104,451	97,145

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

	2013	2012	2011
Primary Government:			
Employer Contributions	$ 8,130	$ 6,343	$ 6,037
Employee Contributions	13,873	13,251	12,825
Major Discretely Presented Component Units:			
Ohio State University:			
Employer Contributions	4,614	3,439	2,942
Employee Contributions	8,726	7,915	6,864

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

Other Postemployment Benefits (OPEB)

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll of active members. For fiscal year 2013, state employers contributed at a rate of 14 percent of covered payroll and law enforcement employers contributed at 18.1 percent. These are the maximum contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

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

	Employer Share	
	Defined Benefit Plan	Combined Plan
July 1, 2012 through December 31, 2012	4.00%	6.05%
January 1, 2013 through June 30, 2013	1.00%	1.00%

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

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the healthcare fund after the end of the transition period.

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

	2013	2012	2011
Primary Government:			
Regular Employees	$ 69,437	$ 108,138	$ 128,257
Law Enforcement Employees	757	1,213	1,426
Total	$ 70,194	$ 109,351	$ 129,683
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	$ 136	$ 176	$ 178
Ohio State University	27,816	42,800	45,894

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2013, employers paid 4.5 percent of their share into members' accounts. An employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after five years of credited service. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

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

	2013	2012	2011
Primary Government	$ 2,011	$ 3,270	$ 3,112
Major Discretely Presented Component Units:			
Ohio State University	1,075	1,773	1,516

The number of active contributing participants for the primary government was 50,427, as of June 30, 2013.

Early Retirement Incentives (ERI)

State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when terminating a number of employees that equals or exceeds the lesser of 350 employees or 40 percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date. The amount of service credit offered cannot exceed five years.

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

As of June 30, 2013, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2013, the State incurred expenditures/expenses totaling $2.4 million for employees who entered into ERI agreements with the State.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

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

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

The Ohio Legislature passed Substitute Senate Bill 342 in September 2012. The pension reform bill went into effect January 2013 with most plan changes starting July 1, 2013 or later. Provisions in the new law are projected to reduce accrued liabilities, preserve the defined benefit plan, and allow STRS to maintain a one percent employer contribution rate to its healthcare fund. Changes to the pension plan include increasing the age and

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

service requirements for retirement, increasing the period for determining final average salary, changing to a lower fixed benefit formula, increasing the member contributions to the system, and reducing the cost of living adjustment.

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

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

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

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

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

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

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

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

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contribution rates for fiscal year 2013 were 14 percent for employers and ten percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13 percent of the employer rate is used to fund pension obligations. For the defined contribution plan, 10.5 percent of the employer's share is deposited into individual employee accounts, while 3.5 percent is paid to the defined benefit plan.

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

	2013	2012	2011
Primary Government	$ 5,616	$ 6,006	$ 6,571
Major Discretely Presented Component Units:			
Ohio State University	44,795	42,973	41,446

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

	2013	2012	2011
Primary Government:			
Employer Contributions	$ 101	$ 96	$ 102
Employee Contributions	146	124	32
Major Discretely Presented Component Units:			
Ohio State University:			
Employer Contributions	5,061	4,106	3,679
Employee Contributions	5,880	4,836	4,168

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

Other Postemployment Benefits (OPEB)
Ohio law authorizes STRS to offer a cost-sharing, multiple-employer healthcare plan. STRS provides access to healthcare to eligible retirees who participate in the defined benefit plan or combined plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Retirees enrolled in the defined contribution plan receive no post-employment healthcare benefits.

Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the healthcare plan. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Under Ohio law, funding for the post-employment healthcare may be deducted from employer contributions. Of the 14 percent employer contribution rate, one percent of the covered payroll was allocated to post-employment healthcare. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2012 (the most recent information available), net position available for future healthcare benefits were $3.06 billion. Employer contributions required and made for the last three fiscal years for the defined benefit and the defined benefit portion of the combined plans were as follows (dollars in thousands):

	2013	2012	2011
Primary Government	$ 432	$ 462	$ 505
Major Discretely Presented Component Units:			
Ohio State University	3,446	3,306	3,188

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The number of eligible benefit recipients for STRS as a whole was 160,581, as of June 30, 2012 (the most recent information available); a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2013, is unavailable.

C. State Highway Patrol Retirement System (SHPRS)
SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Blvd., Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 430-3558.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. In addition to providing pension benefits, SHPRS is authorized by Chapter 5505, Ohio Revised Code, to provide a post-employment healthcare plan, which is considered to be an other post-employment benefit.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than nine percent of the total salaries of contributing members.

Substitute Senate Bill 345 was signed into law in September 2012. The main components of the bill grant the SHPRS Board authority to set employee contribution rates and cost of living adjustment rates. Employee contribution rates will range between ten and 14 percent and cost of living adjustments will range between zero and three percent. The bill also increases the final average salary period from three years to five years for members retiring after 2014. The cost of living adjustment eligibility age increases from 53 years to 60 years of age.

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

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

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

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

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Benefits

The employer and employee contribution rates, as of December 31, 2012, were 26.5 percent and ten percent, respectively.

During calendar year 2012, all of the employees' contributions funded pension benefits while 24.75 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

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

Annual Required Contribution (ARC)	$ 30,488
Interest on Net Pension Obligation	671
Adjustment to ARC	(476)
Annual Pension Cost	30,683
Contributions Made	(23,766)
Increase (Decrease) in Net Pension Obligation	6,917
Net Pension Obligation, Beginning of Year	8,389
Net Pension Obligation, End of Year	$ 15,306

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

For the Year Ended December 31,	Annual Pension Cost	Percentage of Employer's Annual Pension Cost Contributed	Net Pension Obligation
2012	$ 30,683	77.5%	$ 15,306
2011	27,056	84.9%	8,389
2010	22,932	92.5%	4,298

As of December 31, 2012, the most recent actuarial valuation date, the plan was 68.1 percent funded. The actuarial accrued liability was $966.3 million, and the actuarial value of assets was $658.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $307.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $98.1 million, and the ratio of the UAAL to the covered payroll was 313.8 percent.

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

SHPRS Schedule of Funding Progress Last Three Calendar Years-Pension

(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)
2012	$ 966,310	$ 658,429	$ 307,881	68.1%	$ 98,117	313.8%
2011	1,047,700	623,360	424,340	59.5%	93,126	455.7%
2010	1,017,770	630,971	386,799	62.0%	94,768	408.2%

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2012. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an eight-percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from 0.3 percent to ten percent attributable to seniority and merit; price inflation was assumed to be at least four percent a year; and postretirement increases each year equal to three percent after the retiree reaches age 53. Maximum contribution rates were not considered in the projection of actuarially accrued liabilities for pension benefits. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over an open period of 30 years. Based upon significant declines in investment values during 2008, the SHPRS actuary was unable to amortize unfunded actuarially accrued pension liabilities over a finite period. Without plan design changes, the system is unlikely to be able to pay off future liabilities.

Other Post Employment Benefits (OPEB)

The healthcare coverage provided by SHPRS is considered to be an OPEB as described in GASB Statement 45. Healthcare benefits are not guaranteed and are subject to change at any time. The OPEB valuation is based on the substantive plan as it is currently presented to plan members, including a historical pattern of cost-sharing between the plan and benefit recipients.

During calendar year 2012, 3.65 percent of the employer’s contributions funded healthcare benefits. Active members do not make contributions to the OPEB plan. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The number of active contributing plan participants, as of December 31, 2012, was 1,645.

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

Annual Required Contribution (ARC)	$ 23,992
Interest on Net OPEB Obligation	4,196
Adjustment to ARC	(3,233)
Annual OPEB Cost	24,955
Contributions Made	(2,180)
Increase (Decrease) in Net OPEB Obligation	22,775
Net OPEB Obligation, Beginning of Year	83,911
Net OPEB Obligation, End of Year	$ 106,686

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

For the Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 24,955	8.7%	$ 106,686
2011	19,364	10.6%	83,911
2010	15,392	24.0%	66,593

As of December 31, 2012, the most recent actuarial valuation, the plan was 24.3 percent funded. The actuarial accrued liability was $411.5 million, and the actuarial value of assets was $99.8 million, resulting in an unfunded actuarial liability (UAAL) of $311.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $98.1 million, and the ratio of the UAAL to the covered payroll was 317.6 percent.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB

(dollars in thousands)

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
2012	$ 411,468	$ 99,818	$ 311,650	24.3%	$ 98,117	317.6%
2011	424,144	99,002	325,142	23.3%	93,126	349.1%
2010	406,864	104,738	302,126	25.7%	94,768	318.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Healthcare benefits are advance funded by the employer using the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2012, for OPEB. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a five percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from .3 percent to ten percent a year attributable to seniority and merit; and an annual healthcare cost increase of four percent annually, reduced by declining percentages ranging from five percent to .5 percent through 2019. There are no cost-of-living adjustments for OPEB benefits. Maximum contribution rates were not considered in the projection of actuarially accrued liabilities for OPEB benefits.

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

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified civil service employees hired on or after August 1, 2005, are also eligible to participate in the ARP.

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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. For the fiscal year ended June 30, 2013, these contribution rates are ten percent for OPERS and STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2013, each public institution of higher education was required to contribute .77 percent of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 4.5 percent of a participating employee's gross salary, for the year ended June 30, 2013, to STRS in cases when the employee would have otherwise been enrolled in STRS.

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

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

For the State's major discretely presented component units, employer and employee contributions required and made for the year ended June 30, 2013, for the ARP follow (dollars in thousands):

Major Component Units:	OPERS	STRS
Ohio State University:		
Employer Contributions	$ 24,046	$ 23,016
Employee Contributions	18,175	21,920

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 19 constitutional amendments (the last adopted May 2010 for research and development programs in support of Ohio industry, commerce, and business), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, research and development support for high-tech business, business site development, and veterans compensation. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2013, the General Assembly had authorized the issuance of $4.27 billion in Common Schools Capital Facilities Bonds, of which $3.87 billion has been issued. As of June 30, 2013, the General Assembly had also authorized the issuance of $3.03 billion in Higher Education Capital Facilities Bonds, of which $2.61 billion has been issued.

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to $220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than $1.2 billion outstanding at any time. As of June 30, 2013, the General Assembly has authorized the issuance of approximately $3.12 billion in Highway Capital Improvements Bonds, of which $2.44 billion has been issued.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Constitutional amendments in 1995 and 2005 allowed for the issuance of $3.75 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Issuances are limited to $120 million in any fiscal year through fiscal year 2012, with an increase in the annual issuance amount to $150 million beginning in fiscal year 2013. As of June 30, 2013, the General Assembly had authorized $3.45 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $3.15 billion had been issued (net of $214 million in unaccreted discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed $100 and $200 million, respectively. As of June 30, 2013, the General Assembly had authorized the issuance of $246 million in Coal Research and Development Bonds, of which $210 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $403 million, as of June 30, 2013, of which $348 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to $400 million. No more than $50 million may be issued during a fiscal year. As of June 30, 2013, the General Assembly had authorized the issuance of approximately $400 million in Conservation Projects Bonds of which $300 million had been issued.

Through approval of the May 2010 and November 2005 amendments, voters authorized the issuance of $1.2 billion of Third Frontier Research and Development Bonds. Obligations that may be issued are limited to $450 million for fiscal years 2006 through 2011, $225 million in fiscal year 2012, and $175 million in any fiscal year thereafter, plus any obligations unissued from previous fiscal years. As of June 30, 2013, the General Assembly had authorized the issuance of $1.2 billion in Third Frontier Research and Development Bonds, of which $561 million had been issued.

The issuance of $150 million of Site Development Bonds was also authorized through the approval of the November 2005 amendment. Not more than $30 million may be issued in each of the first three years, beginning with fiscal year 2006, and not more than $15 million may be issued in any of the subsequent fiscal years. The General Assembly had authorized the issuance of $150 million in Site Development Bonds as of June 30, 2013, of which $115 million had been issued.

A 2009 constitutional amendment provides for the issuance of up to $200 million in Veterans Compensation Bonds. No obligations may be issued after December 31, 2013. As of June 30, 2013, the General Assembly had authorized all $200 million in Veterans' Compensation Bonds, of which $65.9 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2013, are presented in the table below.

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2013
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2002-13	1.8%-5.5%	2032	$3,064,834	$ 400,000
Higher Education Capital Facilities	2003-13	1.6%-5.5%	2032	2,033,890	418,000
Highw ay Capital Improvements	2005-13	1.5%-5.0%	2028	747,643	670,595
Infrastructure Improvements	1994-13	1.8%-5.5%	2033	1,861,754	300,014
Coal Research and Development	2008-12	2.0%-4.3%	2022	23,044	36,000
Natural Resources Capital Facilities	2005-12	2.0%-5.0%	2027	139,560	55,000
Conservation Projects	2004-12	2.0%-5.3%	2026	204,660	100,000
Third Frontier Research and Development	2007-13	1.0%-5.5%	2023	447,311	639,000
Site Development	2007-11	2.0%-4.6%	2021	84,061	35,000
Veterans' Compensation	2011-12	.6%-4.9%	2027	60,475	134,090
Total General Obligation Bonds				$8,667,232	$ 2,787,699

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ 647,730	$ 342,470	$ 990,200
2015	638,550	310,113	948,663
2016	618,475	282,499	900,974
2017	585,695	254,910	840,605
2018	564,530	228,859	793,389
2019-2023	2,779,505	749,452	3,528,957
2024-2028	1,267,665	247,808	1,515,473
2029-2033	482,920	46,367	529,287
Total Current Interest and Capital Appreciation Bonds	$ 7,585,070	$ 2,462,478	$ 10,047,548

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2014	$ 36,045	$ 10,024	$ 10,692	$ 56,761
2015	51,895	8,992	10,273	71,160
2016	62,410	7,677	9,684	79,771
2017	70,600	6,193	9,073	85,866
2018	63,450	4,804	8,245	76,499
2019-2023	249,965	13,114	25,344	288,423
2024-2028	78,995	1,629	2,679	83,303
Total Variable-Rate Bonds	$ 613,360	$ 52,433	$ 75,990	$ 741,783

Total General Obligation Bonds	$ 8,198,430
Unamortized Premium/(Discount), Net	614,070
Deferred Refunding Loss	(145,268)
Total	$ 8,667,232

For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2013. As rates vary, variable-rate bond interest payments and net swap payments vary.

For the year ended June 30, 2013, NOTE 15 summarizes changes in general obligation bonds.

Hedging Derivatives

As of June 30, 2013, approximately $328 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($41.9) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Position. The fair value increased $17.2 million during fiscal year 2013. This increase is reported on the Statement of Net Position as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method.

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2013. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

Except for the swap counterparty on the Infrastructure Improvements, Series 2001B bond, each of the State's swap counterparties 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 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 and held by a

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

third-party custodian. Net payments are made on the same date, as specified in the agreements. For Infrastructure Improvements, Series 2001B, the agreement includes a substitution provision that enables the State to substitute counterparties if the long term credit rating falls below the "A" rating category. This provision is akin to the collateral posting provisions of the State's other swaps and serves to mitigate credit and termination risk.

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.

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

Hedging Derivatives
As of June 30, 2013
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2013	State's Swap Rate at 06/30/2013	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	$63,900	SIFMA Index	0.06%	4.63%	11/29/2001	8/1/2021
Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Embedded Option: The counterparties may elect to terminate the swap if the SIFMA index averages 7 percent or higher over a 180-day period.							
Credit Quality Ratings of Counterparty: 50% Aa3/A+ JPMorgan Chase; 50% Baa1/A- Morgan Stanley Capital Services							
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	$54,555	LIBOR (See terms below)	0.37%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: Baa1/A- Morgan Stanley Capital Services							
Terms: 63% of LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate swap	$67,000	LIBOR (see terms below)	0.38%	3.41%	9/14/2007	3/15/2024
Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: 50% Aa3/A+ JPMorgan Chase; 50% Baa1/A- Morgan Stanley Capital Services							
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	$71,230	LIBOR (see terms below)	0.38%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: 50% A2/A UBS AG; 50% Aa3/AA- Royal Bank of Canada							
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate swap	$71,230	LIBOR (see terms below)	0.38%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: 50% A2/A UBS AG; 50% Aa3/AA- Royal Bank of Canada							
Terms: 65% of 1-month LIBOR + 25 basis points							

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

These swaps expose the State to basis risk or a mismatch between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch would increase or decrease the interest cost paid by the State.

For Infrastructure Improvements, Series 2001B, the SIFMA municipal swap index has proven to be an effective proxy for the State's variable-rate debt and substantially mitigates basis risk.

For Infrastructure Improvements, Series 2004A and for Common Schools, Series 2003D, 2006B, and 2006C, the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities, given that the variable swap receipt is based on a taxable index (LIBOR). Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

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

Advance Refundings

During fiscal year 2013, there were three advance refundings of general obligations bonds. Details on the advanced refundings are presented in the following table.

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

The State had defeased general obligation bonds from prior years and placed the proceeds in irrevocable trusts. As of June 30, 2013, the balances in these trusts for bonds defeased in prior years were $358.5 million for Common Schools Bonds, $294.4 million for Higher Education Bonds, $89.1 million for Infrastructure Improvement Bonds, $30 million for Coal Research and Development Bonds, $11.5 million for Natural Resources Bonds, and $16.2 million for Conservation Bonds.

Primary Government — Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2013
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Infrastructure, Series 2013B..........	2/6/2013	$ 66,385	1.78%	$ 73,955	$ 82,749	$12,648/14 yrs	$ 10,955
Common Schools, Series 2013A....	3/15/2013	194,775	1.81%	220,305	241,803	34,631/14 yrs	29,225
Higher Education, Series 2013A.....	3/15/2013	66,915	1.80%	74,750	82,898	12,876/13 yrs	10,527
Total		$ 328,075		$ 369,010	$ 407,450		$ 50,707

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds and notes that are not supported by the full faith and credit of the State. These bonds and notes pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service.

The Treasurer of State and the Buckeye Tobacco Settlement Financing Authority (BTSFA) issue revenue bonds and notes for the primary government. The Treasurer of State issues bonds and notes on behalf of the Ohio Development Services Agency, including its Office of Loan Administration, the Ohio Department of Transportation, and the Ohio Bureau of Workers' Compensation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

A. Primary Government

Economic Development Bonds and Notes, issued by the Treasurer of State for the Office of Loan Administration's Direct Loan Program, provided financing for loans and loan guarantees to businesses within the State for economic development projects that created or retained jobs in the State. The taxable bonds and notes were backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution.

Revitalization Project Bonds and Notes provided financing to enable the remediation or cleanup of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. The bonds and notes were also backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control.

On February 1, 2013, all Economic Development and Revitalization Project Bonds and Notes were defeased. A loss on extinguishment of debt of $154.6 million is recorded in the governmental column on the Statement of Activities. The loss is computed as the difference between the reacquisition price of $891.3 million and the net carrying amount for the outstanding bonds and notes of $736.7 million.

Since fiscal year 1998, the Treasurer of State has issued a total of $1.94 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2025 are estimated at approximately $1.09 billion. For fiscal year 2013, principal and interest payments on the revenue bonds was $168 million and pledged receipts was $160.3 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principle amount of which shall not exceed $6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts for the next 45 years through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of $5.53 billion. The future tobacco settlement receipts, including related investment earnings and net of specified operating and enforcement expenses, have been pledged to repay the bonds, which are payable through 2052. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts. As of June 30, 2013, the total principal and interest payments remaining to be paid on the bonds were $18.18 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2013 were $298 million and $296.1 million, respectively. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become payable to the State. The bonds include fixed rate serial bonds, fixed rate current interest turbo term bonds, and capital appreciation turbo term bonds which will convert to fixed rate current interest turbo term bonds. They were issued to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. Additional information on these bonds can be found in BTSFA's stand-alone financial report.

Revenue bonds accounted for in business-type activities finance the construction costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus. The debt issuance for the William Green Building has been used for acquisition and construction of capital assets. The

NOTE 11 REVENUE BONDS AND NOTES (Continued)

bonds are collateralized by lease rental payments pledged by BWC to the Treasurer of State. The lease rental payments are based on the estimated debt service of the bonds, but are limited to an amount appropriated by the Ohio General Assembly in the biennial budget. Total pledged payments through the maturity of the bonds in 2014 are estimated at approximately $16 million. For fiscal year 2013, both the total lease rental payments and the principal and interest payments on the revenue bonds were $17.5 million.

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2013, are presented in the following tables.

Primary Government
Summary of Revenue Bonds and Notes
As of June 30, 2013
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State: State Infrastructure Bank	2006-13	2.0%-6.0%	2025	953,770
Buckeye Tobacco Settlement Financing Authority	2008	4.7%-7.5%	2052	5,533,114
Total Governmental Activities				6,486,884
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	15,422
Total Business-Type Activities				15,422
Total Revenue Bonds				$ 6,502,306

Future Funding of Revenue Bonds and Notes:

	Governmental Activities			Business-Type Activities		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2014	$ 231,770	$ 338,403	$ 570,173	$ 15,200	$ 751	$ 15,951
2015	193,515	327,573	521,088	-	-	-
2016	192,980	318,263	511,243	-	-	-
2017	180,180	309,510	489,690	-	-	-
2018	184,935	300,654	485,589	-	-	-
2019-2023	885,030	1,361,188	2,246,218	-	-	-
2024-2028	631,645	1,160,994	1,792,639	-	-	-
2029-2033	608,330	989,027	1,597,357	-	-	-
2034-2038	690,520	804,900	1,495,420	-	-	-
2039-2043	1,050,840	553,092	1,603,932	-	-	-
2044-2048	1,440,875	3,103,288	4,544,163	-	-	-
2049-2052	193,453	3,223,847	3,417,300	-	-	-
	6,484,073	12,790,739	19,274,812	15,200	751	15,951
Unamortized Premium/(Discount), Net	2,811	-	2,811	256	-	256
Deferred Refunding Loss	-	-	-	(34)	-	(34)
Total	$ 6,486,884	$ 12,790,739	$ 19,277,623	$ 15,422	$ 751	$ 16,173

	Total		
Year Ending June 30,	Principal	Interest	Total
2014	$ 246,970	$ 339,154	$ 586,124
2015	193,515	327,573	521,088
2016	192,980	318,263	511,243
2017	180,180	309,510	489,690
2018	184,935	300,654	485,589
2019-2023	885,030	1,361,188	2,246,218
2024-2028	631,645	1,160,994	1,792,639
2029-2033	608,330	989,027	1,597,357
2034-2038	690,520	804,900	1,495,420
2039-2043	1,050,840	553,092	1,603,932
2044-2048	1,440,875	3,103,288	4,544,163
2049-2052	193,453	3,223,847	3,417,300
	6,499,273	12,791,490	19,290,763
Unamortized Premium/(Discount), Net	3,067	-	3,067
Deferred Refunding Loss	(34)	-	(34)
Total	$ 6,502,306	$ 12,791,490	$ 19,293,796

NOTE 11 REVENUE BONDS AND NOTES (Continued)

For the year ended June 30, 2013, NOTE 15 summarizes changes in revenue bonds and notes.

B. Major Discretely Presented Component Units

Future bond service requirements for revenue bonds and notes reported for the major discretely presented component units, as of June 30, 2013, are shown in the following table.

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2013
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2014	$ 500,918	$ 96,749	$ 597,667
2015	56,634	94,001	150,635
2016	56,278	91,454	147,732
2017	59,110	88,948	148,058
2018	60,544	86,280	146,824
2019-2023	186,649	410,318	596,967
2024-2028	173,693	374,873	548,566
2029-2033	128,688	341,122	469,810
2034-2038	90,976	326,355	417,331
2039-2043	765,005	208,844	973,849
2044-2048	-	120,000	120,000
2049-2053	-	120,000	120,000
2054-2058	-	120,000	120,000
2059-2063	-	120,000	120,000
2064-2068	-	120,000	120,000
2069-2073	-	120,000	120,000
2074-2078	-	120,000	120,000
2079-2083	-	120,000	120,000
2084-2088	-	120,000	120,000
2089-2093	-	120,000	120,000
2094-2098	-	120,000	120,000
2099-2103	-	120,000	120,000
2104-2108	-	120,000	120,000
2109-2113	500,000	72,000	572,000
	2,578,495	3,750,944	6,329,439
Unamortized Premium/(Discount), Net	107,396	-	107,396
Total	$2,685,891	$ 3,750,944	$6,436,835

The bonds and notes of 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 and note agreements. The proceeds of the bonds and notes are used for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores and athletic facilities. The State is not obligated for the debt of its discretely presented component units.

NOTE 12 SPECIAL OBLIGATION BONDS

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating special revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding, bonds authorized but unissued, and future debt service requirements, as of June 30, 2013, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2013
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds	2001-13	1.3%-5.6%	2032	$ 1,886,134	$ 388,440
Total Special Obligation Bonds				$ 1,886,134	$ 388,440

Future Funding of Special Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ 226,810	$ 80,065	$ 306,875
2015	225,295	69,984	295,279
2016	205,085	60,315	265,400
2017	182,800	51,200	234,000
2018	175,290	42,687	217,977
2019-2023	568,010	119,744	687,754
2024-2028	193,375	23,849	217,224
2029-2033	31,660	2,493	34,153
	1,808,325	450,337	2,258,662
Unamortized Premium/(Discount), Net	116,927	-	116,927
Deferred Refunding Loss	(39,118)	-	(39,118)
Total	$ 1,886,134	$ 450,337	$ 2,336,471

For the year ended June 30, 2013, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2013, Treasurer of State Lease Rental had five current/advance refunding issues. The proceeds of the refunding bonds were used to purchase U.S. Government securities in amounts sufficient, without further investment, to pay when due, the principle, interest, and redemption premium on the bonds being refunded.

Details on the advanced refunding for fiscal year 2013 are presented in the following table.

Primary Government — Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2013
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Treasurer of State Lease Rental Bonds:							
Mental Health Facilities 2013 Series B	3/7/2013	$ 15,375	1.16%	$ 15,955	$ 17,295	$949/7 yrs	$ 849
Cultural and Sports Facilities 2013 Series B	3/7/2013	19,890	1.30%	20,955	22,722	1,937/10 yrs	1,840
State Correctional Facilities 2013 Series A	3/7/2013	47,320	2.07%	51,075	56,976	7,234/10 yrs	6,154
Parks and Recreation Facilities 2013 Series A	4/11/2013	11,200	1.23%	11,025	12,026	971/6 yrs	818
Administrative Facilities 2013 Series A	4/11/2013	48,660	2.13%	52,670	57,676	7,057/10 yrs	5,814
Total		$ 142,445		$ 151,680	$ 166,695		$ 15,475

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

In prior years, 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, 2013, $234.5 million of lease rental special obligations bonds are considered defeased and no longer outstanding.

NOTE 13 CERTIFICATES OF PARTICIPATION

A. Primary Government

As of June 30, 2013, approximately $198.3 million in certificate of participation (COP) obligations were reported in governmental activities.

Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of $185.2 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for the acquisition, construction, or improvement of capital assets.

In fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of $40.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue System (STARS).

In fiscal year 2013, the Ohio Department of Administrative Services participated in the issuance of $56.2 million of COP obligations to finance the upgrade of the Ohio Multi-Agency Radio Communications System (MARCS).

Under the COP financing arrangements, the State is required to make rental payments from the OAKS Certificates of Participation Debt Service Fund, the STARS Certificates of Participation Debt Service Fund, the MARCS 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 and future commitments for the primary government under COP financing arrangements, as of June 30, 2013, are presented in the following tables.

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2013
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Administrative Services:				
Multi-Agency Radio Communications System (MARCS)	2013	2.0%-5.0%	2028	$ 64,148
Ohio Administrative Knowledge System (OAKS)	2005-09	2.5%-5.3%	2019	107,849
State Taxation Accounting and Revenue System (STARS).............	2008	4.0%-5.0%	2019	26,269
Total Certificates of Participation				$ 198,266

Future Commitments for Certificate of Participation Obligations:

Year Ending June 30,	Principal	Interest	Total
2014..	$ 25,235	$ 7,858	$ 33,093
2015..	26,330	6,745	33,075
2016..	27,550	5,519	33,069
2017..	28,815	4,234	33,049
2018..	20,520	3,111	23,631
2019-2023..	36,630	7,635	44,265
2024-2028..	23,240	2,421	25,661
	188,320	37,523	225,843
Unamortized Premium, Net........................	9,946	-	9,946
Total	$ 198,266	$ 37,523	$ 235,789

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

For the year ended June 30, 2013, NOTE 15 summarizes changes in COP obligations.

B. Major Discretely Presented Component Units
Approximately $2.8 million in COP obligations are reported in the major discretely presented component unit funds. The obligations finance building construction costs at the Ohio State University.

As of June 30, 2013, future commitments under the COP financing arrangements for the State's major discretely presented component units are detailed in the following table.

Major Discretely Presented Component Units
Future Commitments for Certificate of Participation Obligations
As of June 30, 2013
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2014............................	$ 515	$ 131	$ 646
2015............................	540	104	644
2016............................	570	76	646
2017............................	595	47	642
2018............................	625	15	640
Total.................................	$ 2,845	$ 373	$ 3,218

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2013, in addition to bonds, notes, and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

Non-Current Liabilities	
Governmental Activities:	
Compensated Absences	$425,242
Net Pension Obligation...	15,306
Net OPEB Obligation..	106,686
Capital Leases Payable	2,294
Derivatives..	55,792
Pollution Remediation Liabilities..................................	4,549
Estimated Claims Payable	2,710
Liability for Escheat Property	228,447
Unearned Revenue...	1,439,114
Total Governmental Activities	$2,280,140
Business-Type Activities:	
Compensated Absences	36,927
Capital Leases Payable	33,009
Workers' Compensation:	
Benefits Payable	17,304,157
Other	3,529,924
Unemployment Compensation:	
Intergovernmental Payable	1,554,298
Deferred Prize Awards Payable	579,612
Tuition Benefits Payable	469,700
Total Business-Type Activities	23,507,627
Total Primary Government	$25,787,767

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

For the year ended June 30, 2013, 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, 2013, was $462.2 million, of which $425.2 million is allocable to governmental activities and $36.9 million is allocable to business-type activities.

As of June 30, 2013, major discretely presented component units reported a total of $150.7 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.

B. Net Pension Obligation and Net OPEB Obligation

The State recognizes a net pension obligation and a net OPEB obligation in the amount of $15.3 million and $106.7 million, respectively, as of June 30, 2013. The net pension obligation represents the cumulative difference between the annual pension cost and the employer's contributions to the State Highway Patrol Retirement System (SHPRS). The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the employer's contributions to the SHPRS. The SHPRS is a blended component unit reported as a fiduciary pension trust fund. See NOTE 9 for further details.

C. Lease Agreements

The State's primary government leases office buildings and computer and office equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Operating leases (leases on assets not recorded in the Statement of Net Position) contain various renewable options as well as some purchase options. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The primary government's total operating lease expenditures/expenses for fiscal year 2013 were approximately $72.2 million. Fiscal year 2014 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2013, were $3.8 million.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2013, are below (dollars in thousands):

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2014	$ 1,402	$ 23,184	$ 24,586
2015	707	-	707
2016	210	-	210
2017	46	10,422	10,468
2018	30	-	30
2019-2023	2	-	2
Total Minimum Lease Payments	2,397	33,606	36,003
Amount for Interest	(103)	(597)	(700)
Present Value of Net Minimum Lease Payments	$ 2,294	$ 33,009	$ 35,303

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2013, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	$ 11,372	$ 101,413	$ 112,785
Vehicles	3,209	-	3,209
Total	$ 14,581	$ 101,413	$ 115,994

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

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and discretely presented component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the major discretely presented component unit funds, as of June 30, 2013, are presented in the table below (dollars in thousands):

Capital Leases	
Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2014	$ 3,780
2015	2,067
2016	1,835
2017	1,659
2018	560
2019-2023	2,244
Total Minimum Lease Payments	12,145
Amount for Interest	(716)
Present Value of Net Minimum Lease Payments	$ 11,429
Equipment & Vehicles	$ 44,924
Total	$ 44,924

D. Derivatives
For governmental activities, the State has reported $(55.8) million of investment and hedging derivatives as of June 30, 2013. Additional information regarding the State's derivatives is included in NOTE 4 and NOTE 10.

E. Litigation Liabilities
In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2013, no noncurrent liabilities ultimately payable from various governmental funds have been recorded for this purpose. For information on the State's loss contingencies arising from pending litigation, see NOTE 19.

F. Pollution Remediation Liabilities
The State recognizes a liability for pollution remediation in the amount $4.5 million, as of June 30, 2013. This represents the cost to the State to the extent that is probable for future clean up and reclamation of polluted sites within the State. See NOTE 19 for further detail.

G. Estimated Claims Payable
The State reported $2.7 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Development Services Agency, as of June 30, 2013. The program is included in governmental activities and is accounted for in the nonmajor governmental funds.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

H. Liability for Escheat Property
The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2013, the liability totaled approximately $228.4 million.

I. Spirituous Liquor System Franchise
As of June 30, 2013, the State recognizes unearned revenue in the amount of $1.44 billion for payments received from the franchising of the State's spirituous liquor system. The 25-year franchise was granted during fiscal year 2013 and the agreed-upon consideration was received as a lump sum at the commencement of the franchise.

J. Worker's Compensation
Benefits Payable
As discussed in NOTE 20, the Worker's Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2013, in the amount of approximately $17.3 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.

K. Unemployment Compensation
As of June 30, 2013, the State's Unemployment Compensation Fund is recognizing an intergovernmental payable liability for repayable advances from the Federal government of $1.55 billion. These advances were used for the payment of compensation benefits.

L. Deferred Prize Awards Payable
Future installment payments for the deferred prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from 2.3 to 9 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. The State reduces prize liabilities by an estimate of the amount of the prize that will ultimately be unclaimed. As of June 30, 2013, this payable totals $579.6 million.

Future payments of prize awards, stated at present value, as of June 30, 2013, follow (dollars in thousands):

Year Ending June 30,	
2014	$ 79,646
2015	78,499
2016	78,475
2017	70,987
2018	64,393
2019-2023	221,123
2024-2028	100,975
2029-2033	61,859
2034-2038	4,328
2039-2043	831
	761,116
Unamortized Discount	(181,504)
Net Prize Liability	$ 579,612

M. Tuition Benefits Payable
The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $469.7 million, as of June 30, 2013. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases in state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: five percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

of 2.5 percent for the fall of 2013 and 2014 and six percent thereafter, as well as a 2.5 percent Consumer Price Index inflation rate.

As of June 30, 2013, the market value of actuarial net position available for the payment of the tuition benefits payable was $481.5 million.

N. Other Liabilities
The Workers' Compensation Enterprise Fund reports approximately $3.53 billion in other noncurrent liabilities, as of June 30, 2013, of which 1.) $1.89 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20, 2.) $859.4 million is contingent liabilities, 3.) $683.5 million consists of the premium rebate due to private employers and public taxing district employers, 4.) $86.5 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 5.) $14.6 million consists of other miscellaneous liabilities.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government
Changes in noncurrent liabilities, for the year ended June 30, 2013, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2013
(dollars in thousands)

Governmental Activities:	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$ 8,888,085	$ 913,320	$ 1,134,173	$ 8,667,232	$ 686,590
Revenue Bonds and Notes (NOTE 11)	7,129,786	265,597	908,499	6,486,884	233,132
Special Obligation Bonds (NOTE 12)	2,090,889	240,630	445,385	1,886,134	227,512
Total Bonds and Notes Payable	18,108,760	1,419,547	2,488,057	17,040,250	1,147,234
Certificates of Participation (NOTE 13)	156,664	64,588	22,986	198,266	25,330
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	440,410	343,871	359,039	425,242	60,555
Net Pension Obligation	8,389	30,683	23,766	15,306	-
Net OPEB Obligation	83,911	24,954	2,179	106,686	-
Capital Leases Payable	4,199	108	2,013	2,294	1,331
Derivatives..	81,818	-	26,026	55,792	-
Pollution Remediation Liabilities	3,129	4,174	2,754	4,549	513
Estimated Claims Payable	3,030	-	320	2,710	350
Liability for Escheat Property	216,921	76,316	64,790	228,447	68,139
Unearned Revenue	-	1,463,506	24,392	1,439,114	58,540
Total Other Noncurrent Liabilities	841,807	1,943,612	505,279	2,280,140	189,428
Total Noncurrent Liabilities	$ 19,107,231	$ 3,427,747	$ 3,016,322	$ 19,518,656	$ 1,361,992
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	$ 31,633	$ 97	$ 16,308	$ 15,422	$ 15,422
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	40,774	24,491	28,338	36,927	4,626
Capital Leases Payable	45,289	7,937	20,217	33,009	22,587
Workers' Compensation:					
Benefits Payable	17,815,100	1,480,275	1,991,218	17,304,157	2,015,531
Other:					
Adjustment Expenses Liability	1,889,602	10,725	14,427	1,885,900	393,792
Premium Payment Security Deposits	86,285	1,793	1,592	86,486	-
Miscellaneous	10,274	1,581,651	34,387	1,557,538	698,098
Unemployment Compensation:					
Intergovernmental Payable	1,878,387	-	324,089	1,554,298	277,529
Deferred Prize Awards Payable	606,218	51,890	78,496	579,612	52,547
Tuition Benefits Payable	553,000	-	83,300	469,700	79,800
Total Other Noncurrent Liabilities	22,924,929	3,158,762	2,576,064	23,507,627	3,544,510
Total Noncurrent Liabilities	$ 22,956,562	$ 3,158,859	$ 2,592,372	$ 23,523,049	$ 3,559,932

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

For fiscal year 2013, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt.

	(in 000s)
Governmental Activities:	
Primary, Secondary and Other Education	$ 363,594
Higher Education Support	141,696
Health and Human Services	2,103
Environmental Protection and Natural Resources	1,117
Transportation	44,357
Community and Economic Development	149,857
Total Interest Expense Charged to Governmental Functions	$ 702,724

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2013, are presented in the following table for the State's major discretely presented component units.

Major Discretely Presented Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2013
(dollars in thousands)

	Balance June 30, 2012 (as restated)	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Ohio Facilities Construction Commission					
Intergovernmental Payable	$ 507,898	$ 326,280	$ 248,454	$ 585,724	$ 351,442
Compensated Absences*	924	30	25	929	127
Total	$ 508,822	$ 326,310	$ 248,479	$ 586,653	$ 351,569
Ohio State University:					
Compensated Absences*	$ 138,578	$ 23,282	$ 12,040	$ 149,820	$ 12,040
Capital Leases Payable* (NOTE 14)	14,910	2,007	5,488	11,429	3,542
Other Liabilities*	287,110	336,763	328,201	295,672	51,002
Revenue Bonds & Notes Payable (NOTE 11)	2,458,738	514,792	287,639	2,685,891	500,919
Certificates of Participation (NOTE 13)	3,335	-	490	2,845	515
Total	$ 2,902,671	$ 876,844	$ 633,858	$ 3,145,657	$ 568,018

*Liability is reported under the "Refund and Other Liabilities" account.

NOTE 16 NO COMMITMENT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities, lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to

NOTE 16 NO COMMITMENT DEBT (Continued)

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, 2013, revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Development Services Agency:	
Ohio Enterprise Bond Program	$ 226,665
Hospital Facilities Bonds	5,855
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program	26,715
Total Primary Government	$ 259,235

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING

A. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2013 (dollars in thousands):

Primary Government:	
Nonmajor Governmental Funds:	
Administrative Services Building Improvements	$ (5,388)
Major Proprietary Funds:	
Unemployment Compensation	(1,289,753)
Total Primary Government	$ (1,295,141)
Discretely Presented Component Units:	
Major Component Units:	
Ohio Facilities Construction Commission	$ (4,034,971)
Nonmajor Component Units:	
Ohio Capital Fund	(43,779)
Total Component Units	$ (4,078,750)

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

Deficits for the other funds are due to the timing of revenue recognition and the accrual of expenses not recorded under the cash basis of accounting.

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

B. Fund Balance Reporting-Constraints by Purpose

Fund balance constraints reported in the governmental funds, as of June 30, 2013, are presented by purpose in the following table:

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

	Major Funds				
	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Fund Balance:					
Nonspendable					
Inventories	$ 24,692	$ -	$ -	$ 59,902	$ 84,594
Noncurrent Portion of Loans Receivable	2,859	-	-	-	2,859
Advances to Local Government	32,345	-	-	-	32,345
Total Nonspendable	59,896	-	-	59,902	119,798
Restricted					
Primary, Secondary and Other Education	1,059	27	-	232,877	233,963
Public Assistance and Medicaid	-	439,342	-	-	439,342
Health and Human Services	-	-	-	105,976	105,976
Justice and Public Protection	745	950	-	123,423	125,118
Environmental Protection and Natural Resources	3,113	-	-	102,644	105,757
Transportation	-	-	-	1,317,189	1,317,189
General Government	7,308	24,395	-	24,364	56,067
Community and Economic Development	1,114,461	9	-	300,557	1,415,027
Capital Outlay	-	-	-	387,874	387,874
Debt Service	-	-	5,067,582	20,187	5,087,769
Total Restricted	1,126,686	464,723	5,067,582	2,615,091	9,274,082
Committed					
Primary, Secondary and Other Education	3,502	-	-	19,726	23,228
Higher Education Support	-	-	-	642	642
Public Assistance and Medicaid	16,302	59,690	-	-	75,992
Health and Human Services	4,576	-	-	16,253	20,829
Justice and Public Protection	499	6,028	-	100,995	107,522
Environmental Protection and Natural Resources	-	-	-	196,976	196,976
Transportation	-	-	-	870	870
General Government	22,891	14,369	-	79,302	116,562
Community and Economic Development	703,845	-	-	119,133	822,978
Total Committed	751,615	80,087	-	533,897	1,365,599
Assigned					
Primary, Secondary and Other Education	64,423	-	-	-	64,423
Public Assistance and Medicaid	364,991	-	-	-	364,991
Health and Human Services	74,855	-	-	-	74,855
Justice and Public Protection	136,299	-	-	-	136,299
Environmental Protection and Natural Resources	13,387	-	-	-	13,387
General Government	1,243,634	-	-	-	1,243,634
Community and Economic Development	144,657	-	-	-	144,657
Total Assigned	2,042,246	-	-	-	2,042,246
Unassigned	1,259,670	(344)	-	(5,439)	1,253,887
Total Fund Balance	$ 5,240,113	$ 544,466	$ 5,067,582	$ 3,203,451	$14,055,612

Agency activity under the General Government function relates to activities that support the government as a whole and are general in nature.

As of June 30, 2013, the Budget Stabilization Fund had a fund balance of $482 million which was included as a part of the unassigned fund balance in the General Fund.

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

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

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

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately $174 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2012 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	$25,000	$25,000	30.9%
Indiana*	16,000	-	-
Illinois	15,000	15,000	18.4%
Ohio	14,000	14,000	17.3%
New York	12,000	12,000	14.8%
Wisconsin	12,000	12,000	14.8%
Minnesota	1,500	1,500	1.9%
Pennsylvania	1,500	1,500	1.9%
Total	$97,000	$81,000	100.00%

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

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2012, was as follows (dollars in thousands):

Cash and Investments	$ 116,562
Other Assets	133
Total Assets	$ 116,695
Total Liabilities	$ 1,723
Total Net Assets	114,972
Total Liabilities and Net Assets	$ 116,695
Total Revenues and Other Additions..............	$ 15,046
Total Expenditures and Other Deductions......	(4,840)
Net Increase in Net Assets	$ 10,206

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.

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

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

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2013 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	$ 57,701	$ 3,549	$ 61,250
Eastern Gateway	4,903	52	4,955
Lakeland	17,575	5,608	23,183
Lorain County	23,798	187	23,985
Rio Grande	4,870	168	5,038
Sinclair	46,490	1,421	47,911
Total Local Community Colleges	155,337	10,985	166,322
Technical Colleges:			
Belmont	5,702	181	5,883
Central Ohio	10,146	37	10,183
Hocking	14,073	2,908	16,981
James A. Rhodes	9,838	624	10,462
Marion	5,715	103	5,818
Zane	6,169	2,599	8,768
North Central	6,883	174	7,057
Stark	26,171	6,133	32,304
Total Technical Colleges	84,697	12,759	97,456
Total	$ 240,034	$ 23,744	$ 263,778

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the Ohio Turnpike Commission, the Ohio Water Development Authority, 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.

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During Fiscal year 2013, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $163 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- The Ohio Department of Taxation paid the Ohio Turnpike Commission $2.1 million from the General Fund for the Commission's share of the State's motor vehicle fuel excise tax allocation.
- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately $3.7 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

NOTE 19 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. Pending litigation affecting the Department of Natural Resources and the Bureau of Workers' Compensation/Industrial Commission is discussed below. 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.

Department of Natural Resources (DNR)

In *Doner v. Zody*, approximately 84 landowners sought a writ of mandamus ordering DNR to commence appropriation proceedings on certain lands that had been "taken" as a result of a 1997 change to the spillway at Grand Lake St. Marys in Mercer County. On December 1, 2011, the Ohio Supreme Court ruled in favor of the plaintiffs/relators, holding that the actions of DNR to modify the spillway and to cease adjusting water levels at Grand Lake St. Marys constituted a taking of the plaintiffs' property because those decisions caused intermittent, recurrent flooding on the properties in question. The Court ordered DNR to begin appropriation proceedings to determine the amount of the taking.

On December 5, 2012, the Supreme Court held DNR in contempt of the Court's December 1, 2011 writ. The Court ordered DNR to complete appraisals of the relevant parcels within 90 days and to file appropriations cases in Mercer County Common Pleas for those parcels within 120 days. It was further ordered that DNR institute declaratory judgment actions for any parcel included in the original action which had not yet been surveyed so that the legal rights of the parties of those parcels could be determined. On December 10, 2013, seventy-three remaining relators filed a motion with the Supreme Court requesting a show-cause hearing as to why DNR should not be held in contempt of the Court's December 1, 2011, and December 5, 2012, orders and an order setting a court-supervised mediation.

While the recent filing as noted above is pending in the Supreme Court of Ohio as to all remaining landowners, each landowner's case will be heard in a separate appropriation case in Mercer County Common Pleas Court. The amount of potential loss cannot presently be reasonably estimated. Accordingly, no provision for any liability resulting from this case has been reported in the financial statements.

In *State ex rel. Merrill v. Ohio Dept. of Natural Resources*, a class action case brought by owners of property bordering Lake Erie, the plaintiffs sought declaratory relief as to title for shoreline land consistent with their deeds (that the phrase "natural shoreline is not synonymous with "ordinary high-water mark" and therefore the legal boundary of their properties extends beyond the point claimed by DNR). Plaintiffs also sought a writ of mandamus to compel appropriations from the State and DNR for taking of this land. On December 11, 2007, the

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Lake County Common Pleas Court granted plaintiffs' Motion for Summary Judgment as to the plaintiff's declaratory judgment count. The count seeking a writ of mandamus was stayed pending resolution of the declaratory judgment action. On appeal, the Eleventh District issued its opinion substantially affirming the trial court's granting of Summary Judgment to Plaintiffs-Appellees. The State and other defendants subsequently sought review and on September 14, 2011, the Ohio Supreme Court reversed the lower court holdings that the phrase "natural shoreline" means "a moveable boundary consisting of the water's edge." Instead, the Court held the phrase to mean the "line at which water usually stands when free from disturbing causes." While the Court did not provide as to how to apply this definition, it did reject the various definitions litigated in the lower courts. Specifically, the Supreme Court rejected the various contentions that "natural shoreline" meant "ordinary high water mark," "ordinary low water mark" or "a moveable boundary consisting of the water's edge."

Upon remand, the Lake County Common Pleas Court issued an order that, among other things: 1) established the "natural shoreline" as a factual matter; 2) voided and invalidated all leases between DNR and the plaintiff landowners consistent with the Court's ruling as to the "natural shoreline;" 3) required DNR to return all submerged land lease fees collected since 1998 that were predicated on the voided leases; and 4) certified a class with regard to the previously stayed mandamus action. The State has appealed the trial court's order to the Eleventh District. Parties have submitted briefs and oral arguments on the appeal were scheduled for November 20, 2013. The ultimate outcome of this litigation cannot be presently determined. Accordingly, no provision for any liability resulting from this case has been reported in the financial statements.

Bureau of Workers' Compensation/Industrial Commission (BWC/IC)

In the *San Allen, Inc. dba Corky and Lenny's v. BWC* class action case, plaintiffs allege that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violates various provisions of the Ohio Constitution. Plaintiffs asked the court to declare the group rating plan unconstitutional and require BWC to repay to the class members all excessive premiums collected by BWC, with interest and attorney fees. In December 2008, the Cuyahoga County Common Pleas Court issued a preliminary injunction requested by plaintiffs that restrained BWC from continuing its current group rating plan for the policy year beginning July 1, 2009. At the same time, the Court ordered that BWC enact a group retrospective rating plan for the policy year beginning July 1, 2009. BWC filed an appeal and a motion for stay with the Court. On January 7, 2009, following legislation enacted by the General Assembly clarifying that Ohio's group rating program was not intended to be retrospective only, the BWC filed a motion to dissolve the preliminary injunction and in March 2009 the Court issued an order vacating the preliminary injunction. Plaintiff filed a motion for class certification and BWC filed a response in opposition. In January 2010, the Court granted class certification. Following trial, the Court found in favor of the class plaintiffs and on March 20, 2013, ordered that the class was entitled to $859 million in restitution. The judgment amount is included as noncurrent "Refund and Other Liabilities" for the Workers' Compensation fund in the proprietary fund's Statement of Net Position and as "Other Noncurrent Liabilities-Due in More Than One Year" for business-type activities in the government-wide Statement of Net Position. While the judgment amount has been reflected in the 2013 financial statements, BWC and the State have appealed the decision and award.

B. Federal Awards

The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

As a result of the fiscal year 2012 State of Ohio Single Audit (issued in March 2013), $3.6 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for the questioned costs in the state's financial statements for the fiscal year ended June 30, 2013.

C. Construction Commitments

As of June 30, 2013, the Ohio Department of Transportation had total contractual commitments of approximately $2.56 billion for highway construction projects. Funding for future projects is expected to be provided from federal,

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

primary government, general obligation and revenue bonds, and local government sources in amounts of $1.62 billion, $508.5 million, $367.9 million and $61.4 million, respectively.

As of June 30, 2013, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

Primary Government	
Mental Health/Developmental Disabilities	
Facilities Improvements	$ 94,845
Parks and Recreation Improvements	4,944
Administrative Services	
Building Improvements	30,004
Youth Services Building Improvements	7,325
Adult Correctional Building Improvements	20,001
Highway Safety Building Improvements	618
Ohio Parks and Natural Resources	12,451
Total	$ 170,188

Major Discretely Presented Component Units	
Ohio State University	$ 750,682

D. Tobacco Settlement

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

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

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

While BTSFA's share of the total base payments to the states through 2052 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

In addition to the base payments, BTSFA will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

During fiscal year 2013, Ohio received $295 million, which is approximately $92.8 million or 23.9 percent less than the pre-adjusted base payment for the year.

As of June 30, 2013, the estimated tobacco settlement receivable in the amount of $435.5 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $183.4 million for payments withheld from BTSFA beginning fiscal year 2008 and $72.7 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

The Tobacco Settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other collateral pledged under an indenture between BTSFA and U.S. Bank National Association, as trustee. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTFSA may not have adequate financial resources to make payment on the bonds.

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

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments from the Strategic Contribution Fund	Total
2014	367,788	24,230	392,018
2015	371,684	24,486	396,170
2016	376,306	24,791	401,097
2017	380,940	25,096	406,036
2018	431,325	—	431,325
2019-2023	2,233,412	—	2,233,412
2024-2028	2,376,766	—	2,376,766
2029-2033	2,539,413	—	2,539,413
2034-2038	2,708,501	—	2,708,501
2039-2043	2,884,757	—	2,884,757
2044-2048	3,068,685	—	3,068,685
2049-2052	2,599,051	—	2,599,051
Total	$ 20,338,628	$ 98,603	$ 20,437,231

E. Pollution Remediation Activities

During fiscal year 2013, the State was involved in remediation activities for pollution at various sites. These activities include site investigation, cleanup, and monitoring. The following describe the sites and the estimated cost of remediation activities (in general, projects with a liability of less than $1 million at June 30 are not listed).

As a result of the imminent danger to public health, the Ohio Environmental Protection Agency (EPA) has assumed responsibility for operating and maintaining the collection and treatment system at the Lincoln Fields contaminated water system in Mansfield. The liability at June 30 is estimated at $1.3 million. Cost was estimated by the EPA site coordinator using actual invoices to date.

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be $3.2 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liabilities described above are reported as “Refund and Other Liabilities,” “Other Noncurrent Liabilities-Due in One Year,” and “Other Noncurrent Liabilities-Due in More Than One Year” for governmental activities in the government-wide Statement of Net Position. The reported liabilities for these activities are estimates and are subject to change over time. Variances in the final costs may result from changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State's capital assets policy. As of June 30, 2013, no capital assets were created nor reported as a result of any pollution remediation process.

F. Encumbrances
At June 30, 2013, the State has significant encumbrances of $707 million in the General Fund, $969.1 million in the Job, Family and Other Human Services Special Revenue Fund, and $4.01 billion in the nonmajor governmental funds.

NOTE 20 RISK FINANCING

A. Workers' Compensation Benefits
The Ohio Workers' Compensation System, which the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund (Fund) provides benefits to employees for losses sustained from job-related injury, disease, or death.

"Benefits Payable" of $17.3 billion is reported in the Fund as of June 30, 2013. This amount represents reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately $1.89 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Bureau of Workers' Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

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

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

	Fiscal Year 2013	Fiscal Year 2012
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$ 19,705	$ 19,950
Incurred Compensation and Compensation Adjustment Benefits	1,491	1,833
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(2,006)	(2,078)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$ 19,190	$ 19,705

NOTE 20 RISK FINANCING (Continued)

Benefits payable and the compensation adjustment expenses liability have been discounted at four percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled $30.7 billion, as of June 30, 2013, and $32.2 billion, as of June 30, 2012. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2013.

B. State Employee Healthcare Plan

Employees of the primary government have the option of participating in the Ohio Med PPO Plan. The plan is managed by two third party administrators (TPAs), Medical Mutual of Ohio (MMO) and United Healthcare (UHC). The two TPAs are responsible for covering separate regions throughout 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 TPAs' 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 (Agency Fund) until such time that the primary government pays the accumulated resources to MMO or UHC for claims settlement. Prior to July 1, 2011, Aetna had served as a healthcare plan provider to the State; as such, the primary government also submitted payments to Aetna for claims settlements for claims incurred through June 30, 2011. As of June 30, 2013, no claims remain payable for Aetna.

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, 2013, approximately $147.9 million in total assets was available in the Agency Fund to cover claims for MMO. Changes in the balance of claims liabilities for MMO during the past two fiscal years were as follows (dollars in thousands):

MMO	Fiscal Year 2013	Fiscal Year 2012
Claims Liabilities, as of July 1	$ 16,259	$ 34,606
Incurred Claims	153,609	142,936
Claims Payments	(153,117)	(161,283)
Claims Liabilities, as of June 30	$ 16,751	$ 16,259

As of June 30, 2013, the resources on deposit in the Agency Fund for MMO exceeded the estimated claims liability by approximately $131.2 million, thereby resulting in a funding surplus. Eighty-five percent or $111.5 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2013, no assets were available in the Agency Fund to cover claims incurred by June 30 for the United Healthcare Plan, thereby resulting in a funding deficit. Changes in the balance of claims liabilities for UHC during the past two fiscal years were as follows (dollars in thousands):

UHC	Fiscal Year 2013	Fiscal Year 2012
Claims Liabilities, as of July 1	$ 22,351	$ 8,423
Incurred Claims	296,581	260,358
Claims Payments	(289,840)	(246,430)
Claims Liabilities, as of June 30	$ 29,092	$ 22,351

NOTE 20 RISK FINANCING (Continued)

As of June 30, 2013, the estimated claims liability exceeded resources on deposit in the Agency Fund for the UHC by approximately $71.2 million, thereby resulting in a funding deficit. Eighty-five percent or $60.5 million of the deficit, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting increase to expenditures/expenses.

As noted previously, effective July 1, 2011, the State terminated their contract with Aetna to serve as one of the State's healthcare providers. As of June 30, 2013, the State has paid all Aetna claims incurred through June 30, 2011. As of June 30, 2013, approximately $26.8 million in total assets was on deposit in the Agency Fund and will be allocated to MMO and UHC. Changes in the balance of claims liabilities for the plan during the past two fiscal years were as follows (dollars in thousands):

Aetna	Fiscal Year 2013	Fiscal Year 2012
Claims Liabilities, as of July 1	$ 591	$ 8,424
Incurred Claims	-	-
Claims Payments	(591)	(7,833)
Claims Liabilities, as of June 30	$ -	$ 591

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

Subsequent to June 30, 2013, the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2013
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission-General Obligation Bonds:			
Common Schools Capital Facilities, Series 2013B	09/17/13	3.74%	$300,000
Third Frontier Research & Development-Taxable, Series 2013B	09/17/13	2.79%	100,000
Conservation Projects, Series 2013A	11/13/13	3.06%	50,000
Site Development, Series 2013A	11/13/13	1.97%	35,000
Veterans Compensation, Series 2013A	12/10/13	1.21%	18,000
Total General Obligation Bonds			503,000
Treasurer of State-Special Obligation Bonds:			
State Facilities (Administrative Building), Series 2013B	07/23/13	4.29%	50,000
Total Special Obligation Bonds			50,000
Total Primary Government			$553,000

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