LEASE REVENUE BONDS
GOVERNED BY OHIO REVISED CODE CHAPTER 154

Financial Statements

For the Year Ended June 30, 2003

with

Independent Auditors' Report

Auditor of State
Betty Montgomery

Treasurer, State of Ohio and
the Members of the Ohio Public Facilities Commission
Columbus, Ohio 43215-3461

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, 2002 to June 30, 2003. 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 Lease Revenue Bonds is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 5, 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, 2003, 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, 2003, 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 December 4, 2003 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
December 4, 2003

LEASE REVENUE BONDS GOVERNED BY OHIO REVISED CODE CHAPTER 154
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

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, 2003.

FINANCIAL HIGHLIGHTS

- The assets of the Chapter 154 Bonds exceeded its liabilities at the close of the most recent fiscal year by $754,146 (net assets). All net assets are restricted for debt service
- The Chapter 154 Bond's net assets decreased by $1,577,726.
- As of the close of the most recent fiscal year, the Chapter 154 Bond's governmental funds reported combined ending fund balances of $4,201,407, an increase of $577,718, or 15.9%, in comparison with the prior year. The entire ending fund balance is reserved.
- Total par amount of debt decreased by $193 million (11.3%). Although new and refunding bonds issued totaled $412 million; principal retirements and bond refundings totaled $605 million.
- New Mental Health Capital Facilities Bonds with a par value totaling $60 million were issued in 2003.
- Advance refunding bonds with a par value totaling $351,720,000 were issued in 2003 to refund various outstanding Higher Education, Mental Health, and Parks & Recreation Capital Facilities Bonds.

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.

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 26 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, assets exceeded liabilities by $754,146 at the close of the most recent fiscal year. All net assets are restricted for debt service.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

A comparative analysis of net assets as of June 30, 2003 versus June 30, 2002 follows:

Net Asset Comparative Analysis

	2003	2002	% Change
Current Assets	$ 11,249,641	$ 10,094,660	11.44%
Other Assets	1,725,639,304	1,910,252,451	-9.66%
Total Assets	1,736,888,945	1,920,347,111	
Current Liabilities	250,079,602	253,282,459	-1.26%
Long-Term Liabilities	1,486,055,197	1,664,732,780	-10.73%
Total Liabilities	1,736,134,799	1,918,015,239	
Net Assets	$754,146	$2,331,872	-67.65%

Net assets decreased by $1.58 million during fiscal year 2003. 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 $179 million reduction in long-term liabilities and the $3.2 million reduction in current liabilities are mainly the result of a reduction in outstanding bond obligations due to advance refundings and principal repayments during 2003. The corresponding asset accounts, leases receivable from state agencies and interest receivable, decreased by a like amount.

Revenue and Expense Comparative Analysis

	2003	2002	% Change
Charges for Services	$ 81,278,588	$95,206,293	-14.63%
Investment Income	76,517	31,047	146.46%
Total Program Revenues	81,355,105	95,237,340	
Interest on Debt	82,446,613	96,840,701	-14.84%
Other	486,218	110,226	4,311.10%
Total Expenses	82,932,831	96,950,927	
Net Expenses over Revenues	($1,577,726)	($1,713,587)	-7.93%

Both interest on debt and charges for services decreased because of both a decrease in outstanding bond obligations and lower interest costs obtained from advance refunding bonds issued during 2003. Other expenses increased by $375,992 due mainly to increased amortization of bond issuance costs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For fiscal year 2003, 99.9% of total government wide revenues were comprised of interest on leases from State agencies, and, accordingly, 99.4% 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 $4,201,407, an increase of $577,718 in comparison with the prior year. Approximately 31% of the total fund balance, $1,316,377, 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

Revenue Source	2003	2002	% Change
Investment Income	$ 76,518	$ 31,047	146.46%
Lease Payments from State Agencies	328,365,017	358,629,869	-8.44%
Bond Premiums	36,220,041	1,110,075	3,162.85%
Proceeds of Refunding Bonds	351,720,000	0	-
	$716,381,576	$359,770,991	99.12%

As the chart above indicates, for 2003, 45.8% of governmental fund revenues were comprised of lease payments from state agencies. Total lease payments from State Agencies decreased for fiscal year 2003 due to the corresponding decrease in outstanding debt and debt service requirements for the year.

Revenue from bond premiums increased mainly because of the increase in bond issuance activity. A total of eight bond issuances were completed in 2003 versus two issuances in 2002. No refunding bonds were issued in 2002, which explains the increase in proceeds of refunding bonds for 2003.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Fund Expenditures
Comparative Analysis

Expenditure	2003	2002	% Change
Administrative Costs	$ 2,901,781	$ 700,540	314.22%
Debt Service Payments	330,256,536	359,492,220	-8.13%
Payments to Refunded Bond Escrow Agents	382,645,542	0	-
	$715,803,859	$360,192,760	98.73%

As the chart above indicates, for 2003, 46% of the Chapter 154 Bond expenditures were for debt service payments. Debt service payments decreased for fiscal year 2003 due to the decrease, from advance refundings, in outstanding bonds payable. Administrative costs increased mainly because of the increase in bond issuance activity in 2003 and the corresponding increase in bond issuance costs. No refunding bonds were issued in 2002, which explains the increase in payments to refunded bond escrow agents for 2003.

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, 2003, there was a total of $1,714,080,000 (par amount) of outstanding bonds payable. The Treasurer paid $245,405,000 of principal on bonds outstanding during the fiscal year, while new bonds were issued totaling $411,720,000. Bonds in the amount of $360,015,000 were refunded during 2003. Total debt decreased by $193,700,000 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.

ECONOMIC FACTORS

- There remains $77,915,000 in authorized by the General Assembly, but not yet issued, Mental Health Capital Facilities Bonds.
- There remains $48,100,000 in authorized by the General Assembly, but not yet issued, Parks & Recreation Capital Facilities Bonds.
- As of June 30, 2003, 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, 2003

		GOVERNMENTAL ACTIVITIES
ASSETS:		
Cash	$	95,823
Investments		2,953,278
Interest Receivable		7,561,583
Collateral on Lent Securities		638,957
Loans Receivable from State Universities		1,316,377
Leases Receivable from State Agencies		1,721,317,050
Other Assets-Unamortized Bond Issue Costs		3,005,877
TOTAL ASSETS		1,736,888,945
LIABILITIES:		
Accounts Payable		108,325
Accrued Interest on Bonds		8,183,090
Obligations Under Securities Lending		638,957
Special Obligation Bonds Payable, net of deferred amounts, premiums, and discount:		
Due in One Year		241,149,230
Due in More Than One Year		1,486,055,197
TOTAL LIABILITIES		1,736,134,799
NET ASSETS:		
Restricted for Debt Service		754,146
TOTAL NET ASSETS	$	754,146

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

STATE OF OHIO
Chapter 154 Bonds
Statement of Activities
For the Year Ended June 30, 2003

	TOTAL	HIGHER EDUCATION FACILITIES	MENTAL HEALTH FACILITIES	PARKS AND RECREATION FACILITIES
EXPENSES:				
Administrative	$ 130,945	$ 104,345	$ 14,689	$ 11,911
Amortization of Bond Issue Costs	355,273	204,611	102,703	47,959
Interest on Debt	82,446,613	64,909,368	12,781,968	4,755,277
TOTAL EXPENSES	82,932,831	65,218,324	12,899,360	4,815,147
PROGRAM REVENUES:				
Charges for Services (1)	81,278,588	64,457,974	12,403,629	4,416,985
Restricted Investment Income	76,517	39,015	29,198	8,304
TOTAL PROGRAM REVENUES	81,355,105	64,496,989	12,432,827	4,425,289
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	(1,577,726)	(721,335)	(466,533)	(389,858)
NET ASSETS, JULY 1	2,331,872			
NET ASSETS, JUNE 30	$ 754,146			

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

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

STATE OF OHIO
Chapter 154 Bonds
Balance Sheet
For the Year Ended June 30, 2003

	HIGHER EDUCATION FACILITIES	MENTAL HEALTH FACILITIES	PARKS AND RECREATION FACILITIES	TOTAL DEBT SERVICE
ASSETS:				
Cash	$ 1,561	$ 94,225	$ 37	$ 95,823
Investments	753,930	2,060,000	139,348	2,953,278
Collateral on Lent Securities	163,117	445,691	30,149	638,957
Loans Receivable from State Universities	1,316,377	—	—	1,316,377
TOTAL ASSETS	2,234,985	2,599,916	169,534	5,004,435
LIABILITIES:				
Accrued Interest on Bonds	—	55,746	—	55,746
Obligations Under Securities Lending	163,117	445,691	30,149	638,957
Accrued Liabilities	—	108,325	—	108,325
TOTAL LIABILITIES	163,117	609,762	30,149	803,028
FUND BALANCES:				
Reserved for Debt Service	755,491	1,990,154	139,385	2,885,030
Reserved for Noncurrent Portion of Loans Receivable	1,316,377	—	—	1,316,377
TOTAL FUND BALANCES	2,071,868	1,990,154	139,385	4,201,407
TOTAL LIABILITIES AND FUND BALANCES	$ 2,234,985	$ 2,599,916	$ 169,534	

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	1,721,317,050
Interest receivable	7,561,583
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	(8,127,344)
Special Obligation Bonds Payable	(1,727,204,427)
Some expenses reported in the Statement of Activites 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	3,005,877
Net Deficit of Governmental Activities	**$ 754,146**

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, 2003

	HIGHER EDUCATION FACILITIES	MENTAL HEALTH FACILITIES	PARKS AND RECREATION FACILITIES	TOTAL DEBT SERVICE
REVENUES:				
Lease Payments from State Agencies	$ 264,574,646	$ 50,255,781	$ 13,534,590	$ 328,365,017
Investment Income	39,016	29,197	8,305	76,518
TOTAL REVENUES	264,613,662	50,284,978	13,542,895	328,441,535
EXPENDITURES:				
Administrative Costs	1,843,970	943,182	114,629	2,901,781
Debt Service:				
Principal	198,600,000	37,640,000	9,165,000	245,405,000
Interest	66,893,685	13,146,814	4,811,036	84,851,535
TOTAL EXPENDITURES	267,337,655	51,729,996	14,090,665	333,158,316
OTHER FINANCING SOURCES (USES):				
Proceeds of Refunding Bonds	289,340,000	46,280,000	16,100,000	351,720,000
Bond Premiums	28,981,924	7,112,068	126,049	36,220,041
Payments to Escrow Agents	(316,414,991)	(50,125,422)	(16,105,129)	(382,645,542)
TOTAL OTHER FINANCING SOURCES (USES)	1,906,933	3,266,646	120,920	5,294,499
EXCESS (DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES(USES) OVER(UNDER) EXPENDITURES	(817,060)	1,821,628	(426,850)	577,718
FUND BALANCE, JULY 1	2,888,928	168,526	566,235	
FUND BALANCE, JUNE 30	$ 2,071,868	$ 1,990,154	$ 139,385	

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.	$ (247,086,430)
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.	240,110,501
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	2,404,922
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	2,770,836
Amortization of Bond Issue Costs	(355,273)
Change in Net Assets of Governmental Activities	**$ (1,577,726)**

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

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.

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.

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.

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 and special revenue 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, 2003.

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, 2003, the carrying amounts of the Treasurer's deposits relating to the Obligations totaled $95,823, the same as the banks' balances. Of these balances, $95,823 was insured by the Federal Deposit Insurance Corporation.

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.

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

	Book Value	Market Value
Higher Education (STAR Ohio)	$ 753,930	$ 753,930
Mental Health (STAR Ohio)	2,060,000	2,060,000
Parks and Recreation (STAR Ohio)	139,348	139,348
TOTAL	$2,953,278	$2,953,278

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, 2003. Of the investment balance at June 30, 2003, $2,953,278 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
124th General Assembly	-0-	34,000,000	22,000,000
TOTAL	$4,817,590,000	$1,315,000,000	$313,000,000

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

NOTE 4 – BONDS AND NOTES (Continued)

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, 2003(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-
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	7,600,000
Series II-1994A	253,000,000	3-1-94	12-1-08	4.484	16,700,000
Series II-1994B	120,000,000	11-1-94	11-1-09	5.982	15,100,000
Series II-1995A	166,400,000	4-1-95	5-1-10	5.396	27,100,000

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, 2003(d)
Higher Education (continued)					
Series II-1995B	140,000,000	10-1-95	11-1-10	5.121	25,900,000
Series II-1996A	150,000,000	2-1-96	11-1-10	5.627	27,800,000
Series II-1996B	150,000,000	10-1-96	11-1-11	5.143	36,200,000
Series II-1997A	282,300,000	4-1-97	5-1-12	5.066	46,400,000
Series II-1997B	236,500,000	10-1-97	11-1-12	4.746	75,800,000
Series II-1998A	254,200,000	3-1-98	12-1-12	4.522	118,600,000
Series II-1998B	150,000,000	7-1-98	6-1-13	4.693	69,400,000
Series II-1998C	150,000,000	12-1-98	6-1-13	4.414	96,400,000
Series II-1999A	100,000,000	8-1-99	11-1-13	4.853	64,300,000
Series II-2001A	394,495,000	4-1-01	12-1-11	4.251	394,495,000
Series II-2002A	253,275,000	8-1-02	12-1-12	3.544	253,275,000
Series II-2003A	36,065,000	2-1-03	6-1-09	3.225	36,065,000
TOTAL	$4,817,590,000(a)				$1,311,135,000(d)
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	6,105,000
Series II-1994A	40,000,000	11-1-94	12-1-09	6.033	5,900,000
Series II-1996A	40,000,000	2-1-96	12-1-10	4.672	8,500,000
Series II-1996B	40,000,000	10-1-96	6-1-11	5.200	8,500,000
Series II-1997A	40,000,000	12-1-97	12-1-12	4.807	26,400,000
Series II-1998A	60,800,000	7-1-98	6-1-13	4.634	31,200,000
Series II-2000A	30,000,000	6-1-00	6-1-15	5.286	21,680,000
Series II-2001A	56,970,000	4-1-01	12-1-10	4.112	56,510,000
Series II-2001B	30,000,000	8-1-01	6-1-16	4.540	26,805,000
Series II-2002A	30,000,000	8-1-02	6-1-17	4.194	28,700,000

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, 2003(d)
Mental Health (continued)					
Series II-2002B	38,065,000	8-1-02	12-1-10	3.112	38,065,000
Series II-2003A	8,215,000	2-1-03	6-1-11	3.446	8,215,000
Series II-2003B	30,000,000	6-1-03	6-1-18	3.536	30,000,000
TOTAL	$1,237,085,000(b)				$296,580,000(d)
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	1,500,000
Series II-1995A	31,100,000	10-1-95	6-1-10	5.097	2,900,000
Series II-1997A	26,000,000	12-1-97	12-1-12	4.649	6,600,000
Series II-2000A	20,000,000	2-1-00	12-1-14	5.472	14,200,000
Series II-2001A	25,000,000	2-1-01	12-1-15	4.576	20,725,000
Series II-2001B	20,935,000	4-1-01	12-1-09	4.019	20,625,000
Series II-2002A	25,000,000	5-1-02	6-1-17	4.459	23,810,000
Series II-2002B	9,675,000	8-1-02	12-1-07	2.524	9,675,000
Series II-2003A	6,425,000	2-1-03	6-1-12	3.575	6,330,000
TOTAL	$264,900,000(c)				$106,365,000(d)

(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.

(c) Includes 500,000 of bond anticipation notes retired from rental payments. Does not include $8,400,000 Series II-1992A, $11,100,00 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.

NOTE 4 – BONDS AND NOTES (Continued)

The Obligations outstanding at June 30, 2003 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 conformity with GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, the Treasurer must disclose certain facts in the State's annual financial report on advance refundings of debt. The following advance refunding bonds were issued during fiscal year 2003:

1. Higher Education, Series II-2002A

On August 15, 2002, the Treasurer issued $253,275,000 in Higher Education lease revenue bonds with an average interest rate of 3.544% to advance refund $260,300,000 of various outstanding Series II bonds, as detailed below:

Issue	Refunded Amount	Interest Rate
1992B	$ 7,800,000	5.375%
1992C	6,600,000	5.500%
1993A	44,100,000	4.700%
1994A	42,800,000	4.250-4.300%
1996A	56,400,000	4.500%
1997A	46,200,000	5.000%
1997B	24,200,000	5.000%
1998B	32,200,000	4.625-4.700%

The net proceeds of $276,853,549 (after payment of $1,493,124 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the refunded bonds are considered to be defeased.

The Treasurer advance refunded the above Series II bonds to reduce its total debt service payments over the next nine years by $7,218,234 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $6,656,626.

2. Mental Health, Series II-2002B

On August 15, 2002, the Treasurer issued $38,065,000 in Mental Health lease revenue bonds with an average interest rate of 3.111% to advance refund $39,175,000 of various outstanding Series II bonds, as detailed below:

Issue	Refunded Amount	Interest Rate
1993A	$ 7,100,000	5.000%
1993B	15,975,000	4.300%
1996A	16,100,000	4.500%

NOTE 4 – BONDS AND NOTES (Continued)

The net proceeds of $41,133,259 (after payment of $216,202 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the refunded bonds are considered to be defeased.

The Treasurer advance refunded the above Series II bonds to reduce its total debt service payments over the next eight years by $1,051,003 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $896,032.

3. **Parks and Recreation, Series II-2002B**

On August 15, 2002, the Treasurer issued $9,675,000 in Parks and Recreation lease revenue bonds with an average interest rate of 2.524% to advance refund $9,400,000 of various outstanding Series II bonds, as detailed below:

Issue	Refunded Amount	Interest Rate
1992A	$ 600,000	5.500%
1993A	8,800,000	4.600%

The net proceeds of $9,770,244 (after payment of $54,597 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the refunded bonds are considered to be defeased.

The Treasurer advance refunded the above Series II bonds to reduce its total debt service payments over the next five years by $322,746 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $330,828.

4. **Higher Education, Series II-2003A**

On February 1, 2003, the Treasurer issued $36,065,000 in Higher Education lease revenue bonds with an average interest rate of 3.225% to advance refund $37,000,000 of various outstanding Series II bonds, as detailed below:

Issue	Refunded Amount	Interest Rate
1997B	$10,200,000	4.500%
1998A	10,200,000	4.500%
1998C	10,200,000	4.200%
1999A	6,400,000	4.500%

The net proceeds of $39,561,442 (after payment of $246,500 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the refunded bonds are considered to be defeased.

NOTE 4 – BONDS AND NOTES (Continued)

The Treasurer advance refunded the above Series II bonds to reduce its total debt service payments over the next seven years by $825,517 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $368,764.

5. **Mental Health, Series II-2003A**

On February 1, 2003, the Treasurer issued $8,215,000 in Mental Health lease revenue bonds with an average interest rate of 3.446% to advance refund $8,310,000 of various outstanding Series II bonds, as detailed below:

Issue	Refunded Amount	Interest Rate
1997A	$3,100,000	4.625%
1998A	3,100,000	4.625%
2000A	2,110,000	5.125%

The net proceeds of $8,992,163 (after payment of $60,348 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the refunded bonds are considered to be defeased.

The Treasurer advance refunded the above Series II bonds to reduce its total debt service payments over the next eight years by $154,440 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $91,977.

6. **Parks and Recreation, Series II-2003A**

On February 1, 2003, the Treasurer issued $6,425,000 in Parks and Recreation lease revenue bonds with an average interest rate of 3.575% to advance refund $5,830,000 of various outstanding Series II bonds, as detailed below:

Issue	Refunded Amount	Interest Rate
1997A	$ 800,000	4.750%
2000A	3,100,000	5.250-5.375%
2001A	1,930,000	4.450%

The net proceeds of $6,334,885 (after payment of $48,121 in underwriting fees and other issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the refunded bonds are considered to be defeased.

The Treasurer advance refunded the above Series II bonds to reduce its total debt service payments over the next nine years by $193,323 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $92,007.

NOTE 4 – BONDS AND NOTES (Continued)

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, 2003, 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, 2003	Date Bonds will be Redeemed
Higher Education, Series II-1993B	$42,800,000	Dec. 1, 2003
Higher Education, Series II-1994A	$42,800,000	Dec. 1, 2003
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	$42,600,000	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-1994A	$8,500,000	Jun. 1, 2004
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	$1,930,000	Dec. 1, 2010
Total:	$567,440,000	

NOTE 4 – BONDS AND NOTES (Continued)

A schedule of changes in the carrying amount of Chapter 154 Bonds during 2003 follows:

	Higher Education	Mental Health	Parks & Recreation	Total
Amount outstanding, June 30, 2002	$1,517,695,000	$275,720,464	$115,447,032	$1,908,862,496
Additions:				
Principal on new & refunding bonds	289,340,000	106,280,000	16,100,000	411,720,000
Premium on new and refunding bonds	28,961,224	7,112,067	126,051	36,199,342
Amortization of deferred amount on refunding	2,258,534	380,356	111,706	2,750,596
Deletions:				
Principal repayments	198,600,000	37,640,000	9,165,000	245,405,000
Refunded principal	297,300,000	47,485,000	15,230,000	360,015,000
Deferred amount on refunding	19,114,991	2,640,422	875,130	22,630,543
Amortization of premium	3,421,309	733,589	122,566	4,277,464
Amount outstanding, June 30, 2003	$1,319,818,458	$300,993,876	$106,392,093	$1,727,204,427
Amounts due in one year	$ 192,852,501	$ 38,263,172	$ 10,033,557	$ 241,149,230

The aggregate scheduled payments of interest and principal for bonds outstanding as of June 30, 2003 are as follows:

Years Ending	Higher Education		Mental Health		Parks and Recreation	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2004	185,190,000	61,429,490	36,590,000	13,343,990	9,755,000	4,475,441
2005	163,665,000	53,290,159	31,585,000	11,673,275	10,330,000	4,052,278
2006	155,315,000	45,173,028	32,300,000	10,212,325	10,690,000	3,623,600
2007	163,340,000	37,324,209	33,790,000	8,601,065	11,130,000	3,209,850
2008	175,360,000	29,379,896	30,715,000	7,169,234	12,075,000	2,770,858
2009-13	461,065,000	54,176,599	96,290,000	20,243,035	33,925,000	8,723,120
2014-18	7,200,000	180,000	35,310,000	4,416,800	18,460,000	1,927,063
Total	$1,311,135,000	$280,953,381	$296,580,000	$75,659,724	$106,365,000	$28,782,210

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 2002-03 biennium, the 124th General Assembly appropriated, from the General Revenue Fund, the amounts necessary to meet the payments required under such leases, not exceeding $563,969,000 for higher education facilities, $102,060,400 for mental health facilities and $30,490,500 for parks and recreation facilities. Of these appropriated amounts, there have been paid to the Treasurer in Fiscal Year 2003 $264,574,646 with respect to higher education, $50,255,781 with respect to mental health facilities and $13,534,590 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 $1,694,381 for higher education capital facilities bonds, $751,117 for mental health capital facilities bonds, and $576,749 for parks and recreation capital facilities bonds. These unappropriated funds are comprised of interest earnings, accrued interest and original issue premium on fiscal year 2003 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.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2003 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, 2003, the unamortized portion was $7,237,050.

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, 2003, and have issued our report thereon dated December 4, 2003. 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 weaknesses 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
December 4, 2003

Auditor of State
Betty Montgomery

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Columbus, Ohio 43216-1140

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Facsimile 614-466-4490

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
JANUARY 20, 2004