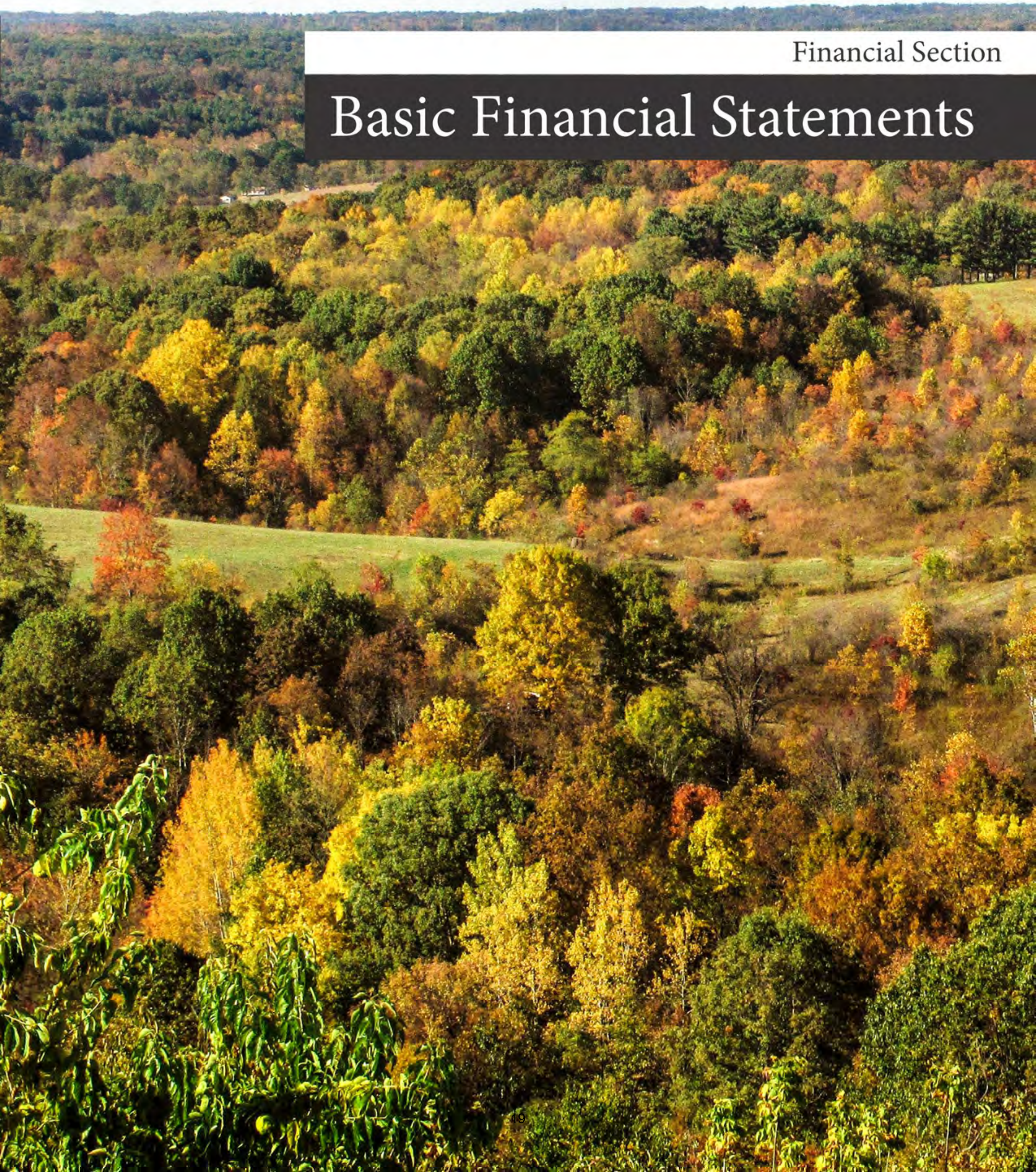
Financial Section

Basic Financial Statements



STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2014
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 10,011,885	$ 201,175	$ 10,213,060	$ 353,720
Cash and Cash Equivalents	139,212	658,270	797,482	1,587,033
Investments	969,865	24,909,612	25,879,477	9,112,908
Collateral on Lent Securities	2,798,424	48,590	2,847,014	94,997
Deposit with Federal Government	—	388,959	388,959	—
Taxes Receivable	1,569,850	—	1,569,850	—
Intergovernmental Receivable	1,185,931	10,758	1,196,689	50,482
Premiums and				
Assessments Receivable	—	3,645,440	3,645,440	—
Investment Trade Receivable	—	217,563	217,563	7,971
Loans Receivable, Net	1,099,474	—	1,099,474	256,281
Receivable from Primary Government	—	—	—	42,044
Receivable from Component Units	8,437	—	8,437	—
Other Receivables	1,058,592	358,880	1,417,472	1,288,543
Inventories	102,410	—	102,410	125,742
Other Assets	23	30,964	30,987	1,930,283
Restricted Assets:				
Cash Equity with Treasurer	—	38	38	—
Cash and Cash Equivalents	58	—	58	1,190,151
Investments	528,166	1,071,919	1,600,085	3,009,758
Collateral on Lent Securities	—	168,146	168,146	—
Other Receivables	—	1,148	1,148	—
Capital Assets Being Depreciated, Net	2,176,867	72,054	2,248,921	11,507,096
Capital Assets Not Being Depreciated	23,653,425	73,108	23,726,533	2,351,301
TOTAL ASSETS	45,302,619	31,856,624	77,159,243	32,908,310
DEFERRED OUTFLOWS OF RESOURCES	4,689,267	—	4,689,267	97,512
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**49,991,886**	**31,856,624**	**81,848,510**	**33,005,822**
LIABILITIES:				
Accounts Payable	701,076	27,360	728,436	590,317
Accrued Liabilities	365,581	3,766	369,347	460,471
Medicaid Claims Payable	1,062,529	—	1,062,529	—
Obligations Under Securities Lending	2,798,424	216,736	3,015,160	94,997
Investment Trade Payable	—	337,625	337,625	—
Intergovernmental Payable	1,170,349	500	1,170,849	1,398
Internal Balances	658,294	(658,294)	—	—
Payable to Primary Government	—	—	—	2,355
Payable to Component Units	41,531	—	41,531	—
Unearned Revenue	368,737	2,136	370,873	508,868
Benefits Payable	—	5,704	5,704	—
Refund and Other Liabilities	734,914	105,764	840,678	135,402
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,137,433	—	1,137,433	791,558
Due in More Than One Year	16,420,273	—	16,420,273	9,668,333
Certificates of Participation:				
Due in One Year	26,446	—	26,446	—
Due in More Than One Year	147,157	—	147,157	—
Other Noncurrent Liabilities:				
Due in One Year	138,022	4,105,894	4,243,916	646,426
Due in More Than One Year	753,954	18,768,711	19,522,665	1,262,291
TOTAL LIABILITIES	26,524,720	22,915,902	49,440,622	14,162,416
DEFERRED INFLOWS OF RESOURCES	2,212,211	—	2,212,211	4,140,749
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**28,736,931**	**22,915,902**	**51,652,833**	**18,303,165**

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	*22,627,911*	*129,804*	*22,757,715*	*7,250,366*
Restricted for:				
Primary, Secondary and Other Education	*137,427*	—	*137,427*	—
Higher Education Support	*26,320*	—	*26,320*	—
Public Assistance and Medicaid	*508,588*	—	*508,588*	—
Health and Human Services	*54,834*	—	*54,834*	—
Justice and Public Protection	*30,570*	—	*30,570*	—
Environmental Protection and Natural Resources	*160,607*	—	*160,607*	—
Transportation	*3,238,716*	—	*3,238,716*	*252,232*
General Government	*133,877*	—	*133,877*	—
Community and Economic Development	*164,784*	—	*164,784*	*29,963*
Lottery Prizes	—	*73,751*	*73,751*	—
Workers Compensation	—	*9,334,215*	*9,334,215*	—
Tuition Trust Authority	—	*73,631*	*73,631*	—
Nonexpendable for				
Colleges and Universities	—	—	—	*3,400,946*
Expendable for				
Colleges and Universities	—	—	—	*2,951,779*
Unrestricted	*(5,828,679)*	*(670,679)*	*(6,499,358)*	*817,371*
TOTAL NET POSITION (DEFICITS)	***$ 21,254,955***	***$ 8,940,722***	***$ 30,195,677***	***$ 14,702,657***

STATE OF OHIO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	PROGRAM REVENUES: OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	PROGRAM REVENUES: CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education................................	$ 12,287,325	$ 33,196	$ 1,985,190	$ —	$ (10,268,939)
Higher Education Support	2,474,851	2,463	21,827	—	(2,450,561)
Public Assistance and Medicaid	25,283,157	1,506,096	17,797,544	—	(5,979,517)
Health and Human Services	1,579,156	259,451	901,702	—	(418,003)
Justice and Public Protection	3,385,337	1,030,928	179,709	82	(2,174,618)
Environmental Protection and Natural Resources.............................	419,539	205,776	92,885	41	(120,837)
Transportation	2,706,248	131,997	58,190	1,517,574	(998,487)
General Government	835,785	548,649	27,472	297	(259,367)
Community and Economic Development..	3,448,735	506,511	389,797	5,243	(2,547,184)
Interest on Long-Term Debt (excludes interest charged as program expense)...................................	103,283	—	—	—	(103,283)
TOTAL GOVERNMENTAL ACTIVITIES........	**52,523,416**	**4,225,067**	**21,454,316**	**1,523,237**	**(25,320,796)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation................................	2,417,674	2,093,962	3,013,608	—	2,689,896
Lottery Commission.....................................	2,310,169	3,288,039	16,931	—	994,801
Unemployment Compensation......................	1,444,870	1,270,232	272,024	—	97,386
Tuition Trust Authority..................................	72,215	10,678	95,812	—	34,275
Office of Auditor of State..............................	70,586	46,853	—	—	(23,733)
TOTAL BUSINESS-TYPE ACTIVITIES.........	**6,315,514**	**6,709,764**	**3,398,375**	**—**	**3,792,625**
TOTAL PRIMARY GOVERNMENT.............	**$ 58,838,930**	**$ 10,934,831**	**$ 24,852,691**	**$ 1,523,237**	**$ (21,528,171)**
COMPONENT UNITS:					
Ohio Facilities Construction Commission.......	$ 380,366	$ 11,724	$ 1,832	$ —	$ (366,810)
Ohio State University...................................	5,073,290	3,738,428	662,916	5,486	(666,460)
Other Component Units................................	7,433,732	5,127,465	931,498	48,092	(1,326,677)
TOTAL COMPONENT UNITS.....................	**$ 12,887,388**	**$ 8,877,617**	**$ 1,596,246**	**$ 53,578**	**$ (2,359,947)**

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	$ (25,320,796)	$ 3,792,625	$ (21,528,171)	$ (2,359,947)
General Revenues:				
Taxes:				
Income	8,356,216	—	8,356,216	—
Sales	9,386,554	—	9,386,554	—
Corporate and Public Utility	2,682,274	—	2,682,274	—
Cigarette	813,056	—	813,056	—
Other	888,059	—	888,059	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,782,437	—	1,782,437	—
Total Taxes	23,908,596	—	23,908,596	—
Tobacco Settlement	362,472	—	362,472	—
Escheat Property	192,184	—	192,184	—
Unrestricted Investment Income	1,733	3	1,736	1,104,656
State Assistance	—	—	—	2,369,977
Other	839	11	850	630,004
Gain (Loss) on Extinguishment of Debt	—	281,938	281,938	(8,925)
Additions to Endowments and Permanent Fund Principal	—	—	—	85,368
Transfers-Internal Activities	955,721	(955,721)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**25,421,545**	**(673,769)**	**24,747,776**	**4,181,080**
CHANGE IN NET POSITION	**100,749**	**3,118,856**	**3,219,605**	**1,821,133**
NET POSITION (DEFICITS), JULY 1 (as restated)	21,154,206	5,821,866	26,976,072	12,881,524
NET POSITION (DEFICITS), JUNE 30	**$ 21,254,955**	**$ 8,940,722**	**$ 30,195,677**	**$ 14,702,657**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 5,874,538	$ 441,654	$ —
Cash and Cash Equivalents	81,410	2,672	58
Investments	947,151	—	528,166
Collateral on Lent Securities	1,647,305	122,880	—
Taxes Receivable	1,490,819	—	—
Intergovernmental Receivable	494,651	300,781	—
Loans Receivable, Net	1,017,469	—	—
Interfund Receivable	38,620	—	—
Receivable from Component Units	1,100	—	—
Other Receivables	209,058	376,082	394,157
Inventories	25,424	—	—
Other Assets	23	—	—
TOTAL ASSETS	11,827,568	1,244,069	922,381
DEFERRED OUTFLOWS OF RESOURCES	—	—	4,478,388
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 11,827,568**	**$ 1,244,069**	**$ 5,400,769**
LIABILITIES:			
Accounts Payable	$ 186,026	$ 127,802	$ —
Accrued Liabilities	116,273	18,455	—
Medicaid Claims Payable	780,366	113,791	—
Obligations Under Securities Lending	1,647,305	122,880	—
Intergovernmental Payable	870,200	65,057	—
Interfund Payable	478,522	14,620	38,620
Payable to Component Units	34,757	183	—
Unearned Revenue	—	322,873	—
Refund and Other Liabilities	730,046	4,173	—
Liability for Escheat Property	9,328	—	—
TOTAL LIABILITIES	4,852,823	789,834	38,620
DEFERRED INFLOWS OF RESOURCES	1,045,789	113,813	394,128
FUND BALANCES (DEFICITS):			
Nonspendable	69,787	—	—
Restricted	1,462,971	284,769	4,968,021
Committed	773,730	55,816	—
Assigned	2,366,979	—	—
Unassigned	1,255,489	(163)	—
TOTAL FUND BALANCES (DEFICITS)	5,928,956	340,422	4,968,021
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 11,827,568**	**$ 1,244,069**	**$ 5,400,769**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,695,693	$ 10,011,885
55,130	139,270
22,714	1,498,031
1,028,239	2,798,424
79,031	1,569,850
390,499	1,185,931
82,005	1,099,474
1,364	39,984
7,337	8,437
79,295	1,058,592
76,986	102,410
—	23
5,518,293	19,512,311
—	4,478,388
$ 5,518,293	**$ 23,990,699**
$ 387,248	$ 701,076
67,909	202,637
168,372	1,062,529
1,028,239	2,798,424
235,092	1,170,349
166,516	698,278
6,591	41,531
45,864	368,737
695	734,914
—	9,328
2,106,526	7,787,803
87,348	1,641,078
76,987	146,774
2,672,162	9,387,923
575,270	1,404,816
—	2,366,979
—	1,255,326
3,324,419	14,561,818
$ 5,518,293	**$ 23,990,699**

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STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014
(dollars in thousands)

Total Fund Balances for Governmental Funds		***$ 14,561,818***
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		*2,283,721*
Buildings and Improvements, net of $2,112,998 accumulated depreciation		*1,567,898*
Land Improvements, net of $298,474 accumulated depreciation		*168,251*
Machinery and Equipment, net of $703,256 accumulated depreciation		*240,356*
Vehicles, net of $191,668 accumulated depreciation		*173,840*
Infrastructure, net of $27,332 accumulated depreciation		*20,006,347*
Construction-in-Progress		*1,389,879*
		25,830,292
The following Deferred Outflows of Resources are not related to the current period, and therefore, are not reported in the funds.		
Hedging Derivatives		*38,035*
Loss on Debt Refundings		*172,844*
		210,879
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Accrued Liabilities:		
Interest Payable		*(162,944)*
Bonds and Notes Payable:		
General Obligation Bonds		*(9,366,348)*
Revenue Bonds and Notes		*(6,355,222)*
Special Obligation Bonds		*(1,836,136)*
Certificates of Participation		*(173,603)*
Other Noncurrent Liabilities:		
Compensated Absences		*(426,695)*
Net Pension Obligation		*(28,183)*
Net OPEB Obligation		*(128,101)*
Capital Leases Payable		*(3,055)*
Derivatives		*(49,888)*
Estimated Claims Payable		*(11,731)*
Pollution Remediation		*(1,550)*
Liability for Escheat Property		*(233,445)*
		(18,776,901)
The following Deferred Inflows of Resources are not related to the current period, and therefore, are not reported in the funds.		
Resources from the Sale of Future Revenues	*(1,307,855)*	
Less Unavailable Resources Reported in the Funds.:		
Taxes Receivable	*82,399*	
Intergovernmental Receivable	*204,075*	
Other Receivables	*450,248*	
	736,722	
		(571,133)
Total Net Position of Governmental Activities		***$ 21,254,955***

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, 2014

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 8,398,840	$ —	$ —
Sales Taxes	9,380,762	—	—
Corporate and Public Utility Taxes	2,680,923	—	—
Motor Vehicle Fuel Taxes	1,091,123	—	—
Cigarette Taxes	813,056	—	—
Other Taxes	661,870	1,230	—
Licenses, Permits and Fees	722,403	1,135,503	—
Sales, Services and Charges	68,918	1,065	—
Federal Government	8,313,226	8,348,153	—
Tobacco Settlement	38,620	—	292,509
Escheat Property	208,508	—	—
Investment Income	8,662	3,363	1,064
Other	246,632	216,038	—
TOTAL REVENUES	**32,633,543**	**9,705,352**	**293,573**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	8,838,772	204	58,676
Higher Education Support	2,313,084	547	—
Public Assistance and Medicaid	13,908,783	9,500,541	—
Health and Human Services	652,310	317,765	—
Justice and Public Protection	2,333,187	69,285	—
Environmental Protection and Natural Resources	76,494	—	—
Transportation	12,874	—	—
General Government	443,074	2,689	—
Community and Economic Development	2,391,907	—	—
CAPITAL OUTLAY	734	2,509	—
DEBT SERVICE	—	—	320,887
TOTAL EXPENDITURES	**30,971,219**	**9,893,540**	**379,563**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**1,662,324**	**(188,188)**	**(85,990)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	800,000	18,000	—
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	28,310	—	—
Capital Leases	2,196	—	—
Transfers-in	221,697	16,564	—
Transfers-out	(2,026,789)	(50,420)	(13,571)
TOTAL OTHER FINANCING SOURCES (USES)	**(974,586)**	**(15,856)**	**(13,571)**
NET CHANGE IN FUND BALANCES	**687,738**	**(204,044)**	**(99,561)**
FUND BALANCES (DEFICITS), July 1 (as restated)	5,240,486	544,466	5,067,582
Increase (Decrease) for Changes in Inventories	732	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 5,928,956**	**$ 340,422**	**$ 4,968,021**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 12,854	$ 8,411,694
5,792	9,386,554
1,351	2,682,274
691,314	1,782,437
—	813,056
224,959	888,059
1,200,315	3,058,221
37,693	107,676
6,259,376	22,920,755
—	331,129
—	208,508
8,267	21,356
664,089	1,126,759
9,106,010	**51,738,478**
3,011,324	11,908,976
21,878	2,335,509
1,893,336	25,302,660
616,157	1,586,232
689,317	3,091,789
326,625	403,119
2,635,063	2,647,937
349,222	794,985
937,298	3,329,205
376,455	379,698
1,589,267	1,910,154
12,445,942	**53,690,264**
(3,339,932)	**(1,951,786)**
529,005	1,347,005
407,540	407,540
(479,249)	(479,249)
179,062	207,372
—	2,196
3,187,775	3,426,036
(379,535)	(2,470,315)
3,444,598	**2,440,585**
104,666	**488,799**
3,205,892	14,058,426
13,861	14,593
$ 3,324,419	**$ 14,561,818**

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, 2014

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		**$ 488,799**
Change in Inventories		*14,593*
		503,392

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	*255,021*	
Depreciation Expense	*(229,080)*	
Excess of Capital Outlay Over Depreciation Expense		*25,941*

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

General Obligation Bonds	*(1,202,005)*	
Special Obligation Bonds	*(145,000)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(409,577)*	
Refunding Certificates of Participation, including Premium	*(71,173)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(120,631)*	
Special Obligation Bonds	*(13,533)*	
Capital Leases	*(2,196)*	
Total Debt Proceeds		*(1,964,115)*

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 Position. In the current year, these amounts consist of:

Debt Principal Retirement and Defeasements:		
General Obligation Bonds	*1,078,687*	
Revenue Bonds and Notes	*160,410*	
Special Obligation Bonds	*230,775*	
Certificates of Participation	*94,139*	
Capital Lease Payments	*1,435*	
Total Long-Term Debt Repayment		*1,565,446*

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, liabilities, and deferred resources 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 Other Assets..		
Decrease in Accrued Interest and Other Accrued Liabilities................................	*6,277*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net.......................	*89,500*	
Decrease in Refunding Loss Included in Deferred Outflows of Resources.........	*(11,542)*	
Increase in Compensated Absences...	*(1,400)*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*2,051*	
Increase in Estimated Claims Payable..	*(9,021)*	
Decrease in Pollution Remediation..	*2,999*	
Increase in Net Pension Obligation..	*(12,877)*	
Increase in Liability for OPEB Obligation...	*(21,415)*	
Increase in Liability for Escheat Property...	*(16,324)*	
Increase in Deferred Inflow of Resources..	*(58,163)*	
Total additional expenditures...		*(29,915)*
Change in Net Position of Governmental Activities...		***$ 100,749***

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:				
Income Taxes	$ 8,197,038	$ 8,197,038	$ 8,412,260	$ 215,222
Sales Taxes	9,391,024	9,391,024	9,360,126	(30,898)
Corporate and Public Utility Taxes	2,630,782	2,630,782	2,612,471	(18,311)
Motor Vehicle Fuel Taxes	1,140,100	1,140,100	1,140,100	—
Cigarette Taxes	818,400	818,400	813,984	(4,416)
Other Taxes	640,685	640,685	654,601	13,916
Licenses, Permits and Fees	725,928	725,928	724,220	(1,708)
Sales, Services and Charges	93,875	93,875	93,995	120
Federal Government	8,931,507	8,931,507	8,644,066	(287,441)
Investment Income	15,182	15,182	25,229	10,047
Other	1,333,797	1,333,797	1,312,174	(21,623)
TOTAL REVENUES	**33,918,318**	**33,918,318**	**33,793,226**	**(125,092)**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	8,712,792	8,712,792	8,659,453	53,339
Higher Education Support	2,330,853	2,856,644	2,480,476	376,168
Public Assistance and Medicaid	16,133,575	16,105,466	14,954,338	1,151,128
Health and Human Services	830,756	830,765	745,260	85,505
Justice and Public Protection	2,549,608	2,552,004	2,459,072	92,932
Environmental Protection and Natural Resources	127,404	138,932	118,114	20,818
Transportation	17,182	17,182	17,077	105
General Government	1,159,143	1,165,917	1,058,420	107,497
Community and Economic Development	2,936,193	3,574,100	2,771,525	802,575
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE	1,231,489	1,231,489	1,226,413	5,076
TOTAL BUDGETARY EXPENDITURES	**36,028,995**	**37,185,291**	**34,490,148**	**2,695,143**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(2,110,677)**	**(3,266,973)**	**(696,922)**	**2,570,051**
OTHER FINANCING SOURCES (USES):				
Bonds Issued	526,134	899,747	526,159	(373,588)
Transfers-in	2,550,747	919,765	1,185,906	266,141
Transfers-out	(3,152,383)	(1,895,014)	(1,768,243)	126,771
TOTAL OTHER FINANCING SOURCES (USES)	**(75,502)**	**(75,502)**	**(56,178)**	**19,324**
NET CHANGE IN FUND BALANCES	**$ (2,186,179)**	**$ (3,342,475)**	**(753,100)**	**$ 2,589,375**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated)			4,603,203	
Outstanding Encumbrances at Beginning of Fiscal Year			963,062	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 4,813,165**	

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

JOB, FAMILY AND OTHER HUMAN SERVICES			
BUDGET			VARIANCE WITH FINAL BUDGET
ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
		$ —	
		—	
		—	
		—	
		—	
		1,230	
		1,179,707	
		1,065	
		5,233,151	
		3,363	
		789,499	
		7,208,015	
$ 270	$ 270	251	$ 19
2,129	2,129	656	1,473
8,515,888	9,038,648	7,777,765	1,260,883
398,509	398,509	359,224	39,285
81,693	81,718	72,440	9,278
—	—	—	—
—	—	—	—
2,788	2,788	2,507	281
—	—	—	—
2,272	30,086	18,535	11,551
—	—	—	—
$ 9,003,549	**$ 9,554,148**	**8,231,378**	**$ 1,322,770**
		(1,023,363)	
		17,955	
		61,782	
		(101,051)	
		(21,314)	
		(1,044,677)	
		(704,465)	
		1,027,479	
		$ (721,663)	

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2014
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 4,456	$ 164,187	$ —
Cash and Cash Equivalents	558,797	72,473	731
Collateral on Lent Securities	2,747	45,681	—
Restricted Assets:			
Cash Equity with Treasurer	—	38	—
Investments	—	55,841	—
Collateral on Lent Securities	—	168,146	—
Other Receivables	—	1,148	—
Deposit with Federal Government	—	—	388,959
Intergovernmental Receivable	—	—	1,800
Premiums and Assessments Receivable	861,373	—	32,154
Investment Trade Receivable	217,563	—	—
Interfund Receivable	76,369	1,518	1,216
Other Receivables	251,570	67,308	38,894
Other Assets	7,534	17,692	5,730
TOTAL CURRENT ASSETS	1,980,409	594,032	469,484
NONCURRENT ASSETS:			
Restricted Assets:			
Investments	—	550,669	—
Investments	24,903,899	—	—
Premiums and Assessments Receivable	2,751,913	—	—
Interfund Receivable	579,489	—	—
Capital Assets Being Depreciated, Net	52,890	17,469	—
Capital Assets Not Being Depreciated	73,108	—	—
TOTAL NONCURRENT ASSETS	28,361,299	568,138	—
TOTAL ASSETS	30,341,708	1,162,170	469,484
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	14,109	11,221	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	2,747	213,827	—
Investment Trade Payable	337,625	—	—
Intergovernmental Payable	—	—	500
Prize Awards Payable	—	57,028	—
Interfund Payable	—	45	—
Unearned Revenue	—	1,447	—
Benefits Payable	1,826,129	—	5,704
Refund and Other Liabilities	1,686,498	78,831	8,551
TOTAL CURRENT LIABILITIES	3,867,108	362,399	14,755
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	1,381,022
Prize Awards Payable	—	483,210	—
Interfund Payable	—	1,754	—
Benefits Payable	15,042,071	—	—
Refund and Other Liabilities	1,972,316	12,852	—
TOTAL NONCURRENT LIABILITIES	17,014,387	497,816	1,381,022
TOTAL LIABILITIES	20,881,495	860,215	1,395,777
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	125,998	2,111	—
Restricted for Lottery Prizes	—	73,751	—
Unrestricted	9,334,215	226,093	(926,293)
TOTAL NET POSITION (DEFICITS)	**$ 9,460,213**	**$ 301,955**	**$ (926,293)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 32,532	$ 201,175
26,269	658,270
162	48,590
—	38
81,100	136,941
—	168,146
—	1,148
—	388,959
8,958	10,758
—	893,527
—	217,563
1,612	80,715
1,108	358,880
8	30,964
151,749	3,195,674
384,309	934,978
5,713	24,909,612
—	2,751,913
7,130	586,619
1,695	72,054
—	73,108
398,847	29,328,284
550,596	32,523,958
2,030	27,360
3,766	3,766
162	216,736
—	337,625
—	500
—	57,028
112	157
689	2,136
81,100	1,912,933
1,521	1,775,401
89,380	4,333,642
—	1,381,022
—	483,210
7,129	8,883
342,100	15,384,171
7,140	1,992,308
356,369	19,249,594
445,749	23,583,236
1,695	129,804
—	73,751
103,152	8,737,167
$ 104,847	**$ 8,940,722**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 3,280,827	$ 28,547
Premium and Assessment Income	2,085,821	—	1,163,634
Federal Government	—	—	293,901
Investment Income	—	—	—
Other	8,141	7,212	55,695
TOTAL OPERATING REVENUES	**2,093,962**	**3,288,039**	**1,541,777**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	55,822	96,535	—
Bonuses and Commissions	—	460,856	—
Prizes	—	1,698,001	—
Benefits and Claims	1,519,175	—	1,444,165
Depreciation	8,697	23,597	—
Other	833,980	498	467
TOTAL OPERATING EXPENSES	**2,417,674**	**2,279,487**	**1,444,632**
OPERATING INCOME (LOSS)	**(323,712)**	**1,008,552**	**97,145**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	3,013,608	16,931	479
Interest Expense	—	(667)	—
Other	—	(30,015)	(238)
TOTAL NONOPERATING REVENUES (EXPENSES)	**3,013,608**	**(13,751)**	**241**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**2,689,896**	**994,801**	**97,386**
Gain on Extinguishment of Debt	—	—	281,938
Transfers-in	—	—	—
Transfers-out	(8,760)	(958,919)	(15,864)
TOTAL GAIN (LOSS) AND TRANSFERS	**(8,760)**	**(958,919)**	**266,074**
NET INCOME (LOSS)	**2,681,136**	**35,882**	**363,460**
NET POSITION (DEFICITS), JULY 1	6,779,077	266,073	(1,289,753)
NET POSITION (DEFICITS), JUNE 30	**$ 9,460,213**	**$ 301,955**	**$ (926,293)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 57,234	$ 3,366,608
—	3,249,455
—	293,901
49,312	49,312
46,797	117,845
153,343	**7,077,121**
63,245	63,245
16,591	168,948
—	460,856
—	1,698,001
62,508	3,025,848
457	32,751
—	834,945
142,801	**6,284,594**
10,542	**792,527**
3	3,031,021
—	(667)
11	(30,242)
14	**3,000,112**
10,556	**3,792,639**
—	281,938
27,822	27,822
—	(983,543)
27,822	**(673,783)**
38,378	**3,118,856**
66,469	5,821,866
$ 104,847	**$ 8,940,722**

STATE OF OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	3,163,354	—
Cash Received from Premiums and Assessments	2,045,599	—	1,190,751
Cash Received from Interfund Services Provided	72,378	1,326	—
Other Operating Cash Receipts	37,932	105,992	66,949
Cash Payments to Suppliers for Goods and Services	(50,695)	(61,791)	—
Cash Payments to Employees for Services	(196,793)	(27,122)	—
Cash Payments for Benefits and Claims	(1,855,158)	—	(1,316,146)
Cash Payments for Lottery Prizes	—	(1,760,236)	—
Cash Payments for Bonuses and Commissions	—	(460,856)	—
Cash Payments for Premium Reductions and Refunds	(1,105,218)	—	—
Cash Payments for Interfund Services Used	(21,763)	(6,272)	—
Other Operating Cash Payments	—	(498)	(139,559)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,073,718)**	**953,897**	**(198,005)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(8,760)	(958,919)	(15,864)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(8,760)**	**(958,919)**	**(15,864)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases	(15,200)	(23,341)	—
Interest Paid	(751)	(597)	—
Acquisition and Construction of Capital Assets	(30,685)	(770)	—
Proceeds from Sales of Capital Assets	62	53	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(46,574)**	**(24,655)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(22,334,098)	(69,397)	(1,172,374)
Proceeds from the Sales and Maturities of Investments	22,497,355	132,567	1,386,974
Investment Income Received	696,200	6,549	—
Borrower Rebates and Agent Fees	(28,614)	(97)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**830,843**	**69,622**	**214,600**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(298,209)**	**39,945**	**731**
CASH AND CASH EQUIVALENTS, JULY 1	861,462	196,753	—
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 563,253**	**$ 236,698**	**$ 731**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 36,834	$ 3,200,188
—	3,236,350
10,258	83,962
12,019	222,892
(11,239)	(123,725)
(66,354)	(290,269)
—	(3,171,304)
—	(1,760,236)
—	(460,856)
—	(1,105,218)
(4,071)	(32,106)
(62,507)	(202,564)
(85,060)	**(402,886)**
27,600	27,600
—	(983,543)
27,600	**(955,943)**
—	(38,541)
—	(1,348)
(242)	(31,697)
10	125
(232)	**(71,461)**
(410,796)	(23,986,665)
482,144	24,499,040
7,784	710,533
—	(28,711)
79,132	**1,194,197**
21,440	**(236,093)**
37,361	1,095,576
$ 58,801	**$ 859,483**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(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)	$ (323,712)	$ 1,008,552	$ 97,145
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	8,697	23,597	—
Provision for Uncollectible Accounts	56,728	—	—
Amortization of Premiums and Discounts	(232)	—	—
Interest on Bonds, Notes and Capital Leases	751	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government	—	—	(301,369)
Intergovernmental Receivable	—	—	(1,551)
Premiums and Assessments Receivable	(184,447)	—	8,145
Interfund Receivable	18,702	—	(1,216)
Other Receivables	(32,776)	(9,611)	12,447
Other Assets	(163)	(9,681)	25
Increase (Decrease) in Liabilities:			
Accounts Payable	4,488	3,981	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	(929)
Deferred Prize Awards Payable	—	(69,361)	—
Interfund Payable	—	(5)	—
Unearned Revenue	—	245	—
Benefits Payable	(435,957)	—	(11,244)
Refund and Other Liabilities	(185,797)	6,180	542
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,073,718)**	**$ 953,897**	**$ (198,005)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 2,348,938	$ 27,305	$ —
Gain on Extinguishment of Debt	—	—	281,938

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 10,542	$ 792,527
(49,312)	(49,312)
457	32,751
—	56,728
—	(232)
—	751
—	(301,369)
732	(819)
—	(176,302)
162	17,648
166	(29,774)
3	(9,816)
174	8,643
320	320
—	(929)
—	(69,361)
(151)	(156)
(137)	108
(46,500)	(493,701)
(1,516)	(180,591)
$ (85,060)	**$ (402,886)**
$ —	$ 2,376,243
—	281,938

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/13)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	12,037	241,727	89,221
Investments (at fair value):			
U.S. Government and Agency Obligations	17,495	—	1,055,381
Common and Preferred Stock	114,546	—	—
Corporate Bonds and Notes	38,335	—	86,216
Foreign Stocks and Bonds	6,669	—	—
Commercial Paper	—	—	593,927
Repurchase Agreements	—	—	306,659
Mutual Funds	467,672	8,473,870	156,455
Real Estate	33,078	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	147,084	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	1,225	—	—
Employee Contributions Receivable	842	—	—
Other Receivables	887	10,454	800
Other Assets	52	—	5
Capital Assets, Net	22	—	—
TOTAL ASSETS	**839,944**	**8,726,051**	**2,288,664**
LIABILITIES:			
Accounts Payable	826	—	—
Accrued Liabilities	25,093	3,064	1
Obligations Under Securities Lending	—	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	73	7,624	167
TOTAL LIABILITIES	**25,992**	**10,688**	**168**
NET POSITION (DEFICITS):			
Held in Trust for:			
Employees' Pension Benefits	706,198	—	—
Employees' Postemployment Healthcare Benefits	107,754	—	—
Individuals, Organizations and Other Governments	—	8,715,363	—
Pool Participants	—	—	2,288,496
TOTAL NET POSITION (DEFICITS)	**$ 813,952**	**$ 8,715,363**	**$ 2,288,496**

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

AGENCY	
$	273,154
	173,751
	11,538,416
	44,739,365
	13,894,317
	49,428,253
	3,293,742
	640,000
	10,575,642
	18,765,702
	17,131,685
	9,120,777
	12,708,085
	77,817
	74,491
	—
	—
	1,468
	417,333
	—
	192,853,998
	—
	—
	74,491
	222,422
	192,557,085
	192,853,998
	—
	—
	—
	—
$	***—***

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/13)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 26,566	$ —	$ —
Employees	9,083	—	—
Plan Participants	—	2,198,275	—
Other	3,985	—	—
Total Contributions	39,634	2,198,275	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	118,632	803,021	—
Interest, Dividends and Other	20,621	320,031	2,590
Total Investment Income	139,253	1,123,052	2,590
Less: Investment Expense	5,682	35,511	2,053
Net Investment Income	133,571	1,087,541	537
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	10,594,288
Reinvested Distributions	—	—	537
Shares Redeemed	—	—	(10,976,195)
Net Capital Share and Individual Account Transactions	—	—	(381,370)
TOTAL ADDITIONS	**173,205**	**3,285,816**	**(380,833)**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	60,956	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	13,704	—	—
Refunds of Employee Contributions	942	—	—
Administrative Expense	1,051	—	—
Transfers to Other Retirement Systems	467	—	—
Distributions to Shareholders and Plan Participants	—	1,934,022	536
TOTAL DEDUCTIONS	**77,120**	**1,934,022**	**536**
CHANGE IN NET POSITION HELD FOR:			
Employees' Pension Benefits	85,755	—	—
Employees' Postemployment Healthcare Benefits	10,330	—	—
Individuals, Organizations and Other Governments	—	1,351,794	—
Pool Participants	—	—	(381,369)
TOTAL CHANGE IN NET POSITION	96,085	1,351,794	(381,369)
NET POSITION (DEFICITS), JULY 1 (as restated)	717,867	7,363,569	2,669,865
NET POSITION (DEFICITS), JUNE 30	**$ 813,952**	**$ 8,715,363**	**$ 2,288,496**

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, 2014
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 341,439	$ —	$ 12,281
Cash and Cash Equivalents	—	382,770	1,204,263
Investments	696	1,088,654	2,347,891
Collateral on Lent Securities	94,997	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	123,648
Investments	—	—	184,376
Intergovernmental Receivable	—	7,334	43,148
Loans Receivable, Net	529	23,246	28,170
Investment Trade Receivable	—	—	7,971
Receivable from Primary Government	—	4,712	37,332
Other Receivables	14	522,699	522,193
Inventories	—	40,200	85,542
Other Assets	—	77,565	82,788
TOTAL CURRENT ASSETS	437,675	2,147,180	4,679,603
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	435,293	631,210
Investments	—	—	2,825,382
Investments	—	3,699,609	1,976,058
Loans Receivable, Net	1,830	50,621	151,885
Other Receivables	—	69,824	173,813
Other Assets	—	—	1,769,930
Capital Assets Being Depreciated, Net	78,271	3,264,447	8,164,378
Capital Assets Not Being Depreciated	11,858	1,304,795	1,034,648
TOTAL NONCURRENT ASSETS	91,959	8,824,589	16,727,304
TOTAL ASSETS	529,634	10,971,769	21,406,907
DEFERRED OUTFLOWS OF RESOURCES	—	8,650	88,862
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**529,634**	**10,980,419**	**21,495,769**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	3,285	287,647	299,385
Accrued Liabilities	383	124,533	335,555
Obligations Under Securities Lending	94,997	—	—
Intergovernmental Payable	419,608	—	1,398
Unearned Revenue	—	230,745	278,123
Refund and Other Liabilities	807	67,868	293,545
Bonds and Notes Payable	—	503,011	288,547
TOTAL CURRENT LIABILITIES	519,080	1,213,804	1,496,553
NONCURRENT LIABILITIES:			
Intergovernmental Payable	199,300	—	29,521
Unearned Revenue	—	—	12,946
Refund and Other Liabilities	720	443,009	576,795
Payable to Primary Government	—	—	2,355
Bonds and Notes Payable	—	2,111,325	7,557,008
TOTAL NONCURRENT LIABILITIES	200,020	2,554,334	8,178,625
TOTAL LIABILITIES	719,100	3,768,138	9,675,178
DEFERRED INFLOWS OF RESOURCES	3,646,752	484,450	9,547
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,365,852**	**4,252,588**	**9,684,725**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	90,129	2,374,426	4,785,811
Restricted for:			
Transportation	—	—	252,232
Community and Economic Development	—	—	29,963
Nonexpendable:			
Scholarships and Fellowships	—	—	284,800
Research	—	—	64,234
Endowments and Quasi-Endowments	—	1,281,640	1,180,364
Loans, Grants and Other College and University Purposes	—	—	589,908
Expendable:			
Scholarships and Fellowships	—	—	313,106
Research	—	—	124,918
Instructional Department Uses	—	—	161,011
Student and Public Services	—	—	63,148
Academic Support	—	—	160,783
Debt Service	—	—	19,822
Capital Purposes	—	4,712	151,203
Endowments and Quasi-Endowments	—	375,858	460,483
Current Operations	—	618,459	59,085
Loans, Grants and Other College and University Purposes	—	—	439,191
Unrestricted	(3,926,347)	2,072,736	2,670,982
TOTAL NET POSITION (DEFICITS)	**$ (3,836,218)**	**$ 6,727,831**	**$ 11,811,044**

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

TOTAL
$ 353,720
1,587,033
3,437,241
94,997
123,648
184,376
50,482
51,945
7,971
42,044
1,044,906
125,742
160,353
7,264,458
1,066,503
2,825,382
5,675,667
204,336
243,637
1,769,930
11,507,096
2,351,301
25,643,852
32,908,310
97,512
33,005,822
590,317
460,471
94,997
421,006
508,868
362,220
791,558
3,229,437
228,821
12,946
1,020,524
2,355
9,668,333
10,932,979
14,162,416
4,140,749
18,303,165
7,250,366
252,232
29,963
284,800
64,234
2,462,004
589,908
313,106
124,918
161,011
63,148
160,783
19,822
155,915
836,341
677,544
439,191
817,371
$ 14,702,657

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education	$ 369,320	$ —	$ —
Transportation	—	—	116,694
General Government	244	—	—
Community and Economic Development	9,005	—	749,023
Education and General:			
Instruction and Departmental Research	—	943,542	1,964,579
Separately Budgeted Research	—	460,031	389,343
Public Service	—	137,474	193,486
Academic Support	—	188,641	536,165
Student Services	—	96,892	309,364
Institutional Support	—	284,951	638,247
Operation and Maintenance of Plant	—	105,337	380,344
Scholarships and Fellowships	—	110,601	285,016
Auxiliary Enterprises	—	241,915	692,472
Hospitals	—	2,182,210	318,179
Interest on Long-Term Debt	—	54,789	280,108
Depreciation	1,797	266,907	516,722
Other	—	—	63,990
TOTAL EXPENSES	**380,366**	**5,073,290**	**7,433,732**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	11,724	3,738,428	5,127,465
Operating Grants, Contributions and Restricted Investment Income	1,832	662,916	931,498
Capital Grants, Contributions and Restricted Investment Income	—	5,486	48,092
TOTAL PROGRAM REVENUES	**13,556**	**4,406,830**	**6,107,055**
NET PROGRAM (EXPENSE) REVENUE	**(366,810)**	**(666,460)**	**(1,326,677)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	620,787	483,869
State Assistance	494,500	495,732	1,379,745
Other	319	207,937	421,748
TOTAL GENERAL REVENUES	**494,819**	**1,324,456**	**2,285,362**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**54,309**	**31,059**
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	**—**	**—**	**(8,925)**
CHANGE IN NET POSITION	**128,009**	**712,305**	**980,819**
NET POSITION (DEFICITS), JULY 1 (as restated)	(3,964,227)	6,015,526	10,830,225
NET POSITION (DEFICITS), JUNE 30	**$ (3,836,218)**	**$ 6,727,831**	**$ 11,811,044**

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

TOTAL	
$	369,320
	116,694
	244
	758,028
	2,908,121
	849,374
	330,960
	724,806
	406,256
	923,198
	485,681
	395,617
	934,387
	2,500,389
	334,897
	785,426
	63,990
	12,887,388
	8,877,617
	1,596,246
	53,578
	10,527,441
	(2,359,947)
	1,104,656
	2,369,977
	630,004
	4,104,637
	85,368
	(8,925)
	1,821,133
	12,881,524
$	**14,702,657**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2014, 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 is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions as though they were part of the primary government using the blending method.

2. Fiduciary Component Units

The State Highway Patrol Retirement System is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions separately in the fiduciary fund financial statements.

3. 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
Ohio Turnpike and Infrastructure 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
Northeast Ohio Medical 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, a governmental component unit, does 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.

4. Joint Ventures and Related Organizations
As discussed in more detail in NOTE 19, 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 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 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, 2013.

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 entities for the construction of school buildings and arts and sports facilities. The fund also accounts for the construction of the State's arts and sports facilities.

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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB 65, *Items Previously Reported as Assets and Liabilities.*

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 recognizes deferred inflows of resources 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 recognizes deferred inflows of resources 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
Infrastructure Bank 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/StateAccounting/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 inflows of resources. 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 lottery prize awards payable, 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 employee and public official fidelity bonding with a private insurer. The State self-funds tort liability although several agencies also choose to participate in private insurance programs. All State owned buildings are covered under a catastrophic property policy that covers both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

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

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

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

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net 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 and disclosed in NOTE 18.

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, 2014, for the primary government and discretely presented component units are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:

	Governmental Activities	Total Discretely Presented Component Units
Net Position, as of June 30, 2013, As Previously Reported	$21,215,340	$11,892,286
Change in Reporting Entity:		
Ohio Facilities Construction Commission		70,743
Ohio Turnpike and Infrastructure Commission		907,751
Cultural Facilities Commission (Previously a Component Unit)*		(70,743)
eTech Ohio Commission (Previously a Component Unit)**	$5,206	(5,206)
Northeast Ohio Medical University Component Unit		122,239
Cincinnati State Community College Component Unit		4,778
Implementation of a New Accounting Standard:		
GASB Statement No. 65	($66,340)	(43,142)
Correction of an Error:		
Youngstown State University Component Unit		(1,377)
Southern State Community College Component Unit		1,416
Cincinnati State Community College Component Unit		2,779
Total Changes in Net Position	($61,134)	$989,238
Net Position, July 1, 2013, As Restated	$21,154,206	$12,881,524

Governmental Fund and Fiduciary Fund Financial Statements:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Investment Trust Funds
Net Position, as of June 30, 2013, As Previously Reported	$5,240,113	$3,203,451	$14,055,612	$2,556,605
Change in Reporting Entity:				
STAR OHIO				$113,260
eTech Ohio Commission (Previously a Component Unit)**	$373	$2,441	$2,814	
Total Changes in Net Position	$373	$2,441	$2,814	$113,260
Net Position, July 1, 2013, As Restated	$5,240,486	$3,205,892	$14,058,426	$2,669,865

Discretely Presented Component Units Fund Financial Statements:

	Ohio Facilities Construction Commission
Fund Balance, as of June 30, 2013, As Previously Reported	($4,075,066)
Change in Reporting Entity:	
Cultural Facilities Commission (Previously a Component Unit)*	$22,464
Total Changes in Fund Balance	$22,464
Fund Balance, July 1, 2013, As Restated	($4,052,602)

*****Effective July 1, 2013, the Cultural Facilities Commission was abolished and the net position/fund balance was moved to the Ohio Facilities Construction Commission.
** Effective July 1, 2013, the eTech Ohio Commission was reconstituted and renamed Broadcast Educational Media Commission (BEMC). Most of the net position/fund balance was moved to the Nonmajor Governmental Funds while the BEMC activity was moved to the General Fund.

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

B. Implementation of Recently Issued Accounting Pronouncements
For the fiscal year ended June 30, 2014, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.*
- Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections–2012.*
- Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

GASB Statement No. 65 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. Please see NOTE 2A. for "Change in Accounting Principle" showing restatements of beginning net position and beginning fund balance as a result of the implementation of this standard.

GASB Statement No. 66 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. The implementation of this standard did not result in any change to the State's financial statements or note disclosures.

GASB Statement No. 70 enhances 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 enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. Please see NOTE 16 for a discussion of the State's nonexchange financial guarantees and NOTE 14G.,"Estimated Claims Payable," for nonexchange financial guarantee liabilities associated with the Ohio Enterprise Bond Fund.

C. Recently Issued GASB Pronouncements
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 GASB 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. The State's implementation of GASB 67 is based on the year-end of the State Highway Patrol Retirement System. Please see NOTE 9C. for more information.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27).* The provisions of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2014. This statement amends GASB 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.

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

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68).* The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the accrual-basis financial statements of employer and nonemployer contributing entities in the first year of implementation of GASB 68.

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, 2014 (dollars in thousands) are as follows:

<u>Gain on Extinguishment of Debt</u>
The $281.9 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.

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 resources, 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 2014. 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 2014, whenever signed into law or otherwise legally authorized.

For fiscal year 2014, 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 on the following page.

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

Primary Government
Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Fund
As of June 30, 2014
(dollars in thousands)

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis	$ 5,928,956	$ 340,422
Less: Nonspendable Fund Balances	69,787	-
Less: Restricted Fund Balances	1,462,971	284,769
Less: Committed Fund Balances	773,730	55,816
Less: Assigned Fund Balances	2,366,979	-
Unassigned Fund Balances — GAAP Basis	1,255,489	(163)
BASIS DIFFERENCES		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer	(100,318)	(61,820)
Taxes Receivable	(1,490,819)	-
Intergovernmental Receivable	(494,651)	(300,781)
Loans Receivable, Net	(1,017,469)	-
Interfund Receivable	(38,620)	-
Receivables from Component Units	(1,100)	-
Other Receivables	(209,058)	(376,082)
Unearned Revenue	-	322,873
Total Revenue Accruals/Adjustments	(3,352,035)	(415,810)
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer	(16,693)	(3,243)
Inventories	(25,424)	-
Other Assets	(23)	-
Accounts Payable	186,026	127,802
Accrued Liabilities	116,273	18,455
Medicaid Claims Payable	780,366	113,791
Intergovernmental Payable	870,200	65,057
Interfund Payable	478,522	14,620
Payable to Component Units	34,757	183
Refund and Other Liabilities	730,046	4,173
Liability for Escheat Property	9,328	-
Total Expenditure Accruals/Adjustments	3,163,378	340,838
Deferred Inflows of Resources	1,045,789	113,813
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable	69,787	-
Restricted	1,462,971	284,769
Committed	773,730	55,816
Assigned	2,366,979	-
Cash and Investments Held Outside State Treasury	(1,028,561)	(2,672)
Other	(1)	-
Total Other Adjustments	3,644,905	337,913
Total Basis Differences	4,502,037	376,754
TIMING DIFFERENCES		
Encumbrances	(944,361)	(1,098,254)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$ 4,813,165	$ (721,663)

NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

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

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

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

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

- US Treasury bills, notes, bonds or other 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 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.tos.ohio.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, 2014, 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, 2014
(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	$ 1,132,385	$ 1,035,574	$ 19,763	$ 67,730	$ 10,182
Major Discretely Presented Component Units:					
Ohio State University	818,063	802,426	-	-	779,659

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, 2014, 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, 2014
(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	$ 15,137,090	$ -
U.S. Government Obligations—Strips	716,090	449,330
U.S. Agency Obligations	8,195,913	-
U.S. Agency Obligations—Strips	320,183	-
Common and Preferred Stock	50,915,527	-
Corporate Bonds and Notes	19,335,481	-
Corporate Bonds and Notes—Strips	154	-
Municipal Obligations	828,348	-
Negotiable Certificates of Deposit	2,724	-
Commercial Paper	6,231,653	-
Repurchase Agreements	1,052,005	-
Mortgage and Asset-Backed Securities	9,198,956	-
International Investments:		
Foreign Stocks	42,297,570	-
Foreign Bonds	3,555,609	-
High-Yield and Emerging Markets Fixed Income	5,404,308	-
Securities Lending Collateral:		
Commercial Paper	720,990	-
Repurchase Agreements	967,000	50,000
Variable Rate Notes	1,130,451	-
Bond Mutual Funds	369,400	-
		$ 499,330
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	1,100,555	
U.S. Government Obligations—Strips	83,725	
U.S. Agency Obligations	1,909,032	
U.S. Agency Obligations—Strips	3,337	
Corporate Bonds and Notes	25,204	
International Investments-Commingled Equity Funds	6,334,633	
Equity Mutual Funds	12,136,362	
Bond Mutual Funds	7,462,998	
Real Estate	19,986,755	
Venture Capital	17,131,685	
Partnerships and Hedge Funds	12,855,169	
Deposit with Federal Government	388,959	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(448,717)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(110,843)	
Total Investments — Primary Government	$ 245,238,306	

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, 2014
(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	$ 124,003	$ 124,003
U.S. Agency Obligations	104,363	104,363
Common and Preferred Stock	234,547	234,547
Corporate Bonds and Notes	683,072	683,072
Municipal Obligations	18,051	18,051
Negotiable Certificates of Deposit	92,211	92,211
Commercial Paper	8,541	8,541
Repurchase Agreements	800	800
International Investments:		
Foreign Stocks	170,128	170,128
Foreign Bonds	17,391	17,391
Total Ohio State University		$ 1,453,107

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:

- 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 "AAA" or "AAAm" by Standard & Poor's.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to certain 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
The fixed income portfolio should consist primarily of domestic investment grade bonds and may be partially invested in below investment grade bonds. Any portion of the portfolio in below-investment grade securities should be invested in "BB" and "B" rated securities.

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. Mutual funds must be rated AAA or AAAm by Standard and Poor's.

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 35 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.

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

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
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, 2014
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 3,356,743	$ 3,689,328	$ 3,048,888	$ -	$ -	$ -
U.S. Agency Obligations—Strips	292,133	31,387	-	-	-	-
Corporate Bonds and Notes	538,943	1,564,379	5,515,644	6,184,879	2,370,015	2,208,262
Corporate Bonds and Notes—Strips	102	38	-	-	-	-
Municipal Obligations	99,180	435,737	286,993	4,738	1,062	-
Negotiable Certificates of Deposit	-	2,000	-	-	-	-
Commercial Paper	667,916	2,732,130	2,831,607	-	-	-
Repurchase Agreements	200,000	440,000	-	-	-	-
Mortgage and Asset-Backed Securities	1,842,712	6,016,090	249,049	150,518	227,791	198,903
International Investments:						
Foreign Bonds	897,441	431,434	798,081	1,222,758	111,654	41,593
High-Yield & Emerging Markets Fixed Income	25,564	42,649	703,506	1,298,015	1,234,522	1,300,610
Bond Mutual Funds	3,763,210	833,774	213,927	74,297	53,188	28,712
Securities Lending Collateral:						
Commercial Paper	-	-	720,990	-	-	-
Repurchase Agreements	-	121,000	342,000	504,000	-	-
Variable Rate Notes	-	392,505	737,946	-	-	-
Bond Mutual Funds	369,400	-	-	-	-	-
Total Primary Government	$ 12,053,344	$ 16,732,451	$ 15,448,631	$ 9,439,205	$ 3,998,232	$ 3,778,080

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 9,986	$10,104,945
U.S. Agency Obligations—Strips	-	-	-	-	-	323,520
Corporate Bonds and Notes	923,333	10,831	154	22,179	22,066	19,360,685
Corporate Bonds and Notes—Strips	-	-	-	-	14	154
Municipal Obligations	-	-	-	-	638	828,348
Negotiable Certificates of Deposit	-	-	-	-	724	2,724
Commercial Paper	-	-	-	-	-	6,231,653
Repurchase Agreements	-	-	-	-	412,005	1,052,005
Mortgage and Asset-Backed Securities	205,079	67,322	12,802	64,689	164,001	9,198,956
International Investments:						
Foreign Bonds	39,328	4,276	1	-	9,043	3,555,609
High-Yield & Emerging Markets Fixed Income	514,938	-	1,353	4,309	278,842	5,404,308
Bond Mutual Funds	6,505	-	-	-	2,489,385	7,462,998
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	720,990
Repurchase Agreements	-	-	-	-	-	967,000
Variable Rate Notes	-	-	-	-	-	1,130,451
Bond Mutual Funds	-	-	-	-	-	369,400
Total Primary Government	$ 1,689,183	$ 82,429	$ 14,310	$ 91,177	$ 3,386,704	$66,713,746

Major Discretely Presented Component Units
Investment Credit Ratings
As of June 30, 2014
(dollars in thousands)

Ohio State University:	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ -	$ 103,558	$ 805	$ -	$ -	$ -
Corporate Bonds and Notes	78,011	109,281	295,614	162,954	27,538	4,922
Municipal Obligations	2,507	7,599	7,166	779	-	-
Negotiable Certificates of Deposit	92,211	-	-	-	-	-
Commercial Paper	-	-	7,941	600	-	-
Repurchase Agreements	-	-	800	-	-	-
International Investments-Foreign Bonds	2,293	1,728	10,240	3,115	-	-
Bond Mutual Funds	50,742	5,421	35,949	12,012	958	1,678
Total Ohio State University	$ 225,764	$ 227,587	$ 358,515	$ 179,460	$ 28,496	$ 6,600

Ohio State University (continued):	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ -	$ 104,363
Corporate Bonds and Notes	217	-	-	44	4,491	683,072
Municipal Obligations	-	-	-	-	-	18,051
Negotiable Certificates of Deposit	-	-	-	-	-	92,211
Commercial Paper	-	-	-	-	-	8,541
Repurchase Agreements	-	-	-	-	-	800
International Investments-Foreign Bonds	-	-	-	-	15	17,391
Bond Mutual Funds	6,011	1,222	56	2,799	37,900	154,748
Total Ohio State University	$ 6,228	$ 1,222	$ 56	$ 2,843	$ 42,406	$ 1,079,177

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 25 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. Bankers' Acceptances are limited to no more than five percent of the total average portfolio in any single issuer. Mutual funds are further limited in that the Treasurer's holdings in a single mutual fund cannot be more than ten percent of the total assets of that mutual fund.

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; with no more than ten percent of the total average portfolio invested in any single mutual fund and limited to no more than ten percent of the total assets of any single mutual fund;
- corporate obligations, limited to 25 percent, with no more than one-half of one percent invested with any single issuer and limited to no more than five percent of any issuer's obligations;
- municipal bonds, limited at ten percent and limited to no more than 2.5 percent with any single issuer;
- 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, 2014, 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	2,944,891	7%
STAR Ohio Investment Trust Fund:		
Federal Home Loan Bank	872,394	30%
Federal Farm Credit Bank................................	250,131	9%
Ohio Facilities Construction Commission Component Unit Fund:		
Federal National Mortgage Association	30,484	7%
Federal Home Loan Bank	97,289	23%
Federal Home Loan Mortgage Corporation	37,982	9%
Federal Farm Credit Bank................................	28,529	7%

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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: five 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.

Variable College Savings Plan Private-Purpose Trust Fund
Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Aggregate Index ranges.

STAR Ohio Investment Trust Fund
Investment policies limit maturities of investments to a final stated maturity of 397 days or less, with a 762 day limit for floating rate U.S. Agency obligations. 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, 2014, 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 $2.34 billion of investments with call dates during fiscal years 2015 through 2019. All of these investments have maturities between fiscal years 2015 through 2019 and are reported in the table on the following page as maturing in one to five 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 $442.4 million and corporate bonds of $15.5 million have daily, weekly, monthly, and quarterly reset dates. Commercial paper of $87.6 million has a 31-day put notice. U.S. Treasury Floating Rate Notes of $15 million have quarterly reset dates. For "Collateral on Lent Securities," variable rate notes of $850 million, $83.5 million, and $135.1 million have quarterly, monthly, and daily reset rates, respectively. Commercial paper of $67 million and $15 million have quarterly and monthly reset dates, respectively. Repurchase agreements of $234 million have daily reset rates.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The Lottery Commission Enterprise Fund has "Collateral on Lent Securities" with reset dates. Variable rate notes of $48.9 million, $5 million, and $8 million have quarterly, monthly, and daily reset dates, respectively. Commercial paper of $7 million has quarterly reset dates. Repurchase agreements of $18 million have daily reset dates.

Also during fiscal year 2014, 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, 2014, 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.

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2014
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 1,913,400	$ 7,231,934	$ 3,104,296	$ 3,988,015	$ 16,237,645
U.S. Government Obligations—Strips	240,796	251,769	49,435	257,815	799,815
U.S. Agency Obligations	5,741,917	3,211,069	109,113	1,042,846	10,104,945
U.S. Agency Obligations—Strips	49,051	139,983	104,812	29,674	323,520
Corporate Bonds and Notes	1,242,182	5,508,965	6,387,084	6,222,454	19,360,685
Corporate Bonds and Notes—Strips	-	13	1	140	154
Municipal Obligations	3,883	19,272	8,858	796,335	828,348
Negotiable Certificates of Deposit	2,000	724	-	-	2,724
Commercial Paper	6,231,653	-	-	-	6,231,653
Repurchase Agreements	1,052,005	-	-	-	1,052,005
Mortgage and Asset-Backed Securities	200	920,879	407,512	7,870,365	9,198,956
International Investments:					
Foreign Bonds	296,548	869,627	458,908	1,930,526	3,555,609
High-Yield & Emerging Markets Fixed Income	135,336	1,466,330	2,858,713	943,929	5,404,308
Bond Mutual Funds	4,884,375	115,137	1,376,131	1,087,355	7,462,998
Securities Lending Collateral:					
Commercial Paper	720,990	-	-	-	720,990
Repurchase Agreements	967,000	-	-	-	967,000
Variable Rate Notes	1,130,451	-	-	-	1,130,451
Bond Mutual Funds	369,400	-	-	-	369,400
Total Primary Government	$ 24,981,187	$ 19,735,702	$ 14,864,863	$ 24,169,454	$ 83,751,206

Major Discretely Presented Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2014
(dollars in thousands)

Ohio State University:	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 21,246	$ 89,100	$ 2,617	$ 11,040	$ 124,003
U.S. Agency Obligations	6,859	67,667	18,609	11,228	104,363
Corporate Bonds and Notes	123,972	485,176	24,525	49,399	683,072
Municipal Obligations	2,050	13,533	897	1,571	18,051
Negotiable Certificates of Deposit	92,211	-	-	-	92,211
Commercial Paper	8,541	-	-	-	8,541
Repurchase Agreements	800	-	-	-	800
International Investments-Foreign Bonds	3,493	13,170	301	427	17,391
Bond Mutual Funds	21,253	45,402	23,149	64,944	154,748
Total Ohio State University	$ 280,425	$ 714,048	$ 70,098	$ 138,609	$ 1,203,180

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, 2014, investments denominated in the currency of foreign nations, as detailed in the following tables for the primary government, including fiduciary activities, and the Ohio State University major discretely presented component unit, 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, 2014
(dollars in thousands)

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	
Argentinean Peso	$ 1	$ -	$ -	$ -	$ 1
Australian Dollar	816,021	2,095	-	142,792	960,908
Brazilian Real	684,355	(5,632)	173,811	60,074	912,608
British Pound	4,095,446	188	51,724	637,479	4,784,837
Canadian Dollar	1,405,175	-	82	197,500	1,602,757
Chilean Peso	76,569	2,012	12,816	8,384	99,781
Chinese Yuan	-	-	49,552	424	49,976
Costa Rican Colon	-	-	13,104	-	13,104
Colombian Peso	9,384	798	14,101	5,725	30,008
Czech Koruna	25,137	-	-	1,330	26,467
Danish Krone	383,600	-	-	27,583	411,183
Dominican Peso	-	-	12,148	-	12,148
Egyptian Pound	14,822	-	-	1,086	15,908
Euro	5,711,497	131	228,838	629,590	6,570,056
Ghana Cedi	-	-	4,995	-	4,995
Hong Kong Dollar	2,199,408	-	-	229,878	2,429,286
Hungarian Forint	14,204	573	22,825	1,236	38,838
Indian Rupee	665,017	-	16,057	37,773	718,847
Indonesian Rupiah	149,081	374	61,943	13,600	224,998
Israeli Shekel	54,095	-	-	9,665	63,760
Japanese Yen	3,726,696	-	-	373,451	4,100,147
Kenya Shilling	-	-	6,596	-	6,596
Malaysian Ringgit	194,110	975	64,071	21,442	280,598
Mexican Peso	265,758	(3,181)	191,529	28,284	482,390
New Zealand Dollar	238,043	2,205	-	2,540	242,788
Nigerian Naira	9,636	744	57,726	-	68,106
Norwegian Krone	263,785	-	-	16,180	279,965
Omani Rial	5,011	-	-	-	5,011
Peruvian New Sol	1,714	-	16,404	-	18,118
Philippines Peso	59,338	766	34,200	8,860	103,164
Polish Zloty	68,366	-	103,581	9,167	181,114
Qatari Rial	25,445	-	-	2,209	27,654
Romanian Leu	-	-	5,831	-	5,831
Russian Ruble	13,377	49	122,125	23,765	159,316
Singapore Dollar	305,753	-	-	26,247	332,000
South African Rand	571,962	-	116,365	41,413	729,740
South Korean Won	1,339,208	-	(118)	85,877	1,424,967
Swedish Krona	598,597	-	516	60,266	659,379
Swiss Franc	1,536,036	-	1,304	167,054	1,704,394
Taiwan Dollar	749,620	-	-	67,547	817,167
Thailand Baht	355,503	(5)	32,992	12,128	400,618
Turkish Lira	214,297	(2)	87,820	13,932	316,047
Uganda Shilling	-	-	7,003	-	7,003
United Arab Emirates Dirham	16,797	-	-	2,623	19,420
Uruguayan Peso	-	-	20,888	-	20,888
Investments Held in Foreign Currency	$26,862,864	$ 2,090	$ 1,530,829	$ 2,967,104	$31,362,887
Foreign Investments Held in U.S. Dollars					26,229,233
Total Foreign Investments-Primary Government, including Fiduciary Activities					$57,592,120

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
International Investments—Foreign Currency Risk
As of June 30, 2014
(dollars in thousands)

Ohio State University:

Currency	Stocks	Bonds	Total
Brazilian Real	$ 7,011	$ -	$ 7,011
British Pound	33,353	45	33,398
Czech Koruna	1,035	-	1,035
Danish Krone	-	1,290	1,290
Egyptian Pound	1,163	-	1,163
Euro	39,013	2,172	41,185
Hong Kong Dollar	8,900	-	8,900
Indian Rupee	4,248	-	4,248
Indonesian Rupiah	2,020	-	2,020
Japanese Yen	18,213	-	18,213
Mexican Peso	656	-	656
Norwegian Krone	1,061	-	1,061
South African Rand	5,193	-	5,193
South Korean Won	9,371	-	9,371
Swedish Krona	3,291	-	3,291
Swiss Franc	14,859	-	14,859
Taiwan Dollar	5,097	-	5,097
Turkish Lira	1,249	-	1,249
United Arab Emirates Dirham	1,640	-	1,640
Investments Held in Foreign Currency	$ 157,373	$ 3,507	$ 160,880
Foreign Investments Held in U.S. Dollars			26,639
Total Foreign Investments - Ohio State University			$ 187,519

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.

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Consequently, as of June 30, 2014, 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 23 days or less while the weighted average maturity of securities loans is eight 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 2014, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2014, the Treasurer of State lent U.S. government and agency obligations and corporate notes in exchange for cash collateral.

E. Investment Derivatives

As of June 30, 2014, the State reports the following investment derivatives in its financial statements (dollars in thousands):

Investment Derivatives
As of June 30, 2014
(dollars in thousands)

		Fair Value at 6/30/2014		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$ 121,850	$ (11,852)	Other Noncurrent Liability	$ 2,051	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Call options	-	-	Investments	157	Investment Income
Credit default swaps	20,435	52	Investments	363	Investment Income
Credit linked notes	2,726	2,899	Investments	1,403	Investment Income
Equity swaps	1,224,096	12,281	Investments	53,913	Investment Income
Foreign exchange forward currency contracts	8,610,176	(42,451)	Investments	(175,843)	Investment Income
Futures contracts	(15,145)	334	Investments	1,612	Investment Income
Interest rate swap	4,590,035	(1,414)	Investments	(938)	Investment Income
Options	49,011	(2,646)	Investments	(10,020)	Investment Income
Put options	-	-	Investments	(60)	Investment Income
Total return swaps	1,311,572	11,718	Investments	11,649	Investment Income
Warrants	29,092	8,979	Investments	8,188	Investment Income

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2014, and are reported as investment derivatives. The increases in the fair values for fiscal year 2014 of $2.1 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+/A+ as of June 30, 2014. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2014. 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement 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, 2014, approximately $82.4 million of the net taxes receivable balance is also reported as deferred inflows of resources on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately $717.3 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	$ 338,049	$ -	$ 338,049
Sales Taxes	489,747	-	489,747
Motor Vehicle Fuel Taxes	99,092	75,822	174,914
Commercial Activity Taxes	439,968	-	439,968
Public Utility Taxes	111,832	-	111,832
Casino Taxes	-	3,209	3,209
	1,478,688	79,031	1,557,719
Noncurrent-Due in More Than One Year:			
Income Taxes	12,131	-	12,131
Taxes Receivable, Net	$ 1,490,819	$ 79,031	$ 1,569,850

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, 2014 (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	$ 494,651	$ -	$ -	$ -	$ 494,651
Job, Family and Other Human Services	258,869	41,912	-	-	300,781
Nonmajor Governmental Funds	332,600	47,664	-	10,235	390,499
Total Governmental Activities	1,086,120	89,576	-	10,235	1,185,931
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	1,800	-	1,800
Nonmajor Proprietary Funds	-	-	-	8,958	8,958
Total Business-Type Activities	-	-	1,800	8,958	10,758
Intergovernmental Receivable	$ 1,086,120	$ 89,576	$ 1,800	$ 19,193	$ 1,196,689

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2014, 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	$ 411,604	$ -	$ 411,604
Local Infrastructure Improvements	457,061	-	457,061
Housing Finance	146,147	-	146,147
Highway, Transit,			
& Aviation Infrastructure Bank	-	76,847	76,847
Brownfield Revolving Loan	-	3,315	3,315
Wayne Trace Local School District	2,657	-	2,657
Rail Development	-	1,843	1,843
Loans Receivable, Net	1,017,469	82,005	1,099,474
Current-Due Within One Year	74,479	13,866	88,345
Noncurrent-Due in More Than One Year	942,990	68,139	1,011,129
Loans Receivable, Net	$ 1,017,469	$ 82,005	$ 1,099,474

The “Loans Receivable” balance reported in the major discretely presented component units, as of June 30, 2014, 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, 2014, 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 Govern-mental Funds	Total
Manufacturers' Rebates	$ 149,458	$ 255,175	$ -	$ 65	$ 404,698
Tobacco Settlement	-	-	394,157	72,720	466,877
Health Facility Bed Assessments	-	108,070	-	-	108,070
Interest	8,733	-	-	83	8,816
Accounts	4,538	12,164	-	2,209	18,911
Environmental Legal Settlements	-	-	-	1,877	1,877
Miscellaneous	46,329	673	-	2,341	49,343
Other Receivables, Net	209,058	376,082	394,157	79,295	1,058,592
Current-Due Within One Year	209,058	376,082	-	6,575	591,715
Noncurrent-Due in More Than One Year	-	-	394,157	72,720	466,877
Other Receivables, Net	$ 209,058	$ 376,082	$ 394,157	$ 79,295	$ 1,058,592

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 109,766	$ -	$ 71,998	$ 370	$ 182,134
Interest and Dividends (including restricted portion)	142,937	1,148	-	738	144,823
Lottery Sales Agents	-	67,653	-	-	67,653
Other Receivables, Gross	252,703	68,801	71,998	1,108	394,610
Estimated Uncollectible	(1,133)	(345)	(33,104)	-	(34,582)
Other Receivables, Net-Due Within One Year	$ 251,570	$ 68,456	$ 38,894	$ 1,108	$ 360,028
Total Primary Government					$ 1,418,620

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2014, is comprised of interest due of approximately $3.2 million, investment trade receivables of $9 million, and miscellaneous receivables of $1.5 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2014, 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, 2014, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$ 116,273	$ -	$ 116,273
Job, Family and Other Human Services	18,455	-	18,455
Nonmajor Governmental Funds	67,909	-	67,909
	202,637	-	202,637
Reconciliation of fund level statements to government-wide statements due to basis differences	-	162,944	162,944
Total Governmental Activities	202,637	162,944	365,581
Business-Type Activities:			
Nonmajor Proprietary Funds	3,766	-	3,766
Total Primary Government	$ 206,403	$ 162,944	$ 369,347

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2013)	$ 24,276	$ 817	$ -	$ 25,093
Variable College Savings Plan Private-Purpose Trust	-	-	3,064	3,064
STAR Ohio Investment Trust	-	-	1	1
Total Fiduciary Activities	$ 24,276	$ 817	$ 3,065	$ 28,158

The "Accrued Liabilities" balance reported in the major discretely presented component units, as of June 30, 2014, 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, 2014, 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	$ 736,587	$100,168	$ 31,220	$ 2,225	$ 870,200
Job, Family and Other Human Services ...	-	65,057	-	-	65,057
Nonmajor Governmental Funds	86,837	148,255	-	-	235,092
Total Governmental Activities	823,424	313,480	31,220	2,225	1,170,349
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	143	1,381,379	-	1,381,522
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the business-type financial statements........	-	-	(1,381,022)	-	(1,381,022)
Total Business-Type Activities	-	143	357	-	500
Total Primary Government........					$ 1,170,849
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ -	$ 1,395	$ 25,610	$ 27,005
Payroll Withholding and Fringe Benefits Agency Fund	-	27,784	-	-	27,784
Other Agency Fund	153,693	13,940	-	-	167,633
Total Fiduciary Activities	$ 153,693	$ 41,724	$ 1,395	$ 25,610	$ 222,422

As of June 30, 2014, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately $618.9 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, 2014, 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	$ 719,046	$ 11,000	$ 730,046
Job, Family and Other Human Services	-	4,173	4,173
Nonmajor Governmental Funds	-	695	695
Total Governmental Activities	$ 719,046	$ 15,868	$ 734,914

	Reserve for Compensation Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$1,853,500	$86,481	$25,394	$ -	$1,693,439	$3,658,814
Lottery Commission	-	70,944	3,539	15,357	1,843	91,683
Unemployment Compensation	-	8,551	-	-	-	8,551
Nonmajor Proprietary Funds	-	29	8,632	-	-	8,661
	1,853,500	166,005	37,565	15,357	1,695,282	3,767,709
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(1,853,500)	(86,481)	(37,565)	(15,357)	(1,669,042)	(3,661,945)
Total Business-Type Activities	$ -	$ 79,524	$ -	$ -	$ 26,240	$ 105,764
Total Primary Government						$ 840,678

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2013)	$ -	$ -	$ -	$ -	$ 73	$ 73
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	7,624	7,624
STAR Ohio Investment Trust	-	-	-	-	167	167
Agency Funds:						
Holding and Distribution	-	9,631	-	-	-	9,631
Centralized Child Support Collections	63,738	-	-	-	-	63,738
Retirement Systems	-	-	-	191,832,980	-	191,832,980
Payroll Withholding and Fringe Benefits	-	-	82,797	-	-	82,797
Other	-	395,470	-	56,661	115,808	567,939
Total Fiduciary Activities	$ 63,738	$ 405,101	$ 82,797	$ 191,889,641	$ 123,672	$ 192,564,949

In the major discretely presented component units, the "Refunds and Other Liabilities" balance reported, as of June 30, 2014, 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, 2014, consist of the following (in thousands):

	Due To		
	Governmental Activities		
Due from	General	Nonmajor Governmental Funds	Total
Major Governmental Funds:			
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	$ 38,620	$ -	$ 38,620
Nonmajor Governmental Funds	-	1,364	1,364
Total Primary Government	$ 38,620	$ 1,364	$ 39,984

	Business-Type Activities					
	Major Proprietary Funds					
Due from	Workers' Compensation	Lottery Commission	Unemployment Funds	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:						
General	$ 469,780	$ -	$ -	$ 8,742	$478,522	$ 478,522
Job, Family and Other Human Services	14,620	-	-	-	14,620	14,620
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	-	-	-	38,620
Nonmajor Governmental Funds	162,418	1,518	1,216	-	165,152	166,516
Total Governmental Activities	646,818	1,518	1,216	8,742	658,294	698,278
Business-Type Activities:						
Major Proprietary Funds:						
Lottery Commission	1,799	-	-	-	1,799	1,799
Nonmajor Proprietary Funds	7,241	-	-	-	7,241	7,241
Total Business-Type Activities	9,040	-	-	-	9,040	9,040
Total Primary Government	$ 655,858	$ 1,518	$ 1,216	$ 8,742	$667,334	$ 707,318

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 $655.9 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net 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, 2014, consist of the following (dollars in thousands):

	Transferred to			
	Governmental Activities			
	Major Governmental Funds			
Transferred from	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Total
Major Governmental Funds:				
General	$ -	$ 16,564	$ 1,982,403	$1,998,967
Job, Family and Other Human Services	-	-	50,420	50,420
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	13,571	13,571
Nonmajor Governmental Funds	221,697	-	157,838	379,535
Total Governmental Activities	221,697	16,564	2,204,232	2,442,493
Major Proprietary Funds:				
Workers' Compensation	-	-	8,760	8,760
Lottery Commission	-	-	958,919	958,919
Unemployment Compensation	-	-	15,864	15,864
Total Business-Type Activities	-	-	983,543	983,543
Total Primary Government	$ 221,697	$ 16,564	$ 3,187,775	$3,426,036

	Business-Type Activities	
Transferred from	Nonmajor Proprietary Funds	Total Primary Government
Major Governmental Funds:		
General	$ 27,822	$2,026,789
Job, Family and Other Human Services	-	50,420
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	13,571
Nonmajor Governmental Funds	-	379,535
Total Governmental Activities	27,822	2,470,315
Major Proprietary Funds:		
Workers' Compensation	-	8,760
Lottery Commission	-	958,919
Unemployment Compensation	-	15,864
Total Business-Type Activities	-	983,543
Total Primary Government	$ 27,822	$3,453,858

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.

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

C. Discretely Presented Component Units

For fiscal year 2014, the discretely presented component units reported $2.37 billion in state assistance revenue from the primary government in the Statement of Activities.

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

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

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

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	Transportation Function	Total State Assistance to the Component Units
Major Governmental Funds:						
General	$ 1,100	$ 34,757	$ 494,500	$1,711,222	$ 2,292	$2,208,014
Job, Family and Other Human Services	-	183	-	-	-	-
Nonmajor Governmental Funds	7,337	6,591	-	161,963	-	161,963
Total Governmental Activities	8,437	41,531	494,500	1,873,185	2,292	2,369,977
Total Primary Government	$ 8,437	$ 41,531	$ 494,500	$1,873,185	$ 2,292	$2,369,977

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	$ -	$ -	$ 494,500
Ohio State University	4,712	-	495,732
Nonmajor Discretely Presented Component Units	37,332	2,355	1,379,745
	42,044	2,355	2,369,977
Variance Due to Year-End Differences (June 30 versus December 31)	(513)	6,082	-
Total Discretely Presented Component Units	$ 41,531	$ 8,437	$2,369,977

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2014, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2013 (as Restated)	Increases	Decreases	Balance June 30, 2014
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,241,945	$ 43,246	$ (1,470)	$ 2,283,721
Buildings	61,372	-	-	61,372
Land Improvements	1,416	-	-	1,416
Construction-in-Progress	1,451,190	420,602	(481,913)	1,389,879
Infrastructure:				
Highway Network:				
General Subsystem	8,567,374	9,966	(8,714)	8,568,626
Priority Subsystem	8,297,960	159,556	(2,345)	8,455,171
Bridge Network	2,931,984	64,724	(103,468)	2,893,240
Total Capital Assets Not Being Depreciated	23,553,241	698,094	(597,910)	23,653,425
Other Capital Assets:				
Buildings	3,608,444	39,711	(28,631)	3,619,524
Land Improvements	463,275	4,022	(1,988)	465,309
Machinery and Equipment	902,119	75,045	(33,552)	943,612
Vehicles	349,441	48,702	(32,635)	365,508
Infrastructure:				
Parks, Recreation and Natural Resources Network	108,487	8,155	-	116,642
Total Other Capital Assets at Historical Cost	5,431,766	175,635	(96,806)	5,510,595
Less Accumulated Depreciation for:				
Buildings	2,027,069	104,899	(18,970)	2,112,998
Land Improvements	284,703	15,221	(1,450)	298,474
Machinery and Equipment	658,824	73,002	(28,570)	703,256
Vehicles	187,071	31,616	(27,019)	191,668
Infrastructure:				
Parks, Recreation and Natural Resources Network	22,990	4,342	-	27,332
Total Accumulated Depreciation	3,180,657	229,080	(76,009)	3,333,728
Other Capital Assets, Net	2,251,109	(53,445)	(20,797)	2,176,867
Governmental Activities - Capital Assets, Net	$ 25,804,350	$ 644,649	$ (618,707)	$ 25,830,292
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 11,994	$ -	$ -	$ 11,994
Construction-In Progress	30,713	30,401	-	61,114
Total Capital Assets Not Being Depreciated	42,707	30,401	-	73,108
Other Capital Assets:				
Buildings	209,313	-	-	209,313
Land Improvements	66	-	-	66
Machinery and Equipment	153,741	6,296	(1,750)	158,287
Vehicles	2,777	624	(220)	3,181
Total Other Capital Assets at Historical Cost	365,897	6,920	(1,970)	370,847
Less Accumulated Depreciation for:				
Buildings	152,571	6,964	-	159,535
Land Improvements	58	1	-	59
Machinery and Equipment	113,555	25,552	(1,726)	137,381
Vehicles	1,712	303	(197)	1,818
Total Accumulated Depreciation	267,896	32,820	(1,923)	298,793
Other Capital Assets, Net	98,001	(25,900)	(47)	72,054
Business-Type Activities - Capital Assets, Net	$ 140,708	$ 4,501	$ (47)	$ 145,162

NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2014, the State charged depreciation expense to the following functions (dollars in thousands):

Governmental Activities:	***Depreciation Expense***
Primary, Secondary and Other Education	$ 1,149
Higher Education Support	102
Public Assistance and Medicaid	5,901
Health and Human Services	19,409
Justice and Public Protection	96,508
Environmental Protection and Natural Resources	21,175
Transportation	172,709
General Government	55,163
Community and Economic Development	5,714
Total Depreciation Expense for Governmental Activities	377,830
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(148,750)
Fiscal Year 2014 Increases to Accumulated Depreciation	$ 229,080
Business-Type Activities:	
Workers' Compensation	$ 8,697
Lottery Commission	23,597
Tuition Trust Authority	50
Office of Auditor of State	407
Total Depreciation Expense for Business-Type Activities	32,751
Gains (Losses) on Capital Asset Disposals Included in Depreciation	69
Fiscal year 2014 Increase to Accumulated Depreciation	$ 32,820

As of June 30, 2014, 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	$ 63,969
Land Improvements	2,179
Construction-In-Progress	2,280
Total	$ 68,428

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Units
Capital asset activity, for the year ended June 30, 2014, 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, 2013	Increases	Decreases	Balance June 30, 2014
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$ 74,985	$ -	$ (265)	$ 74,720
Construction-in-Progress	862,620	578,415	(229,373)	1,211,662
Patents and Trademarks	18,413	-	-	18,413
Total Capital Assets Not Being Depreciated	956,018	578,415	(229,638)	1,304,795
Other Capital Assets:				
Buildings	4,493,469	175,946	(28,473)	4,640,942
Land Improvements	506,540	12,589	(2,519)	516,610
Machinery, Equipment and Vehicles	1,098,548	93,249	(27,472)	1,164,325
Library Books and Publications	165,973	5,945	(249)	171,669
Total Other Capital Assets at Historical Cost	6,264,530	287,729	(58,713)	6,493,546
Less Accumulated Depreciation for:				
Buildings	1,887,493	147,138	(15,764)	2,018,867
Land Improvements	204,607	19,095	(2,487)	221,215
Machinery, Equipment and Vehicles	764,810	97,237	(23,302)	838,745
Library Books and Publications	147,084	3,437	(249)	150,272
Total Accumulated Depreciation	3,003,994	266,907	(41,802)	3,229,099
Other Capital Assets, Net	3,260,536	20,822	(16,911)	3,264,447
Total Capital Assets, Net	$ 4,216,554	$ 599,237	$ (246,549)	$ 4,569,242

For fiscal year 2014, Ohio State University reported approximately $266.9 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 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. 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.

In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members eligible to retire under the law in effect prior to Senate Bill 343 or who will be eligible to retire no later than five years after January 7, 2013, comprise Transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or who will be eligible to retire no later than 10 years after January 7, 2013, are included in Transition Group B. Those members who are not in either Group A or B or were hired after January 7, 2013, are in Transition Group C.

Members in Transition Groups A and B are eligible to retire at age 55 with 25 years of credited service, or at or after age 60 with 60 contributing months of credited service. Members in Transition Group C are eligible to retire at age 57 with 25 years of service credit or at age 62 with 5 years of service credit. Regular employees retiring before meeting age and service credit eligibility requirements receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 52 with 15 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. 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. 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 2014, 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, 2013 through June 30, 2014	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2013 through December 31, 2013	12.60%	18.10%
January 1, 2014 through June 30, 2014	13.00%	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):

	2014	2013	2012
Primary Government:			
Regular Employees	$ 327,109	$ 297,367	$ 266,051
Law Enforcement			
Employees	4,944	4,460	4,277
Total	$ 332,053	$ 301,827	$ 270,328
Major Discretely Presented Component Units:			
Ohio Facilities Construction			
Commission	$ 682	$ 612	$ 429
Ohio State University	142,178	125,745	104,451

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):

	2014	2013	2012
Primary Government:			
Employer Contributions	$ 9,581	$ 8,130	$ 6,343
Employee Contributions	14,683	13,873	13,251
Major Discretely Presented Component Units:			
Ohio State University:			
Employer Contributions	5,757	4,614	3,439
Employee Contributions	9,804	8,726	7,915

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 2014, 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 Board of Trustees 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, 2013 through December 31, 2013	1.00%	1.00%
January 1, 2014 through June 30, 2014	2.00%	2.00%

The OPERS Board of Trustees 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):

	2014	2013	2012
Primary Government:			
Regular Employees	$ 38,693	$ 69,437	$ 108,138
Law Enforcement Employees	447	757	1,213
Total	$ 39,140	$ 70,194	$ 109,351
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	$ 81	$ 136	$ 176
Ohio State University	17,016	27,816	42,800

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2014, 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

	2014	2013	2012
Primary Government	$ 1,208	$ 2,011	$ 3,270
Major Discretely Presented Component Units:			
Ohio State University	736	1,075	1,773

The number of active contributing participants for the primary government was 51,616 as of June 30, 2014.

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, 2014, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2014, no employees entered into ERI agreements with the State and the State did not incur expenditures/expenses related to ERI agreements.

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 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 an annuity 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 are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2014 were 14 percent for employers and 11 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, 9.5 percent of the employer's share is deposited into individual employee accounts, while 4.5 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):

	2014	2013	2012
Primary Government	$ 5,379	$ 5,616	$ 6,006
Major Discretely Presented Component Units:			
Ohio State University	44,026	44,795	42,973

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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):

	2014	2013	2012
Primary Government:			
Employer Contributions	$ 80	$ 101	$ 96
Employee Contributions	193	146	124
Major Discretely Presented Component Units:			
Ohio State University:			
Employer Contributions	4,547	5,061	4,106
Employee Contributions	6,822	5,880	4,836

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/publications/annualreports/cafrs.html .

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, 2013 (the most recent information available), net position available for future healthcare benefits were $3.26 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):

	2014	2013	2012
Primary Government	$ 414	$ 432	$ 462
Major Discretely Presented Component Units:			
Ohio State University	3,387	3,446	3,306

The number of eligible benefit recipients for STRS as a whole was 166,302, as of June 30, 2013 (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, 2014, 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

Pension Benefits

The employer and employee contribution rates, as of December 31, 2013, were 26.5 percent and 11.5 percent, respectively.

During calendar year 2013, all of the employees' contributions funded pension benefits while 22.85 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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)	$ 35,430
Interest on Net Pension Obligation	1,224
Adjustment to ARC	(869)
Annual Pension Cost	35,785
Contributions Made	(22,908)
Increase (Decrease) in Net Pension Obligation	12,877
Net Pension Obligation, Beginning of Year	15,306
Net Pension Obligation, End of Year	$ 28,183

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
2013	35,786	64.0%	28,183
2012	30,683	77.5%	15,306
2011	27,056	84.9%	8,389

As of December 31, 2013, the most recent actuarial valuation date, the plan was 69.8 percent funded. The actuarial accrued liability was $989.1 million, and the actuarial value of assets was $690.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of $298.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $98.5 million, and the ratio of the UAAL to the covered payroll was 303 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
(dollars in thousands)

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2013	$ 989,101	$ 690,606	$ 298,495	69.8%	$ 98,520	303.0%
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%

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, 2013. 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 60 (or 53 for members who retired prior to January 7, 2013). 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. In August 2013, the SHPRS Board exercised authority granted by the legislature to set the employee contribution rate at 11.5 percent and the cost-of-living adjustment for retirees at 1.5 percent, both to begin in 2014. The changes have brought SHPRS into compliance with the 30 year amortization requirement.

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 2013, 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, 2013, was 1,613.

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)	$ 24,297
Interest on Net OPEB Obligation	5,334
Adjustment to ARC	(4,111)
Annual OPEB Cost	25,520
Contributions Made	(4,105)
Increase (Decrease) in Net OPEB Obligation	21,415
Net OPEB Obligation, Beginning of Year	106,686
Net OPEB Obligation, End of Year	$ 128,101

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
2013	$ 25,520	16.1%	$ 128,102
2012	24,955	8.7%	106,686
2011	19,364	10.6%	83,911

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of December 31, 2013, the most recent actuarial valuation, the plan was 23.3 percent funded. The actuarial accrued liability was $438.6 million, and the actuarial value of assets was $102.1 million, resulting in an unfunded actuarial liability (UAAL) of $336.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $98.5 million, and the ratio of the UAAL to the covered payroll was 341.5 percent.

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)
2013	$ 438,562	$ 102,084	$ 336,478	23.3%	$ 98,520	341.5%
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%

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, 2013, 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 nine percent annually, reduced by declining percentages ranging from 8.25 percent to four percent through 2024. 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 Board of Regents has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. For the fiscal year ended June 30, 2014, these contribution rates are ten percent for OPERS and 11 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2014, 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, 2014, 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, 2014, for the ARP follow (dollars in thousands):

Major Component Units:	OPERS	STRS
Ohio State University:		
Employer Contributions	$ 27,199	$ 32,726
Employee Contributions	19,428	25,714

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 20 constitutional amendments (the last adopted May 2014 for a ten-year extension of the local government infrastructure program adopted in 2005), 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.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2014, the General Assembly had authorized the issuance of $4.77 billion in Common Schools Capital Facilities Bonds, of which $4.17 billion has been issued. As of June 30, 2014, the General Assembly had also authorized the issuance of $3.54 billion in Higher Education Capital Facilities Bonds, of which $2.91 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, 2014, the General Assembly has authorized the issuance of approximately $3.12 billion in Highway Capital Improvements Bonds, of which $2.69 billion has been issued.

Constitutional amendments in 1995 and 2005 allowed for the issuance of $3.75 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Issuances are limited to $150 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2014, the General Assembly had authorized $3.75 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $3.3 billion had been issued (net of $214 million in unaccreted discounts at issuance). Voters in May 2014 approved a constitutional amendment for an additional $1.88 billion of debt as a ten-year extension of the program authorized in 2005. The annual issuance amount increased to $175 million in the first five fiscal years and $200 million in each following year.

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, 2014, the General Assembly had authorized the issuance of $251 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 $443 million, as of June 30, 2014, 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, 2014, the General Assembly had authorized the issuance of approximately $500 million in Conservation Projects Bonds of which $350 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 $175 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2014, the General Assembly had authorized the issuance of $1.2 billion in Third Frontier Research and Development Bonds, of which $661 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, 2014, of which all $150 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, 2014, the General Assembly had authorized all $200 million in Veterans' Compensation Bonds, of which $83.9 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2014, are presented in the following table. 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, 2014. As rates vary, variable-rate bond interest payments and net swap payments vary.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2014
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2004-14	2.0%-5.5%	2033	$3,206,551	$ 600,000
Higher Education Capital Facilities	2003-14	2.0%-5.5%	2034	2,270,371	625,000
Highw ay Capital Improvements	2005-14	1.5%-5.0%	2029	934,064	421,590
Infrastructure Improvements	1995-14	2.0%-5.5%	2034	1,898,274	450,014
Coal Research and Development	2008-12	2.0%-4.3%	2022	20,720	41,000
Natural Resources Capital Facilities	2005-12	2.0%-5.0%	2027	120,894	95,000
Conservation Projects	2007-14	2.0%-5.3%	2028	240,351	150,000
Third Frontier Research and Development	2007-14	.3%-5.5%	2024	492,546	539,000
Site Development	2007-14	2.0%-4.6%	2023	109,192	-
Veterans' Compensation	2011-14	.4%-4.9%	2027	73,385	116,090
Total General Obligation Bonds				$9,366,348	$ 3,037,694

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2015..	$ 693,510	$ 356,984	$ 1,050,494
2016..	675,900	331,202	1,007,102
2017..	660,565	301,814	962,379
2018..	624,820	273,512	898,332
2019..	647,955	245,005	892,960
2020-2024	2,880,005	791,561	3,671,566
2025-2029	1,327,100	290,374	1,617,474
2030-2034	585,595	59,547	645,142
Total Current Interest and Capital Appreciation Bonds	$ 8,095,450	$ 2,649,999	$ 10,745,449

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Sw aps, Net	Total
2015..	$ 51,895	$ 8,992	$ 10,338	$ 71,225
2016..	62,410	7,677	9,746	79,833
2017..	70,600	6,193	9,133	85,926
2018..	63,450	4,804	8,301	76,555
2019..	46,335	3,802	7,427	57,564
2020-2024	242,945	10,386	19,662	272,993
2025-2029	39,680	555	1,149	41,384
Total Variable-Rate Bonds	$ 577,315	$ 42,409	$ 65,756	$ 685,480

Total General Obligation Bonds	$ 8,672,765
Unamortized Premium/(Discount), Net.........	693,583
Total..	$ 9,366,348

For the year ended June 30, 2014, NOTE 15 summarizes changes in general obligation bonds.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives

As of June 30, 2014, approximately $318.6 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($38) 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 $3.9 million during fiscal year 2014. 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. For information on the State's deferred outflows of resources and deferred inflows of resources, see Note 18.

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

Hedging Derivatives
As of June 30, 2014
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2014	State's Swap Rate at 06/30/2014	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: JPMorgan Chase may elect to terminate its portion of the swap if the SIFMA index averages 7 percent or higher over a 180-day period. Credit Quality Ratings of Counterparty: 50% Aa3/A+/A+ JPMorgan Chase; 50% Aa3/AA-/AA- Wells Fargo							
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	$54,165	LIBOR (See terms below)	0.35%	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: Aa3/AA-/AA- Wells Fargo Terms: 63% of LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate swap	$67,000	LIBOR (see terms below)	0.35%	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+/A+ JPMorgan Chase; 50% Aa3/AA-/AA- Wells Fargo Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	$66,775	LIBOR (see terms below)	0.35%	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/A UBS AG; 50% Aa3/AA-/AA Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate swap	$66,775	LIBOR (see terms below)	0.35%	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/A UBS AG; 50% Aa3/AA-/AA Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points							

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2014. 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.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating 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 third-party custodian. Net payments are made on the same date, as specified in the agreements.

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.

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 2014, there were three advance refundings of general obligations bonds. Details on the advanced refundings are presented in the following table.

Primary Government — Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2014
(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
Common Schools, Series 2014A....	5/29/2014	$ 162,415	1.97%	$ 176,900	$ 193,789	$20,339/11 yrs	$ 16,928
Higher Education, Series 2014B.....	5/29/2014	116,290	2.07%	127,510	139,212	19,041/11 yrs	15,674
Infrastructure, Series 2014B..........	5/29/2014	59,870	1.98%	64,910	71,331	8,537/11 yrs	7,259
Total		$ 338,575		$ 369,320	$ 404,332		$ 39,861

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.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

In prior years, the 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. For these prior year defeasances, Common School Bonds of $278.9 million, Higher Education Bonds of $195.1 million, and Infrastructure Improvement Bonds of $90.1 million are considered defeased and no longer outstanding as of June 30, 2014.

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 Department of Transportation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

A. Primary Government

The Treasurer of State, since fiscal year 1998, 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 $916.2 million. For fiscal year 2014, principal and interest payments on the revenue bonds was $177.9 million and pledged receipts was $167.7 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, 2014, the total principal and interest payments remaining to be paid on the bonds were $17.86 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2014 were $320.9 million and $293.4 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 matured during fiscal year 2014. These bonds financed 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 was used for the acquisition and construction of capital assets. For fiscal year 2014, both the total lease rental payments and the principal and interest payments on the revenue bonds were $16 million.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2014, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Revenue Bonds and Notes
As of June 30, 2014
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank	2006-13	2.0%-6.0%	2025	$ 807,762
Buckeye Tobacco Settlement Financing Authority	2008	4.8%-7.5%	2052	5,547,460
Total Revenue Bonds and Notes				$ 6,355,222

Primary Government-Governmental Activities
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2014
(dollars in thousands)

Year Ending June 30,	Principal	Interest	Total
2015	$ 264,875	$ 331,261	$ 596,136
2016	192,980	318,263	511,243
2017	180,180	309,510	489,690
2018	184,935	300,654	485,589
2019	195,240	291,320	486,560
2020-2024	855,615	1,316,889	2,172,504
2025-2029	584,820	1,125,720	1,710,540
2030-2034	627,300	953,747	1,581,047
2035-2039	736,840	762,749	1,499,589
2040-2044	1,131,275	489,241	1,620,516
2045-2049	1,082,665	3,126,310	4,208,975
2050-2052	128,183	3,289,117	3,417,300
	6,164,908	12,614,781	18,779,689
Unamortized Premium/(Discount), Net	190,314	-	190,314
Total	$ 6,355,222	$ 12,614,781	$ 18,970,003

For the year ended June 30, 2014, NOTE 15 summarizes changes in revenue bonds and notes.

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. For these prior year defeasances, Economic Development Bonds of $181.2 million and Revitalization Bonds of $74.1 million are considered defeased and no longer outstanding as of June 30, 2014.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2014, are shown in the following table.

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2014
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2015..	$ 503,011	$ 96,279	$ 599,290
2016..	56,282	93,488	149,770
2017..	59,111	90,983	150,094
2018..	60,543	88,315	148,858
2019..	46,323	86,078	132,401
2020-2024...	177,836	406,841	584,677
2025-2029...	171,083	366,892	537,975
2030-2034...	110,924	335,355	446,279
2035-2039...	93,963	314,136	408,099
2040-2044...	744,840	290,986	1,035,826
2045-2049...	-	120,000	120,000
2050-2054...	-	120,000	120,000
2055-2059...	-	120,000	120,000
2060-2064...	-	120,000	120,000
2065-2069...	-	120,000	120,000
2070-2074...	-	120,000	120,000
2075-2079...	-	120,000	120,000
2080-2084...	-	120,000	120,000
2085-2089...	-	120,000	120,000
2090-2094...	-	120,000	120,000
2095-2099...	-	120,000	120,000
2100-2104...	-	120,000	120,000
2105-2109...	-	120,000	120,000
2110-2114...	500,000	48,000	548,000
	2,523,916	3,777,353	6,301,269
Unamortized Premium/(Discount), Net..	90,420	-	90,420
Total	$2,614,336	$ 3,777,353	$6,391,689

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, 2014, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2014
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds..........	2001-14	1.3%-5.6%	2034	$ 1,836,136	$ 803,440
Total Special Obligation Bonds..........				$ 1,836,136	$ 803,440

Future Funding of Special Obligation Bonds:			
Year Ending June 30,	Principal	Interest	Total
2015..........	$ 229,470	$ 76,231	$ 305,701
2016..........	213,060	66,672	279,732
2017..........	191,005	57,324	248,329
2018..........	183,790	48,511	232,301
2019..........	157,600	40,825	198,425
2020-2024..........	545,680	115,207	660,887
2025-2029..........	159,760	27,118	186,878
2030-2034..........	46,000	5,356	51,356
	1,726,365	437,244	2,163,609
Unamortized Premium/(Discount), Net.....	109,771	-	109,771
Total	$1,836,136	$ 437,244	$2,273,380

For the year ended June 30, 2014, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2014, Treasurer of State Lease Rental issued approximately $3.8 million in Highway Safety current refunding bonds (Series 2014A) with a true interest cost rate of 1.3 percent to defease approximately $4 million (in substance). Net refunding bond proceeds of $4 million were deposited with escrow agents to pay when due, the principle, interest, and redemption premium on the bonds being refunded. As a result of the refunding, the debt service payments will be reduced by $181 thousand over the next five years. The net economic gain from the refunding was $169 thousand.

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.

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. For these prior year defeasances, $134.1 million of lease rental special obligations bonds are considered defeased and no longer outstanding as of June 30, 2014.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2014, approximately $173.6 million in certificate of participation (COP) obligations were reported in governmental activities.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

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, 2014, are presented in the following tables.

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2014
(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	4.0%-5.0%	2028	$ 60,518
Ohio Administrative Knowledge System (OAKS)	2005-14	3%-5.3%	2019	90,761
State Taxation Accounting and Revenue System (STARS)	2008	4.0%-5.0%	2019	22,324
Total Certificates of Participation				$ 173,603

Future Commitments for Certificate of Participation Obligations:

Year Ending June 30,	Principal	Interest	Total
2015	$ 26,330	$ 5,948	$ 32,278
2016	26,855	5,490	32,345
2017	28,140	4,183	32,323
2018	19,830	3,077	22,907
2019	20,825	2,184	23,009
2020-2024	19,355	6,311	25,666
2025-2029	18,975	1,555	20,530
	160,310	28,748	189,058
Unamortized Premium, Net	13,293	-	13,293
Total	$ 173,603	$ 28,748	$ 202,351

For the year ended June 30, 2014, NOTE 15 summarizes changes in COP obligations.

During fiscal year 2014, the Department of Administrative Services issued approximately $65.2 million in OAKS refunding certificates of participation (Series 2014A) with a true interest cost rate of .8 percent to defease approximately $67.9 million (in substance). Net refunding bond proceeds of $70.9 million were deposited with escrow agents to pay when due, the principle, interest, and redemption premium on the bonds being refunded. As a result of the refunding, the debt service payments will be reduced by $3.7 million over the next five years. The net economic gain from the refunding was $3.6 million.

These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased certificates are not included in the State's financial statements.

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2014, 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	$426,695
Net Pension Obligation.........................	28,183
Net OPEB Obligation..............................	128,101
Capital Leases Payable	3,055
Derivatives..	49,888
Pollution Remediation Liabilities.........	1,550
Estimated Claims Payable	11,731
Liability for Escheat Property	242,773
Total Governmental Activities	$891,976
Business-Type Activities:	
Compensated Absences	37,564
Capital Leases Payable	15,357
Workers' Compensation:	
Benefits Payable	16,868,200
Other	3,609,024
Unemployment Compensation:	
Intergovernmental Payable	1,381,022
Prize Awards Payable	540,238
Tuition Benefits Payable	423,200
Total Business-Type Activities	22,874,605
Total Primary Government	$23,766,581

For the year ended June 30, 2014, 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, 2014, was $464.3 million, of which $426.7 million is allocable to governmental activities and $37.6 million is allocable to business-type activities.

As of June 30, 2014, major discretely presented component units reported a total of $161.1 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 $28.2 million and $128.1 million, respectively, as of June 30, 2014. 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.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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 2014 were approximately $75.4 million. Fiscal year 2015 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2014, 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, 2014, are below (dollars in thousands):

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2015	$ 1,172	$ 5,556	$ 6,728
2016	679	-	679
2017	492	-	492
2018	402	9,801	10,203
2019	328	-	328
2020-2024	187	-	187
Total Minimum Lease Payments	3,260	15,357	18,617
Amount for Interest	(205)	-	(205)
Present Value of Net Minimum Lease Payments	$ 3,055	$ 15,357	$ 18,412

As of June 30, 2014, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	$ 9,985	$ 107,103	$ 117,088
Vehicles	4,380	-	4,380
Total	$ 14,365	$ 107,103	$ 121,468

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, 2014, are presented in the table below (dollars in thousands):

Capital Leases	
Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2015	$ 2,197
2016	1,965
2017	1,789
2018	690
2019	625
2020-2024	1,681
Total Minimum Lease Payments	8,947
Amount for Interest	(501)
Present Value of Net Minimum Lease Payments	$ 8,446
Equipment & Vehicles	$ 32,288
Total	$ 32,288

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

D. Derivatives
For governmental activities, the State has reported $(49.9) million of investment and hedging derivatives as of June 30, 2014. Additional information regarding the State's derivatives is included in NOTE 4, NOTE 10, and NOTE 18.

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, 2014, 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 20.

F. Pollution Remediation Liabilities
The State recognizes a liability for pollution remediation in the amount $1.6 million, as of June 30, 2014. 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 20 for further detail.

G. Estimated Claims Payable
The State reported $11.7 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Development Services Agency, Office of Loan Administration, as of June 30, 2014. The program is included in governmental activities and is accounted for in the nonmajor governmental funds. See NOTE 16 for additional information.

The following table reflects the Ohio Enterprise Bond Fund future debt service obligations as of June 30, 2014 (dollars in thousands):

Year Ending June 30,	Principal Due
2015......................................	2,492
2016......................................	2,413
2017......................................	2,087
2018......................................	2,135
2019......................................	1,873
2020-2023..............................	731
Total	$ 11,731

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, 2014, the liability totaled approximately $242.8 million.

I. Worker's Compensation
Benefits Payable
As discussed in NOTE 21, 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, 2014, in the amount of approximately $16.87 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.

J. Unemployment Compensation
As of June 30, 2014, the State's Unemployment Compensation Fund is recognizing an intergovernmental payable liability for repayable advances from the Federal government of $1.38 billion. These advances were used for the payment of compensation benefits.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

K. Prize Awards Payable

Future installment payments for the 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 to 9 percent, represent the expected long-term rate of return on the assets restricted for the payment of prize awards. Once established for a particular 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, 2014, this payable totals $540.2 million.

Future payments of prize awards, stated at present value, as of June 30, 2014, follow (dollars in thousands):

Year Ending June 30,	
2015	$ 81,127
2016	79,044
2017	71,555
2018	64,961
2019	58,342
2020-2024	193,991
2025-2029	91,718
2030-2034	51,154
2035-2039	3,155
2040-2044	400
	695,447
Unamortized Discount	(155,209)
Net Prize Liability	$ 540,238

L. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $423.2 million, as of June 30, 2014. 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 of six percent, as well as a 2.5 percent Consumer Price Index inflation rate.

As of June 30, 2014, the market value of actuarial net position available for the payment of the tuition benefits payable was $465.4 million.

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $3.61 billion in other noncurrent liabilities, as of June 30, 2014, of which 1.) $1.85 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 21, 2.) $1.23 billion relates to transition credit liabilities, 3.) $420 million is contingent liabilities, 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.) $20 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, 2014, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

Governmental Activities:	Balance June 30, 2013 (as restated)	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$ 8,812,499	$ 1,728,838	$ 1,174,989	$ 9,366,348	$ 750,144
Revenue Bonds and Notes (NOTE 11)	6,486,884	39,256	170,918	6,355,222	164,794
Special Obligation Bonds (NOTE 12)	1,925,252	162,638	251,754	1,836,136	222,495
Total Bonds and Notes Payable	17,224,635	1,930,732	1,597,661	17,557,706	1,137,433
Certificates of Participation (NOTE 13)	198,266	71,197	95,860	173,603	26,446
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	425,242	343,348	341,895	426,695	61,784
Net Pension Obligation	15,306	35,785	22,908	28,183	-
Net OPEB Obligation	106,686	25,520	4,105	128,101	-
Capital Leases Payable	2,294	2,196	1,435	3,055	1,090
Derivatives	55,792	-	5,904	49,888	-
Pollution Remediation Liabilities	4,549	113	3,112	1,550	75
Estimated Claims Payable	2,710	9,371	350	11,731	2,492
Liability for Escheat Property	228,447	83,123	68,797	242,773	72,581
Total Other Noncurrent Liabilities	841,026	499,456	448,506	891,976	138,022
Total Noncurrent Liabilities	$ 18,263,927	$ 2,501,385	$ 2,142,027	$ 18,623,285	$ 1,301,901
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	$ 15,422	$ -	$ 15,422	$ -	$ -
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	36,927	25,510	24,873	37,564	4,145
Capital Leases Payable	33,009	5,689	23,341	15,357	5,556
Workers' Compensation:					
Benefits Payable	17,304,157	1,411,126	1,847,083	16,868,200	1,826,129
Other:					
Adjustment Expenses Liability	1,885,900	104,874	137,274	1,853,500	388,893
Premium Payment Security Deposits	86,486	1,350	1,355	86,481	-
Miscellaneous	1,557,538	1,294,702	1,183,197	1,669,043	1,271,043
Unemployment Compensation:					
Intergovernmental Payable	1,554,298	208,661	381,937	1,381,022	472,000
Prize Awards Payable	579,612	40,178	79,552	540,238	57,028
Tuition Benefits Payable	469,700	-	46,500	423,200	81,100
Total Other Noncurrent Liabilities	23,507,627	3,092,090	3,725,112	22,874,605	4,105,894
Total Noncurrent Liabilities	$ 23,523,049	$ 3,092,090	$ 3,740,534	$ 22,874,605	$ 4,105,894

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.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

For fiscal year 2014, 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	$ 377,074
Higher Education Support	143,628
Health and Human Services	2,106
Environmental Protection and Natural Resources	1,126
Transportation	41,511
Community and Economic Development	111,612
Total Interest Expense Charged to Governmental Functions	$ 677,057

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2014, 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, 2014
(dollars in thousands)

	Balance June 30, 2013 (as restated)	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year
Ohio Facilities Construction Commission					
Intergovernmental Payable	$ 585,724	$ 402,696	$ 369,512	$ 618,908	$ 419,608
Compensated Absences*	1,010	681	860	831	111
Total	$ 586,734	$ 403,377	$ 370,372	$ 619,739	$ 419,719
Ohio State University:					
Compensated Absences*	$ 149,820	$ 20,730	$ 10,254	$ 160,296	$ 10,254
Capital Leases Payable* (NOTE 14)	11,429	620	3,603	8,446	2,046
Derivatives*	-	-	-	-	-
Other Liabilities*	295,672	360,970	314,507	342,135	55,568
Revenue Bonds & Notes Payable (NOTE 11)	2,675,141	80	60,885	2,614,336	503,011
Certificates of Participation (NOTE 13)	2,845	-	2,845	-	-
Total	$ 3,134,907	$ 382,400	$ 392,094	$ 3,125,213	$ 570,879

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

NOTE 16 CONDUIT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities, lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred. The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

NOTE 16 CONDUIT DEBT (Continued)

Ohio Enterprise Bond Fund bonds are issued through the Treasurer of State for the purpose of financing eligible projects of private industry organizations. The actual bonds are sold through private placement. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited solely to the pledged receipts deposited into the Ohio Enterprise Bond Fund Accounts. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the Development Services Agency, Office of Loan Administration, under Chapter 166, Ohio Revised Code. As of June 30, 2014, a liability of $11.7 million has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14G. for additional information. The cumulative guarantee payments made for defaulted organizations with bonds currently outstanding is $2.5 million. Recoveries for guarantee payments are submitted to the Attorney General's Office for collection; however, no amounts are expected to be recovered from guarantee payments made through June 30, 2014.

The Development Services Agency also participates in the issuance of Hospital Facilities Bonds, as authorized under Chapter 140, Ohio Revised Code. These revenue bonds are payable solely from payments made by the borrowing entities and are secured by the property financed. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

Under Chapter 5531, Ohio Revised Code, the Ohio Department of Transportation is authorized to issue State Infrastructure Bond Program debt issuances through the Treasurer of State for highway and transit capital projects of eligible Ohio political subdivisions. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited to the pledged receipts and those special funds pledged by each debt issuance. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the State Infrastructure Bank program of the Ohio Department of Transportation. In the event of a borrower's default, amounts recovered from the secured capital project would be used to replenish any reserve funds and any remaining amounts would be transferred to the State Infrastructure Bank accounts. Any amounts provided to repay bonds using appropriations of the Ohio Department of Transportation would be submitted to the Attorney General's Office for collection. Currently, guarantees are outstanding through fiscal year 2032, when the bonds mature, and no circumstances presently exist that indicate that the State will be required to make any payments as a result of these guarantees.

As of June 30, 2014, revenue bonds and notes outstanding that represent conduit debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Development Services Agency:	
Ohio Enterprise Bond Program	$ 232,505
Hospital Facilities Bonds	5,380
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program...	23,575
Total Primary Government	$ 261,460

NOTE 17 FUND BALANCE REPORTING AND FUND DEFICITS

A. Fund Balance Reporting-Constraints by Purpose

Fund balance constraints reported in the governmental funds, as of June 30, 2014, 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	$ 25,424	$ -	$ -	$ 76,987	$ 102,411
Noncurrent Portion of Loans Receivable	2,657	-	-	-	2,657
Advances to Local Government	41,706	-	-	-	41,706
Total Nonspendable	69,787	-	-	76,987	146,774
Restricted					
Primary, Secondary and Other Education	1,078	60	-	133,787	134,925
Higher Education Support	351,343	-	-	27,068	378,411
Public Assistance and Medicaid	-	258,473	-	200	258,673
Health and Human Services	-	9,440	-	105,356	114,796
Justice and Public Protection	13,447	1,141	-	120,293	134,881
Environmental Protection and Natural Resources	8,222	-	-	120,534	128,756
Transportation	-	-	-	1,274,007	1,274,007
General Government	7,154	15,646	-	28,838	51,638
Community and Economic Development	1,081,727	9	-	365,925	1,447,661
Capital Outlay	-	-	-	474,896	474,896
Debt Service	-	-	4,968,021	21,258	4,989,279
Total Restricted	1,462,971	284,769	4,968,021	2,672,162	9,387,923
Committed					
Primary, Secondary and Other Education	3,687	-	-	84,405	88,092
Higher Education Support	-	-	-	1,636	1,636
Public Assistance and Medicaid	42,641	28,406	-	-	71,047
Health and Human Services	4,509	5,190	-	22,551	32,250
Justice and Public Protection	519	4,352	-	93,888	98,759
Environmental Protection and Natural Resources	-	-	-	182,918	182,918
Transportation	-	-	-	755	755
General Government	16,862	17,868	-	83,027	117,757
Community and Economic Development	705,512	-	-	106,090	811,602
Total Committed	773,730	55,816	-	575,270	1,404,816
Assigned					
Primary, Secondary and Other Education	62,872	-	-	-	62,872
Higher Education Support	4,981	-	-	-	4,981
Public Assistance and Medicaid	354,831	-	-	-	354,831
Health and Human Services	74,025	-	-	-	74,025
Justice and Public Protection	109,320	-	-	-	109,320
Environmental Protection and Natural Resources	28,220	-	-	-	28,220
General Government	1,578,616	-	-	-	1,578,616
Community and Economic Development	154,114	-	-	-	154,114
Total Assigned	2,366,979	-	-	-	2,366,979
Unassigned	1,255,489	(163)	-	-	1,255,326
Total Fund Balance	$ 5,928,956	$ 340,422	$ 4,968,021	$ 3,324,419	$ 14,561,818

Please refer to the State of Ohio Organizational Chart in the Introductory Section for a list of the primary agencies impacting the various constraint purposes shown above. For fiscal year 2014, significant fund balance restrictions, commitments, and assignments are constrained for the following purposes:

- Transportation fund balances are restricted for financing of state and local government highway and bridge projects;

NOTE 17 FUND BALANCE REPORTING AND FUND DEFICITS (Continued)

- Community and Economic Development fund balances are restricted for grants and loans for local government projects including roads, bridges, economic development, and conservation;
- Community and Economic Development fund balances are committed for loans to qualified businesses for the purpose of stimulating jobs and business within the State; and
- General Government fund balances are assigned for future distributions of escheat property and interest on Unemployment Compensation advances repayable to the Federal government.

As of June 30, 2014, the Budget Stabilization Fund had a fund balance of $1.48 billion which was included as a part of the unassigned fund balance in the General Fund.

B. Fund Deficits
The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2014 (dollars in thousands):

Primary Government:	
Major Proprietary Funds:	
Unemployment Compensation...	$ (926,293)
Total Primary Government	$ (926,293)
Discretely Presented Component Units:	
Major Component Units:	
Ohio Facilities Construction Commission	$ (3,836,218)
Nonmajor Component Units:	
Ohio Capital Fund...	(53,591)
Total Component Units...	$ (3,889,809)

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 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

A. Deferred Outflows of Resources
Details on deferred outflows of resources for the primary government, as of June 30, 2014, follow (dollars in thousands):

Primary Government - Deferred Outflows of Resources

	Hedging Derivatives	Loss on Debt Refundings	Resources of a Future Period	Total
Governmental Activities:				
Major Governmental Funds:				
Buckeye Tobacco Settlement Financing Authority Revenue Bonds..	$ -	$ -	$ 4,478,388	$ 4,478,388
Total Governmental Activities	-	-	4,478,388	4,478,388
Reconciliation of fund level statements to government-w ide statements due to basis differences..	38,035	172,844	-	210,879
Total Governmental Activities	38,035	172,844	4,478,388	4,689,267
Total Primary Government...				$ 4,689,267

As of June 30, 2014, the Ohio State University, a major discretely presented component unit fund, reported deferred outflows of resources totaling approximately $8.7 million for losses on debt-related transactions.

NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (Continued)

B. Deferred Inflows of Resources

The deferred inflows of resources for the primary government, as of June 30, 2014, are comprised of the following (dollars in thousands).

Primary Government - Deferred Inflows of Resources	Resources from the Sale of Future Revenues	Unavailable Resources	Total
Governmental Activities:			
Major Governmental Funds:			
General	$ 831,637	$ 214,152	$ 1,045,789
Job, Family and Other Human Services	-	113,813	113,813
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	394,128	394,128
Nonmajor Governmental Funds	72,719	14,629	87,348
Total Governmental Activities	904,356	736,722	1,641,078
Reconciliation of fund level statements to government-wide statements due to basis differences	1,307,855	(736,722)	571,133
Total Governmental Activities	2,212,211	-	2,212,211
Total Primary Government			$ 2,212,211

As of June 30, 2014, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported deferred inflows of resources totaling approximately $3.65 billion pertaining to resources from the sale of future revenues. In addition, the Ohio State University, another major discretely presented component unit fund, reported deferred inflows of resources of $20 million for gains on debt-related transactions and approximately $464.5 million related to service concession arrangements.

NOTE 19 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 $229 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2013 (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, 2013, was as follows (dollars in thousands):

Cash and Investments	$ 131,201
Other Assets	145
Total Assets	$ 131,346
Total Liabilities	$ 1,930
Total Net Position	129,416
Total Liabilities and Net Position	$ 131,346
Total Revenues and Other Additions	$ 20,111
Total Expenditures and Other Deductions	(5,666)
Change in Net Position	$ 14,445

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

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

The governing boards of the technical colleges consist of either seven or nine trustees, of 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.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Fiscal year 2014 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	$ 60,327	$ 5,531	$ 65,858
Eastern Gateway	5,392	1,303	6,695
Lakeland	17,597	2,045	19,642
Lorain County	25,884	693	26,577
Rio Grande	5,047	2,458	7,505
Sinclair	46,699	1,943	48,642
Total Local Community Colleges	160,946	13,973	174,919
Technical Colleges:			
Belmont	5,708	976	6,684
Central Ohio	10,740	47	10,787
Hocking	14,028	94	14,122
James A. Rhodes	10,080	1,541	11,621
Marion	6,279	21	6,300
Zane	6,911	4,452	11,363
North Central	7,012	529	7,541
Stark	28,088	1,325	29,413
Total Technical Colleges	88,846	8,985	97,831
Total	$ 249,792	$ 22,958	$ 272,750

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 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.

During Fiscal year 2014, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $146.1 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.
- 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 $3.1 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

NOTE 20 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)

Kuhn v. Zehringer (Kuhn), filed in Mercer County Common Pleas Court on November 17, 2014, is the most recent litigation pending in conjunction with the Grand Lake St. Mary's spillway case, formerly *Doner v. Zody* (Doner). In the original action, Doner, landowners sought a writ of mandamus ordering DNR to appropriate their lands based on the allegation that such lands 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, 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 did not specify how much property was taken or what the dollar value was of the impact to the property. This case was ordered to separate appropriation proceedings to determine the amount of each landowner's "taking." Settlement negotiations between the parties ultimately proved unsuccessful. DNR filed the appropriation cases by landowner as separate actions in Mercer County Common Pleas Court. The plaintiffs in Kuhn are the 27 landowners of the pending appropriations cases who seek a writ of mandamus to compel DNR to make a cash deposit in the amount of DNR's good faith offer in each appropriation case pending in Mercer County. In addition, plaintiffs seek attorney fees associated in connection with the case. DNR intends to vigorously defend its position on this issue. The ultimate outcome of the litigation cannot be presently determined. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

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 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 appealed the trial court's order to the Eleventh District. The Eleventh District affirmed the trial court's ruling, and on May 15, 2014, the State appealed to the Ohio Supreme Court. On September 3, 2014, the Ohio Supreme Court refused to accept the State's appeal. A status conference is scheduled for December 22, 2014. 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.

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

Bureau of Workers' Compensation/Industrial Commission (BWC/IC)
In the San Allen, Inc. dba Corky and Lenny's v. BWC class action case, plaintiffs alleged that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violated 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 which was granted by the Court on January 12, 2010. 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. On April 15, 2013, BWC appealed the decision of the trial court in the 8th District Court of Appeals. On May 15, 2014, the Appeals court remanded to the trial court a portion of the restitution award for recalculation and potential offset of damages, which reduced the amount of judgment against BWC. The parties agreed to settle this global class-action on July 23, 2014, with payment from BWC in the amount of $420 million. On July 24, 2014, the parties filed a motion requesting the courts approval of the terms of the settlement. Accordingly, 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 One Year" for business-type activities in the government-wide Statement of Net Position.

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

As a result of the fiscal year 2013 State of Ohio Single Audit (issued in March 2014), $859 thousand 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, 2014.

C. 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.

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

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 2014, Ohio received $292.5 million, which is approximately $99.5 million or 25.4 percent less than the pre-adjusted base payment for the year.

As of June 30, 2014, the estimated tobacco settlement receivable in the amount of $466.8 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $221.4 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.

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
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..................	436,331	—	436,331
2020-2024..........	2,260,082	—	2,260,082
2025-2029..........	2,408,257	—	2,408,257
2030-2034..........	2,573,239	—	2,573,239
2035-2039..........	2,742,919	—	2,742,919
2040-2044..........	2,920,625	—	2,920,625
2045-2049..........	3,107,378	—	3,107,378
2050-2052..........	1,961,754	—	1,961,754
Total	$ 19,970,840	$ 74,373	$ 20,045,213

D. Construction Commitments

As of June 30, 2014, the Ohio Department of Transportation had total contractual commitments of approximately $3.11 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of $1.42 billion, $1.2 billion, $401.7 million, and $86.6 million, respectively.

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

As of June 30, 2014, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds included (dollars in thousands):

Primary Government		
Mental Health/Developmental Disabilities Facilities Improvements	$	69,146
Parks and Recreation Improvements		5,332
Administrative Services Building Improvements		17,561
Youth Services Building Improvements		7,227
Adult Correctional Building Improvements		27,623
Highway Safety Building Improvements		207
Ohio Parks and Natural Resources		45,252
Total	$	172,348
Major Discretely Presented Component Units		
Ohio State University	$	364,678

E. Pollution Remediation Activities

During fiscal year 2014, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than $1 million at June 30 are not listed).

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 $1.6 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liability described above is reported as "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 liability for these activities is an estimate and is 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.

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, 2014, no capital assets were created nor reported as a result of any pollution remediation process.

F. Encumbrances

At June 30, 2014, the State has significant encumbrances of $530.9 million in the General Fund, $949.8 million in the Job, Family and Other Human Services Special Revenue Fund, and $3.72 billion in the nonmajor governmental funds.

NOTE 21 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 $16.87 billion is reported in the Fund as of June 30, 2014. 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 $1.85 billion, is an estimate of future expenses to be incurred in the settlement of claims. The

NOTE 21 RISK FINANCING (Continued)

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.

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 $31.7 billion, as of June 30, 2014, and $30.7 billion, as of June 30, 2013. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2014.

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 2014	Fiscal Year 2013
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$ 19,190	$ 19,705
Incurred Compensation and Compensation Adjustment Benefits	1,516	1,491
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(1,984)	(2,006)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$ 18,722	$ 19,190

B. State Employee Healthcare Plan

Employees of the State's primary government have the option of participating in the Ohio Med PPO Plan (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 processing claims for separate regions throughout the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, liabilities are reported in the governmental and proprietary funds for claims that have been incurred but not reported. The Plan's 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 accumulated resources are distributed to MMO or UHC for claims settlement.

For governmental funds, claims are recognized 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.

NOTE 21 RISK FINANCING (Continued)

As of June 30, 2014, approximately $161.9 million in total assets was available in the Agency Fund to cover healthcare claims. Changes in the balance of claims liabilities for the Plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med PPO

	Fiscal Year 2014	Fiscal Year 2013
Claims Liabilities, as of July 1	$ 45,843	$ 38,610
Incurred Claims	455,827	450,190
Claims Payments	(453,454)	(442,957)
Claims Liabilities, as of June 30	$ 48,216	$ 45,843

As of June 30, 2014, the resources on deposit in the Agency Fund exceeded the estimated claims liability by approximately $113.7 million, thereby resulting in a funding surplus. Eighty-five percent or $96.6 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.

NOTE 22 SUBSEQUENT EVENTS

A. Bond Issuances

Subsequent to June 30, 2014, the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2014
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission - General Obligation Bonds:			
Infrastructure Improvements, Series 2014C	09/30/14	3.13%	$150,000
Natural Resources, Series S	09/30/14	2.65%	35,000
Coal Development, Series M	09/30/14	1.81%	12,000
Total General Obligation Bonds			197,000
Treasurer of State-Revenue Bonds:			
State Infrastructure Project, Series 2014-1A	12/03/14	1.91%	155,875
State Infrastructure Project, Refunding Series 2014-1B	12/03/14	1.33%	62,265
Total Revenue Bonds			218,140
Treasurer of State - Certificates of Participation:			
Treasury Management System, Series 2014	09/23/14	2.03%	8,775
Department of Administrative Services - Certificates of Participation:			
Multi-Agency Radio Communication System, Series 2014	09/23/14	2.66%	15,795
Enterprise Data Center Solutions, Series 2014	09/23/14	1.97%	33,595
Total Certificates of Participation			58,165
Total Primary Government			$473,305
Major Component Units:			
The Ohio State University:			
General Receipts Bonds-Tax Exempt, Series 2014A	10/09/14	2.00% - 5.00%	$135,985
General Receipts Bonds-Tax Exempt, Series 2014B-1	10/09/14	Variable	75,000
General Receipts Bonds-Tax Exempt, Series 2014B-2	10/09/14	Variable	75,000
Total The Ohio State University			$285,985

B. Workers' Compensation Rebate

In September 2014, the Bureau of Workers' Compensation Board of Directors approved another one-time cash rebate for public and private employers. Approximately $1.1 billion of rebates will be distributed to these employers during fiscal year 2015.