

**LEASE REVENUE BONDS
GOVERNED BY OHIO REVISED CODE CHAPTER 154**

Financial Statements

For the Year Ended June 30, 2004

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Treasurer, State of Ohio and
Members of the Ohio Public Facilities Commission
Treasurer of State Lease Revenue Bonds
30 East Broad Street, 9th Floor
Columbus, Ohio 43215

We have reviewed the Independent Auditor's Report of the Treasurer of State Lease Revenue Bonds, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Treasurer of State is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 29, 2004

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**LEASE REVENUE BONDS
GOVERNED BY OHIO REVISED CODE CHAPTER 154**

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Treasurer, State of Ohio and
The Members of the Ohio Public Facilities Commission
Columbus, Ohio

We have audited the accompanying basic financial statements of the Debt Service Funds (referred to hereafter as the Funds) of the Higher Education Capital Facilities, Mental Health Capital Facilities, and Parks and Recreation Capital Facilities Lease Revenue Bonds Governed by Ohio Revised Code Chapter 154 (the Obligations)(a component unit of the State of Ohio), as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Treasurer of State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds of the State of Ohio as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004 on our consideration of the Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis 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 principally of inquires of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
October 28, 2004

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

As management of the Treasurer of the State of Ohio, we offer readers of the financial statements of the Lease Revenue Bonds Governed by Ohio Revised Code Chapter 154 ("Chapter 154 Bonds") this narrative overview and analysis of the Chapter 154 Bond's financial activities for the fiscal year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

- The liabilities of the Chapter 154 Bonds exceeded its assets at the close of the most recent fiscal year by \$455,201 (net assets deficit). All net assets are restricted for debt service
- The Chapter 154 Bond's net assets decreased by \$1,209,347.
- As of the close of the most recent fiscal year, the Chapter 154 Bond's governmental funds reported combined ending fund balances of \$3,466,139, a decrease of \$735,266, or 17.5%, in comparison with the prior year. The entire ending fund balance is reserved.
- Total par amount of debt decreased by \$207 million (12%). Although new bonds were issued totaling \$25 million; principal retirements totaled \$232 million.
- New Parks & Recreation Capital Facilities Bonds with a par value totaling \$25 million were issued in 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Chapter 154 Bonds. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

1. Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Chapter 154 Bond's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Chapter 154 Bond's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Chapter 154 Bonds is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued administrative costs).

The government-wide financial statements can be found on pages 8 and 9 of this report.

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Chapter 154 Bonds, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Chapter 154 Bonds are considered to be governmental funds. The Chapter 154 Bonds do not include proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For each of the three categories of capital facility bonds issued, Higher Education, Mental Health, and Parks & Recreation, the Treasurer maintains a bond service fund and an administrative service fund, for a total of six governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for each of the three categories of bonds issued.

The governmental fund financial statements can be found on pages 10 and 11 of this report.

3. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 to 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Chapter 154 Bonds, liabilities exceeded assets by \$455,201 (deficit) at the close of the most recent fiscal year. All net assets are restricted for debt service.

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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

A comparative analysis of net assets as of June 30, 2004 versus June 30, 2003 follows:

Net Asset Comparative Analysis

	<u>2004</u>	<u>2003</u>	% Change
Current Assets	\$9,832,711	\$ 11,249,641	-12.60%
Other Assets	<u>1,516,951,361</u>	<u>1,725,639,304</u>	-12.09%
Total Assets	1,526,784,072	1,736,888,945	
Current Liabilities	217,390,690	250,079,602	-13.07%
Long-Term Liabilities	<u>1,309,848,583</u>	<u>1,486,055,197</u>	-11.86%
Total Liabilities	<u>1,527,239,273</u>	<u>1,736,134,799</u>	
Net Assets (Deficit)	<u>(\$455,201)</u>	<u>\$754,146</u>	-160.36%

Net assets decreased by \$1.21 million during fiscal year 2004. The majority of this decrease was due to the amount of lease payments received from State agencies during the fiscal year being reduced by 1) research investment loan payments received during the prior fiscal year; 2) net premium received on the sale of bonds; and 3) accrued interest received on the sale of bonds.

The \$176.2 million reduction in long-term liabilities and the \$25.4 million reduction in current liabilities are mainly the result of a reduction in outstanding bond obligations due to principal repayments during 2004. The corresponding asset accounts, leases receivable from state agencies and interest receivable, decreased by a like amount.

Revenue and Expense Comparative Analysis

	<u>2004</u>	<u>2003</u>	% Change
Charges for Services	\$ 73,830,414	\$81,278,588	-9.16%
Escrow Restructuring Proceeds	1,738,952	-	-
Investment Income	<u>50,347</u>	<u>76,517</u>	-34.20%
Total Program Revenues	75,619,713	81,355,105	
Interest on Debt	76,012,660	82,446,613	-7.80%
Other	<u>816,400</u>	<u>486,218</u>	67.91%
Total Expenses	<u>76,829,060</u>	<u>82,932,831</u>	
Net Expense	<u>(\$1,209,347)</u>	<u>(\$1,577,726)</u>	-23.35%

Both interest on debt and charges for services decreased because of a decrease in outstanding bond obligations during 2004. Other expenses increased by \$330,182 due mainly to increased amortization of bond issuance costs and increased administrative costs related to fees paid for escrow restructuring during 2004.

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MANAGEMENT'S DISCUSSION & ANALYSIS
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For fiscal year 2004, 97.6% of total government wide revenues were comprised of interest on leases from State agencies, and, accordingly, 98.9% of total government-wide expenses were for the payment of interest on outstanding debt.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Chapter 154 Bonds uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Chapter 154 Bond's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Chapter 154 Bond's financing requirements.

As of the end of the current fiscal year, the Chapter 154 Bond's governmental funds reported combined ending fund balances of \$3,466,139, a decrease of \$735,266 in comparison with the prior year. Approximately 22% of the total fund balance, \$750,616, is comprised of a reserve for the noncurrent portion of research investment loans receivable.

The following charts compare governmental fund revenues and expenditures for the current fiscal year to the prior fiscal year:

**Governmental Fund Revenue
Comparative Analysis**

<u>Revenue Source</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Investment Income	\$ 50,347	\$ 76,518	-34.20%
Lease Payments from State Agencies	307,761,278	328,365,017	-6.27%
Bond Premiums	1,039,153	36,220,041	-97.13%
Proceeds of Refunding Bonds	0	351,720,000	-100.00%
Escrow Restructuring Proceeds	1,738,950	0	-
	<u>\$310,589,728</u>	<u>\$716,381,576</u>	-56.64%

As the chart above indicates, for 2004, 99.09% of governmental fund revenues were comprised of lease payments from state agencies. Total lease payments from State Agencies decreased for fiscal year 2004 due to the corresponding decrease in outstanding debt and debt service requirements for the year.

Revenue from bond premiums decreased by \$35.1 million because of a significant decrease in bond issuance activity during 2004. A total of one bond issuance was completed in 2004 versus eight issuances in 2003. No refunding bonds were issued in 2004, which explains the decrease in proceeds of refunding bonds for 2004.

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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

**Governmental Fund Expenditures
Comparative Analysis**

<u>Expenditure</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Administrative Costs	\$ 596,819	\$ 2,901,781	-79.43%
Debt Service Payments	310,728,175	330,256,536	-5.91%
Payments to Refunded Bond Escrow Agents	0	382,645,543	-
	<u>\$311,324,994</u>	<u>\$715,803,860</u>	-56.51%

As the chart above indicates, for 2004, 99.8% of the Chapter 154 Bond expenditures were for debt service payments. Debt service payments decreased for fiscal year 2004 due to the decrease in outstanding bonds payable from principal repayments. Administrative costs decreased mainly because of the significant decrease in bond issuance activity in 2004 and the corresponding decrease in bond issuance costs. No refunding bonds were issued in 2004, which explains why there were no payments to refunded bond escrow agents for 2004.

BUDGETARY HIGHLIGHTS

With regard to the Chapter 154 Bonds, the Treasurer is not required to follow a legal budget, and, thus, budgetary highlights are not presented.

DEBT

At June 30, 2004, there was a total of \$1,507,545,000 (par amount) of outstanding bonds payable. The Treasurer paid \$231,535,000 of principal on bonds outstanding during the fiscal year, while new bonds were issued totaling \$25,000,000. Total debt decreased by \$206,535,000 during the fiscal year.

The Treasurer may issue special obligation (lease-rental) bonds only as authorized by the General Assembly of the State of Ohio, which has authorized lease-rental bonds for capital facilities projects in aggregate amounts of up to \$4,817,590,000 for higher education, \$1,315,000,000 for mental health, and \$313,000,000 for parks and recreation. There is currently no General Assembly authorization for additional lease-rental bonds for higher education projects; however, bonds may be issued to refund outstanding bonds.

Detailed information regarding long-term debt is included in the Note 4 to the basic financial statements.

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

ECONOMIC FACTORS

- There remains \$77,915,000 in authorized by the General Assembly, but not yet issued, Mental Health Capital Facilities Bonds.
- There remains \$23,100,000 in authorized by the General Assembly, but not yet issued, Parks & Recreation Capital Facilities Bonds.
- As of June 30, 2004, the obligations issued by the Treasurer were rated Aa2 by Moody's and AA by both Standard & Poor's and Fitch.

CONTACTING THE TREASURER'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the Chapter 154 Bond's finances. If you have questions about this report or need additional financial information, contact Paul Steiner, Director of the Sinking Fund Commission, 30 East Broad Street, 9th Floor, Columbus, Ohio 43226.

STATE OF OHIO
Chapter 154 Bonds
Statement of Net Assets
As of June 30, 2004
(See Accountant's Report)

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash.....	\$ 179,655
Investments.....	2,540,662
Interest Receivable.....	6,533,321
Collateral on Lent Securities.....	579,073
Loans Receivable from State Universities.....	750,617
Leases Receivable from State Agencies.....	1,513,414,448
Other Assets-Unamortized Bond Issue Costs.....	2,786,296
TOTAL ASSETS	1,526,784,072
LIABILITIES:	
Accounts Payable.....	4,795
Accrued Interest on Bonds.....	7,099,081
Obligations Under Securities Lending.....	579,073
Special Obligation Bonds Payable, net of deferred amounts, premiums, and discount:	
Due in One Year.....	209,707,741
Due in More Than One Year.....	1,309,848,583
TOTAL LIABILITIES	1,527,239,273
NET ASSETS (DEFICIT):	
Restricted for Debt Service.....	(455,201)
TOTAL NET ASSETS (DEFICIT)	\$ (455,201)

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

STATE OF OHIO
Chapter 154 Bonds
Statement of Activities
For the Year Ended June 30, 2004
(See Accountant's Report)

	<u>TOTAL</u>	<u>HIGHER EDUCATION FACILITIES</u>	<u>MENTAL HEALTH FACILITIES</u>	<u>PARKS AND RECREATION FACILITIES</u>
EXPENSES:				
Administrative.....	\$ 338,075	\$ 246,264	\$ 28,208	\$ 63,603
Amortization of Bond Issue Costs.....	478,325	277,472	150,951	49,902
Interest on Debt.....	<u>76,012,660</u>	<u>58,836,254</u>	<u>12,582,416</u>	<u>4,593,990</u>
TOTAL EXPENSES.....	<u>76,829,060</u>	<u>59,359,990</u>	<u>12,761,575</u>	<u>4,707,495</u>
PROGRAM REVENUES:				
Charges for Services (1).....	73,830,414	58,564,520	11,290,608	3,975,286
Proceeds from Escrow Restructuring.....	1,738,952	1,168,122	301,202	269,628
Restricted Investment Income.....	<u>50,347</u>	<u>28,163</u>	<u>16,102</u>	<u>6,082</u>
TOTAL PROGRAM REVENUES.....	<u>75,619,713</u>	<u>59,760,805</u>	<u>11,607,912</u>	<u>4,250,996</u>
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS.....	<u>(1,209,347)</u>	<u>400,815</u>	<u>(1,153,663)</u>	<u>(456,499)</u>
NET ASSETS, JULY 1.....	<u>754,146</u>			
NET ASSETS, JUNE 30.....	<u>\$ (455,201)</u>			

⁽¹⁾ Includes interest charges from leases receivable (due from state agencies).

STATE OF OHIO
Chapter 154 Bonds
Balance Sheet
For the Year Ended June 30, 2004
(See Accountant's Report)

	HIGHER EDUCATION FACILITIES	MENTAL HEALTH FACILITIES	PARKS AND RECREATION FACILITIES	TOTAL DEBT SERVICE
ASSETS:				
Cash.....	\$ 30,551	\$ 90,254	\$ 58,850	\$ 179,655
Investments.....	1,666,140	516,189	358,333	2,540,662
Collateral on Lent Securities.....	379,751	117,650	81,672	579,073
Loans Receivable from State Universities.....	750,617	—	—	750,617
TOTAL ASSETS.....	2,827,059	724,093	498,855	4,050,007
LIABILITIES:				
Accrued Interest on Bonds.....	—	—	—	—
Obligations Under Securities Lending.....	379,751	117,650	81,672	579,073
Accrued Liabilities.....	—	—	4,795	4,795
TOTAL LIABILITIES.....	379,751	117,650	86,467	583,868
FUND BALANCES:				
Reserved for Debt Service.....	1,696,692	606,443	412,388	2,715,523
Reserved for Noncurrent Portion of Loans Receivable.....	750,616	—	—	750,616
TOTAL FUND BALANCES.....	2,447,308	606,443	412,388	3,466,139
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 2,827,059	\$ 724,093	\$ 498,855	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

The following long-term receivables are not available to pay for current period expenditures, and therefore, are deferred in the debt service fund:

Leases receivable	1,513,414,448
Interest receivable	6,533,321

The following liabilities are not due and payable in the current period, and therefore, are not reported in the debt service fund:

Accrued Interest on Bonds	(7,099,081)
Special Obligation Bonds Payable	(1,519,556,324)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the debt service fund.

Unamortized Bond Issue Costs	2,786,296
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Net Assets (deficit) of Governmental Activities

\$ (455,201)

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

STATE OF OHIO
Chapter 154 Bonds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2004
(See Accountant's Report)

	HIGHER EDUCATION FACILITIES	MENTAL HEALTH FACILITIES	PARKS AND RECREATION FACILITIES	TOTAL DEBT SERVICE
REVENUES:				
Lease Payments from State Agencies.....	\$ 246,044,911	\$ 48,205,437	\$ 13,510,930	\$ 307,761,278
Investment Income.....	28,163	16,102	6,082	50,347
TOTAL REVENUES.....	246,073,074	48,221,539	13,517,012	307,811,625
EXPENDITURES:				
Administrative Costs.....	246,264	28,208	322,347	596,819
Debt Service:				
Principal.....	185,190,000	36,590,000	9,755,000	231,535,000
Interest.....	61,429,490	13,288,244	4,475,441	79,193,175
TOTAL EXPENDITURES.....	246,865,754	49,906,452	14,552,788	311,324,994
OTHER FINANCING SOURCES (USES):				
Escrow Restructuring Proceeds.....	1,168,121	301,201	269,628	1,738,950
Bond Premiums.....	—	—	1,039,153	1,039,153
Payments to Escrow Agents.....	—	—	—	—
TOTAL OTHER FINANCING SOURCES (USES).....	1,168,121	301,201	1,308,781	2,778,103
EXCESS (DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES(USES) OVER(UNDER) EXPENDITURES.....				
	375,441	(1,383,712)	273,005	(735,266)
FUND BALANCE, JULY 1.....	2,071,867	1,990,155	139,384	
FUND BALANCE, JUNE 30.....	\$ 2,447,308	\$ 606,443	\$ 412,389	

Amounts reported for governmental activities in the Statement of Activities are different because:

The principal portion of lease payments from state agencies provide current financial resources to the debt service fund, but reduces leases receivable in the Statement of Net Assets. \$ (233,930,862)

Bond proceeds provide current financial resources to the debt service fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal and payments to escrow agents for refunded bonds are expenditures in the debt service fund, but the payments reduce long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded payments. 230,495,847

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the debt service fund:
Interest on Debt 3,180,516

Bond issue costs are deferred and reported on the Statement of Net Assets and amortized over the life of the bonds, and, therefore, are not reported as expenditures in the debt service fund:
Deferred Bond Issue Costs 258,744
Amortization of Bond Issue Costs (478,325)

Change in Net Assets of Governmental Activities \$ (1,209,347)

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

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

In 1969, the General Assembly of the State of Ohio (the General Assembly) enacted Chapter 154 of the Ohio Revised Code pursuant to the power granted to the General Assembly by Section 2i of Article VIII of the Ohio Constitution to authorize for certain stated purposes, the issuance of revenue and other obligations, the owners and holders of which are not given the right to have excises or taxes levied by the General Assembly for payment of principal or interest. The Ohio Public Facilities Commission (the Commission) was created at that time and was initially authorized to issue obligations of the State of Ohio to pay costs of capital facilities for (a) state supported and state assisted institutions of higher education, (b) mental hygiene and retardation, and (c) parks and recreation (the Obligations). By Section 154.23 of the Revised Code, enacted in 1980, the Commission was also authorized to issue obligations to pay costs of capital facilities for housing of branches and agencies of state government. The General Assembly, however, never granted specific dollar authorization to the Commission to issue obligations for this additional purpose, and, in 2000, Section 154.23 of the Revised Code was repealed. The General Assembly enacted Am. Sub. H.B. 640, effective September 14, 2000, which reassigned to the Treasurer of the State of Ohio (the Treasurer) the issuing authority and functions of the Commission with respect to the Obligations. The Treasurer succeeded the Commission as issuer with all responsibilities and obligations under the bond proceedings relating to the previously issued Obligations. The Treasurer can issue Obligations only in such amounts as are previously authorized by the General Assembly and the proceeds are applied only to capital improvements designated by or pursuant to action by the General Assembly. The financing arrangements for such obligations for capital improvements so designated involve separate bond proceedings and lease arrangements between the Commission (its only remaining responsibility relating to the Obligations) and the Ohio Board of Regents for higher education facilities, the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities for mental health facilities, and the Department of Natural Resources for parks and recreation facilities. All such leases are "net" leases. Accordingly, only the Lease Revenue Bonds governed by Ohio Revised Code Chapter 154 are included in these financial statements.

The Treasurer of the State of Ohio is a part of the reporting entity of the State of Ohio. The financial statements presented are also included in the comprehensive annual financial report of the State of Ohio. The Treasurer is a nontaxable entity; as such, no taxes have been accrued.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lease Revenue Bonds Governed by Ohio Revised Code Chapter 154 (Chapter 154 Bonds) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Treasurer's accounting policies are described below.

LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Chapter 154 Bond's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Chapter 154 Bonds as a whole.

The statement of net assets presents the financial condition of the governmental activities of the Chapter 154 Bonds at year-end. The statement of activities presents a comparison between direct expenses and program revenues for the Chapter 154 Bonds.

Fund Financial Statements

During the year, the Treasurer segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Chapter 154 Bonds at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting

The Treasurer uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the major governmental funds of the Chapter 154 Bonds.

Bond Service Funds

These debt service funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Chapter 154 Bonds are included on the Statement of Net Assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Treasurer considers revenues as available if they are collected within 60 days after fiscal year end.

Expenses/Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as amortization, are not recognized in governmental funds. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures (Continued)

Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Bond Service Funds for payments to be made in the subsequent fiscal year. The financial statement presentation is in accordance with the debt source and accordingly shows multiple debt service funds.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Accrued liabilities represent accrued fees due to trustees as of June 30, 2004.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Fund Balance Reserves

The Treasurer reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Treasurer or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Budgeting Process

With regard to the Chapter 154 Bonds, the Treasurer is not required to follow a legal budget or to present a budgetary statement.

Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

As of June 30, 2004, the carrying amounts of the Treasurer's deposits relating to the Obligations totaled \$179,655, the same as the banks' balances. Of these balances, the total amount was insured by the Federal Deposit Insurance Corporation.

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments by the Treasurer relating to the Obligations are carried at amortized cost, which approximates market value. Such investments are restricted to obligations of the United States or of any agency or instrumentality thereof (and funds consisting exclusively of, and repurchase agreements secured by, those obligations), obligations guaranteed as to principal and interest by the United States, obligations of the State of Ohio or any political subdivision thereof, the State Treasury Asset Reserve of Ohio (STAR Ohio), and certificates of deposit of any national bank located in Ohio and certain other banks incorporated in Ohio and subject to inspection by the Superintendent of Institutions. It is the Treasurer's policy to take delivery of all investments, which are then placed on deposit with trustees. Investment income is credited to the Fund from which the investment is made.

STAR Ohio is a State investment pool managed under the auspices of the Treasurer of the State of Ohio and for the exclusive use of political subdivisions of the State. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

A summary of investments held at fiscal year end is as follows:

	<u>Book Value</u>	<u>Market Value</u>
Higher Education (STAR Ohio)	\$1,666,140	\$1,666,140
Mental Health (STAR Ohio)	516,189	516,189
Parks and Recreation (STAR Ohio)	<u>358,334</u>	<u>358,334</u>
TOTAL	<u>\$2,540,663</u>	<u>\$2,540,663</u>

Of the investment balance at June 30, 2004, \$2,540,663 represents non-categorized investments.

NOTE 4 – BONDS AND NOTES

The General Assembly has authorized issuance of the following amounts of special obligation bonds and bond anticipation notes for capital facilities:

	Higher Education Lease Rental	Mental Health	Parks and Recreation
108th General Assembly	\$265,000,000	\$152,000,000	\$20,000,000
109th General Assembly	165,000,000	-0-	-0-
110th General Assembly	64,400,000	40,000,000	-0-
111th General Assembly	254,118,000	185,715,000	-0-
112th General Assembly	217,220,000	211,035,000	24,250,000
113th General Assembly	-0-	694,500	-0-
114th General Assembly	608,578,087	71,356,980	35,900,000
115th General Assembly	303,788,913	32,550,520	-0-
116th General Assembly	413,260,000	84,893,000	2,500,000
117th General Assembly	402,000,000	48,300,000	38,000,000
118th General Assembly	568,795,000	88,655,000	7,000,000
119th General Assembly	428,940,000	79,900,000	38,450,000
120th General Assembly	679,200,000	77,500,000	30,000,000
121st General Assembly	559,000,000	68,400,000	22,700,000
122nd General Assembly	555,600,000	64,000,000	31,200,000
123rd General Assembly	(667,310,000)(a)	76,000,000	41,000,000

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – BONDS AND NOTES (Continued)

124th General Assembly	-0-	34,000,000	22,000,000
125th General Assembly	-0-	-0-	-0-
TOTAL	<u>\$4,817,590,000</u>	<u>\$1,315,000,000</u>	<u>\$313,000,000</u>

(a) Reflects the transfer of subsequent issuing authority from special obligations (lease-rental) to general obligations for higher education capital facilities.

Of such authorized amounts, there has been issued:

	Amount of Obligations Issued	Bond Date	Final Maturity Date	Average Effective Interest Rate	Amount of Obligations Outstanding at June 30, 2004(d)
Higher Education					
Lease-Rental Bonds:					
Series 1970A	\$40,000,000	8-1-70	6-1-92	6.167%	\$ -0-
Series 1971A	50,000,000	5-1-71	5-1-94	5.095	-0-
Series 1972A	60,000,000	3-1-72	12-1-94	4.973	-0-
Series 1972B	75,000,000	8-1-72	11-1-93	5.274	-0-
Series 1973A	40,000,000	6-1-73	12-1-93	5.079	-0-
Series 1974A	45,000,000	4-1-74	11-1-96	5.560	-0-
Series 1974B	40,000,000	12-1-74	12-1-96	6.297	-0-
Series 1975A	30,000,000	6-1-75	6-1-90	6.527	-0-
Series 1976A	100,000,000	3-1-76	5-1-93	6.898	-0-
Series 1976B	70,000,000	10-1-76	11-1-96	5.882	-0-
Series 1977A	50,000,000	9-1-77	12-1-95	5.151	-0-
Series 1978A	60,000,000	3-1-78	12-1-95	5.305	-0-
Series 1978B	100,000,000	8-1-78	5-1-94	6.135	-0-
Series 1979A	65,000,000	6-1-79	6-1-94	5.922	-0-
Series 1980A	85,000,000	8-1-80	5-1-91	9.089	-0-
Series 1981A	45,000,000	3-1-81	6-1-92	10.017	-0-
Series 1982A	75,000,000	7-1-82	6-1-92	13.112	-0-
Series 1983A	90,000,000	4-1-83	6-1-93	9.001	-0-
Series 1984A	90,000,000	1-1-84	12-1-94	8.730	-0-
Series 1984B	115,000,000	9-1-84	11-1-95	9.714	-0-
Series 1985A	110,000,000	6-1-85	6-1-96	8.219	-0-
Series 1986A	110,000,000	2-1-86	11-1-96	8.151	-0-
Series 1986B	120,000,000	8-1-86	5-1-97	7.113	-0-
Series 1987A	120,000,000	4-1-87	5-1-97	6.427	-0-
Series 1987B	130,000,000	7-1-87	6-1-97	7.149	-0-
Series 1988A	120,000,000	1-1-88	11-1-97	6.986	-0-
Series 1988B	115,000,000	9-1-88	6-1-97	7.143	-0-
Series 1989A	115,000,000	4-1-89	5-1-97	7.410	-0-
Series 1989B	115,000,000	12-1-89	12-1-97	6.705	-0-
Series II-1990A	115,000,000	8-1-90	5-1-98	6.864	-0-
Series II-1991A	115,000,000	4-1-91	5-1-98	6.449	-0-
Series II-1991B	115,000,000	10-1-91	12-1-06	6.057	-0-
Series II-1992A	251,855,000	2-1-92	12-1-07	5.649	-0-
Series II-1992B	115,000,000	7-1-92	11-1-07	5.559	-0-

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – BONDS AND NOTES (Continued)

	Amount of Obligations Issued	Bond Date	Final Maturity Date	Average Effective Interest Rate	Amount of Obligations Outstanding at June 30, 2004(d)
Higher Education (continued)					
Series II-1992C	136,110,000	10-1-92	12-1-07	5.431	-0-
Series II-1993A	205,800,000	6-1-93	6-1-08	4.867	-0-
Series II-1993B	120,000,000	12-1-93	12-1-08	4.854	-0-
Series II-1994A	253,000,000	3-1-94	12-1-08	4.484	-0-
Series II-1994B	120,000,000	11-1-94	11-1-09	5.982	7,800,000
Series II-1995A	166,400,000	4-1-95	5-1-10	5.396	12,900,000
Series II-1995B	140,000,000	10-1-95	11-1-10	5.121	17,700,000
Series II-1996A	150,000,000	2-1-96	11-1-10	5.627	19,000,000
Series II-1996B	150,000,000	10-1-96	11-1-11	5.143	27,800,000
Series II-1997A	282,300,000	4-1-97	5-1-12	5.066	38,000,000
Series II-1997B	236,500,000	10-1-97	11-1-12	4.746	58,200,000
Series II-1998A	254,200,000	3-1-98	12-1-12	4.522	92,000,000
Series II-1998B	150,000,000	7-1-98	6-1-13	4.693	60,400,000
Series II-1998C	150,000,000	12-1-98	6-1-13	4.414	85,400,000
Series II-1999A	100,000,000	8-1-99	11-1-13	4.853	56,200,000
Series II-2001A	394,495,000	4-1-01	12-1-11	4.251	378,125,000
Series II-2002A	253,275,000	8-1-02	12-1-12	3.544	236,355,000
Series II-2003A	<u>36,065,000</u>	2-1-03	6-1-09	3.225	<u>36,065,000</u>
TOTAL	<u>\$4,817,590,000(a)</u>				<u>\$1,125,945,000(d)</u>

Mental Health

Series 1970A	\$ 25,000,000	8-1-70	12-1-92	6.201%	\$ -0-
Series 1971A	50,000,000	8-1-71	6-1-91	6.056	-0-
Series 1975A	50,000,000	4-1-75	12-1-93	6.853	-0-
Series 1976A	45,000,000	4-1-76	12-1-93	6.360	-0-
Series 1976B	50,000,000	12-1-76	12-1-93	6.023	-0-
Series 1977A	50,000,000	12-1-77	12-1-96	5.231	-0-
Series 1978A	40,000,000	12-1-78	12-1-93	6.107	-0-
Series 1979A	65,000,000	9-1-79	12-1-93	6.546	-0-
Series 1980A	40,000,000	6-1-80	6-1-92	6.938	-0-
Series 1982A	185,000,000	10-1-82	12-1-93	11.282	-0-
Series 1984A	50,000,000	12-1-84	12-1-95	9.521	-0-
Series 1987A	95,900,000	7-1-87	12-1-97	7.003	-0-
Series 1988A	40,000,000	9-1-88	6-1-98	7.258	-0-
Series 1989A	40,000,000	11-1-89	12-1-97	6.857	-0-
Series II-1991A	40,000,000	4-1-91	12-1-05	6.435	-0-
Series II-1992A	62,230,000	2-1-92	12-1-06	5.856	-0-
Series II-1993A	40,000,000	2-1-93	12-1-07	5.186	-0-
Series II-1993B	178,335,000	11-1-93	6-1-08	4.515	-0-
Series II-1994A	40,000,000	11-1-94	12-1-09	6.033	3,000,000
Series II-1996A	40,000,000	2-1-96	12-1-10	4.672	5,800,000
Series II-1996B	40,000,000	10-1-96	6-1-11	5.200	5,800,000

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – BONDS AND NOTES (Continued)

	Amount of Obligations Issued	Bond Date	Final Maturity Date	Average Effective Interest Rate	Amount of Obligations Outstanding at June 30, 2004(d)
Mental Health (continued)					
Series II-1997A	40,000,000	12-1-97	12-1-12	4.807	24,000,000
Series II-1998A	60,800,000	7-1-98	6-1-13	4.634	25,000,000
Series II-2000A	30,000,000	6-1-00	6-1-15	5.286	20,220,000
Series II-2001A	56,970,000	4-1-01	12-1-10	4.112	52,990,000
Series II-2001B	30,000,000	8-1-01	6-1-16	4.540	25,240,000
Series II-2002A	30,000,000	8-1-02	6-1-17	4.194	27,040,000
Series II-2002B	38,065,000	8-1-02	12-1-10	3.112	32,685,000
Series II-2003A	8,215,000	2-1-03	6-1-11	3.446	8,215,000
Series II-2003B	<u>30,000,000</u>	6-1-03	6-1-18	3.536	<u>30,000,000</u>
TOTAL	<u>\$1,237,085,000(b)</u>				<u>\$259,990,000(d)</u>
Parks and Recreation					
Series 1972A	\$ 6,000,000	6-1-72	6-1-94	5.042%	\$ -0-
Series 1978A	38,000,000	6-1-78	12-1-95	5.856	-0-
Series 1982A	20,000,000	12-1-82	12-1-92	10.061	-0-
Series 1986A	16,150,000	5-1-86	12-1-97	6.783	-0-
Series 1989A	36,000,000	6-1-89	12-1-97	6.658	-0-
Series II-1992A	16,500,000	10-1-92	12-1-07	5.325	-0-
Series II-1993A	20,000,000	3-1-93	12-1-07	4.739	-0-
Series II-1994A	20,000,000	9-1-94	6-1-09	5.414	-0-
Series II-1995A	31,100,000	10-1-95	6-1-10	5.097	1,500,000
Series II-1997A	26,000,000	12-1-97	12-1-12	4.649	6,000,000
Series II-2000A	20,000,000	2-1-00	12-1-14	5.472	13,100,000
Series II-2001A	25,000,000	2-1-01	12-1-15	4.576	19,360,000
Series II-2001B	20,935,000	4-1-01	12-1-09	4.019	20,460,000
Series II-2002A	25,000,000	5-1-02	6-1-17	4.459	22,490,000
Series II-2002B	9,675,000	8-1-02	12-1-07	2.524	7,425,000
Series II-2003A	6,425,000	2-1-03	6-1-12	3.575	6,275,000
Series II-2004A	<u>25,000,000</u>	3-11-04	12-1-18	4.107	<u>25,000,000</u>
TOTAL	<u>\$289,900,000(c)</u>				<u>\$121,610,000(d)</u>

(a) Does not include \$130,000,000 Series 1987B, \$137,405,000 Series II-1992A, \$51,110,000 Series II-1992C and \$84,520,000 Series II-1993A, \$132,150,000 Series II-1994A, \$26,635,000 Series II-1995A, \$132,415,000 Series II-1997A, \$86,500,000 Series II-1997B, \$107,840,000 Series II-1998A, \$394,495,000 Series II-2001A, \$253,275,000 Series II-2002A, and \$36,065,000 Series II-2003A, all advance refunding Bonds.

(b) Includes \$3,000,000 of bond anticipation notes retired from rental payments. Does not include \$71,700,000 Series 1987A, \$22,290,000 Series II-1992A, 137,940,000 Series II-1993B, \$21,250,000 Series II-1998A, \$56,970,000 Series II-2001A, \$38,065,000 Series II-2002B, and \$8,215,000 Series II-2003A, all advance refunding Bonds.

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – BONDS AND NOTES (Continued)

(c) Includes 500,000 of bond anticipation notes retired from rental payments. Does not include \$8,400,000 Series II-1992A, \$11,100,000 Series II-1995A, \$15,850,000 Series II-1997A, \$20,935,000 Series II-2001B, \$9,675,000 Series II-2002B, and \$6,425,000 Series II 2003A, all advance refunding bonds.

(d) Does not include Bonds advance refunded, does include advance refunding Bonds.

The Obligations outstanding at June 30, 2004 are in the form of fully registered bonds which mature in various amounts and at various dates and bear interest payable semi-annually at various interest rates. The Bonds maturing after specified dates are subject to redemption prior to maturity, in whole or in part, in inverse order of maturity. The redemption price varies from 102% to 100% dependent upon the terms of the particular series of the Bonds and the redemption date.

In prior years, the Treasurer advance refunded certain lease revenue bonds by placing the proceeds of new bonds in an irrevocable trust. The trustee is provided funds which are put into escrow accounts to provide for all future debt service payments on the refunded bonds. Upon such a refunding, the Treasurer is no longer responsible itself for making any future payments of principal and interest on those refunded bonds. Accordingly, the trust accounts' assets and the liabilities for the advance refunded bonds are not included in the Treasurer's financial statements. As of June 30, 2004, the following refunded bonds were yet to come due and were still payable by the trustee from escrowed funds:

Refunded Issue	Principal Yet to Be Paid As of June 30, 2004	Date Bonds will be Redeemed
Higher Education, Series II-1994B	\$46,300,000	Nov. 1, 2004
Higher Education, Series II-1995A	\$54,100,000	May 1, 2005
Higher Education, Series II-1995B	\$53,000,000	Nov. 1, 2005
Higher Education, Series II-1996A	\$56,400,000	Nov. 1, 2005
Higher Education, Series II-1996B	\$56,400,000	Nov. 1, 2006
Higher Education, Series II-1997A	\$46,200,000	May 1, 2007
Higher Education, Series II-1997B	\$34,400,000	Nov. 1, 2007
Higher Education, Series II-1998A	\$10,200,000	Dec. 1, 2007
Higher Education, Series II-1998B	\$32,200,000	Jun. 1, 2008
Higher Education, Series II-1998C	\$10,200,000	Jun. 1, 2008
Higher Education, Series II-1999A	\$6,400,000	Nov. 1, 2008
Mental Health, Series II-1994A	\$16,400,000	Dec. 1, 2004
Mental Health, Series II-1996A	\$16,100,000	Dec. 1, 2005
Mental Health, Series II-1996B	\$16,100,000	Jun. 1, 2006
Mental Health, Series II-1997A	\$3,100,000	Dec. 1, 2007
Mental Health, Series II-1998A	\$3,100,000	Jun. 1, 2008
Mental Health, Series II-2000A	\$2,110,000	Jun. 1, 2010
Parks & Recreation Series II-1995A	\$8,400,000	Jun. 1, 2005
Parks & Recreation Series II-1997A	\$800,000	Dec. 1, 2007
Parks & Recreation Series II-2000A	\$3,100,000	Dec. 1, 2009
Parks & Recreation Series II-2001A	<u>\$1,930,000</u>	Dec. 1, 2010
Total:	<u>\$476,940,000</u>	

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – BONDS AND NOTES (Continued)

A schedule of changes in the carrying amount of Chapter 154 Bonds during 2004 follows:

	<u>Higher Education</u>	<u>Mental Health</u>	<u>Parks & Recreation</u>	<u>Total</u>
Amount outstanding, June 30, 2003	\$ 1,319,818,458	\$ 300,993,876	\$ 106,392,093	\$ 1,727,204,427
Additions:				
Principal on new bonds	-	-	25,000,000	25,000,000
Premium on new bonds	-	-	1,039,153	1,039,153
Amortization of deferred amount on refunding	3,046,538	521,004	163,435	3,730,977
Deletions:				
Principal repayments	185,190,000	36,590,000	9,755,000	231,535,000
Amortization of premium	4,615,963	1,152,148	115,122	5,883,233
Amount outstanding, June 30, 2004	<u>\$ 1,133,059,033</u>	<u>\$ 263,772,732</u>	<u>\$ 122,724,559</u>	<u>\$ 1,519,556,324</u>
Amounts due in one year	<u>\$ 165,165,273</u>	<u>\$ 32,170,778</u>	<u>\$ 12,371,690</u>	<u>\$ 209,707,741</u>

The aggregate scheduled payments of interest and principal for bonds outstanding as of June 30, 2004 are as follows:

Years End June 30	Higher Education		Mental Health		Parks and Recreation	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 163,665,000	\$ 53,290,159	\$ 31,585,000	\$ 11,673,275	\$ 12,280,000	\$ 5,087,262
2006	155,315,000	45,173,028	32,300,000	10,212,325	12,055,000	4,444,656
2007	163,340,000	37,324,209	33,790,000	8,601,065	12,520,000	4,003,356
2008	175,360,000	29,379,896	30,715,000	7,169,234	13,495,000	3,536,264
2009	114,615,000	21,197,598	21,555,000	5,887,603	9,565,000	3,085,987
2010-14	353,650,000	33,159,001	84,280,000	16,109,778	39,440,000	10,257,149
2015-19	-	-	25,765,000	2,662,455	22,255,000	2,243,623
Total	<u>\$1,125,945,000</u>	<u>\$ 219,523,891</u>	<u>\$ 259,990,000</u>	<u>\$ 62,315,734</u>	<u>\$121,610,000</u>	<u>\$32,658,296</u>

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 5 – RENTAL PAYMENTS AND BOND SERVICE FUNDS

The primary sources of payments, as contemplated under the respective bond and note proceedings, for meeting bond interest and principal requirements and establishing and maintaining any funded "required reserve" and meeting any note interest and principal (partial) requirements, are rentals paid to the Treasurer by the Board of Regents, the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, and the Department of Natural Resources, from moneys appropriated for such purposes by the General Assembly. The respective obligations of the Board of Regents, the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, and the Department of Natural Resources, to make such rental payments pursuant to the respective leases are expressly made subject to the availability of appropriations for such purposes. Each lease terminates when the Treasurer has paid or retired all of the bonds or bond anticipation notes contemplated by that lease for the respective category of facilities.

For the 2004-05 biennium, the 125th General Assembly appropriated, from the General Revenue Fund, the amounts necessary to meet the payments required under such leases, not exceeding \$463,050,069 for higher education facilities, \$45,771,856 for mental health facilities and \$23,118,393 for parks and recreation facilities. Of these appropriated amounts, there have been paid to the Treasurer in Fiscal Year 2004 \$246,044,911 with respect to higher education, \$48,205,437 with respect to mental health facilities and \$13,510,930 with respect to parks and recreational facilities. Such amounts were paid into the Treasurer's respective Bond Service Funds that are established to receive rental and other payments and to make payments of bond service charges (principal and interest).

There were additional funds available to support rental payments required under the respective bond proceedings in the amount of \$624,579 for higher education capital facilities bonds, \$1,808,533 for mental health capital facilities bonds, and \$789,511 for parks and recreation capital facilities bonds. These unappropriated funds are comprised of interest earnings, accrued interest and original issue premium bond sales, and, in the case of higher education, loan repayments to the Board of Regents.

The respective Bond Service Accounts under the Trust Agreements for the Mental Health Capital Facilities Bonds, Higher Education Capital Facilities Bonds, and the Parks and Recreation Capital Facilities Bonds, are restricted to payments of principal and interest on the Bonds issued and outstanding under those respective Trust Agreements. There are no funded debt service reserve funds on any of the outstanding Bonds of the Commission. A single series, the Higher Education Capital Facilities Bonds, Series II-1991B, has a debt service reserve in the form of a financial guaranty bond.

**LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 6 – RECEIVABLES

Receivables at June 30, 2004 consisted primarily of leases receivable from State agencies, accrued interest on the leases, and loans receivable from State universities.

Included in Leases Receivable from State agencies is an amount for premium on leases receivable resulting from the advance refunding of related bonds. This premium on lease receivable is amortized over the life of the refunding bonds. As of June 30, 2004, the unamortized portion was \$5,869,448.

NOTE 7 – SECURITIES LENDING

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires disclosure of assets and liabilities arising from securities lending transactions. The Chapter 154 Bond's investments with the State's cash and investment pool and STAR Ohio are both subject to lending transactions by the Treasurer of State. In accordance with paragraph 9 of GASB Statement No. 28, the recording of assets and liabilities for securities lending transactions is based on the Chapter 154 Bond's share of the cash and investment pool, as of the balance sheet date, as calculated by the Office of Budget and Management.

Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Treasurer, State of Ohio and
The Members of the Ohio Public Facilities Commission
Columbus, Ohio

We have audited the financial statements of the Lease Revenue Bonds Governed By Ohio Revised Code Chapter 154 (the Obligations) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Obligations' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Controls over Financial Reporting

In planning and performing our audit, we considered the Obligations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Treasurer of the State, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
October 28, 2004



**Auditor of State
Betty Montgomery**

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**TREASURER OF STATE LEASE REVENUE BONDS
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2004**