Independent Accountants' Report

The Honorable Bob Taft, Governor
State of Ohio
Columbus, Ohio

We have audited the accompanying general-purpose financial statements of the State of Ohio, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the following organizations which are a part of the primary government:

- Capitol Square Review and Advisory Board
- Office of Financial Incentives
- Office of the Auditor of State
- Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
- State Treasury Asset Reserve of Ohio

Also, we did not audit the following component units:

- Blended
  - Ohio Building Authority
  - Ohio Public Facilities Commission

- Discretely Presented
  - Bowling Green State University
  - Columbus State Community College
  - Cleveland State University
  - Kent State University
  - Medical College of Ohio at Toledo
  - Miami University
  - Ohio State University
  - Ohio University
  - University of Akron
  - University of Cincinnati
  - University of Toledo
  - Wright State University
  - Youngstown State University

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Firemen's Disability and Pension Fund System, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's trust and agency fund type. These financial statements reflect the following percentages of total assets or liabilities and revenues or additions of the indicated fund types, account groups, and discretely presented component units:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Percent of Total Assets/(Liabilities)</th>
<th>Percent of Total Revenues/Additions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Revenue Fund Type</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Debt Service Fund Type</td>
<td>45%</td>
<td>10%</td>
</tr>
<tr>
<td>Capital Projects Fund Type</td>
<td>1%</td>
<td>47%</td>
</tr>
<tr>
<td>Enterprise Fund Type</td>
<td>88%</td>
<td>57%</td>
</tr>
<tr>
<td>Internal Service Fund Type</td>
<td>30%</td>
<td>11%</td>
</tr>
<tr>
<td>Trust and Agency Fund Type</td>
<td>97%</td>
<td>47%</td>
</tr>
<tr>
<td>General Fixed Assets Account Group</td>
<td>9%</td>
<td>—</td>
</tr>
<tr>
<td>General Long-Term Obligations Account Group</td>
<td>(66%)</td>
<td>—</td>
</tr>
<tr>
<td>Discretely Presented Component Units</td>
<td>83%</td>
<td>94%</td>
</tr>
</tbody>
</table>

The financial statements of these independently audited organizations and the assets of these retirement systems were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of these independently audited organizations and the amounts of the retirement systems audited by other auditors included in the fund types and account groups comprising the general-purpose financial statements is based solely on the reports of the other auditors.
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and reports of other auditors, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Ohio at June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the general-purpose financial statements, the State of Ohio has implemented Statement 32 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans for the fiscal year ended June 30, 1999. The State of Ohio has no fiduciary responsibilities for the funds deposited with the Program by its employees, and the State has not included any balances for these funds in its general-purpose financial statements as of the year ended June 30, 1999.

The year 2000 supplementary information on pages 87 - 90 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

We did not apply these procedures to the organizations which are a part of the primary government or component units identified in paragraph one, above, as having been audited by other auditors. The other auditors for the Ohio Bureau of Workers’ Compensation and Industrial Commission of Ohio, the Auditor of State, the State Treasury Asset Reserve of Ohio, the Ohio Building Authority, the Ohio State University, and the University of Cincinnati reported they were unable to apply to the supplementary year 2000 information the procedures prescribed by professional standards. The other auditors did not audit the year 2000 supplementary information and express no opinion on it.

The year 2000 supplementary information on pages 87 - 90 indicates the Ohio Department of Administrative Services’ State Payroll System and the Ohio Department of Rehabilitation and Corrections’ Prison Security System are in the remediation stage. It is reasonably possible that neither of these systems will be completely remediated as of January 1, 2000. Failure of either system could have significant effects on the State’s ability to conduct its normal operations.

Neither we nor the other auditors provide assurance that the primary government or any of its component units are or will become year 2000 compliant, that the primary government’s, or any of its component units’, year 2000 remediation efforts will be successful in whole or in part, or that parties with which the primary government or any of its component units do business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Ohio. Such information has been subjected to the auditing procedures applied in our audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

We did not audit the data included in the statistical section of this report and therefore, express no opinion thereon.

JIM PETRO
Auditor of State

November 19, 1999