Ohio Building Authority

Financial Statements for the Year Ended June 30, 2005 and Independent Auditors' Report

Ohio Building Authority
30 East Broad Street
Columbus, Ohio 43266-0412

We have reviewed the Independent Auditor's Report of the Ohio Building Authority, Franklin County, prepared by Kennedy, Cottrell & Associates LLC for the audit period July 1, 2004 through June 30, 2005. 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 Ohio Building Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 31, 2005

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OHIO BUILDING AUTHORITY

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Kennedy, Cottrell + Associates

INDEPENDENT AUDITOR'S REPORT

To the Members of the Ohio Building Authority and
The Honorable Betty Montgomery, Auditor of the State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the enterprise fund and the remaining fund information of the Ohio Building Authority, (the "Authority") a component unit of the State of Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these component unit financial statements based on our audit.

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

As described in Note 1, the financial statements of the Ohio Building Authority are intended to present the financial position and results of operations and cash flows of only that portion of the funds of the State of Ohio that is attributable to the transactions of the Ohio Building Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund and the remaining fund information of the Ohio Building Authority as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3-5 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 consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedules of Projects on pages 26-32 are presented for the purposes of additional analysis and are not a required part of the component unit financial statements of the Authority. The supplementary information is the responsibility of the management of the Authority. The schedules have been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2005 on our consideration of the Ohio Building Authority's internal control over reporting and our test of its compliance and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal controls over financial reporting or on compliance. 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.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
September 30, 2005

OHIO BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005 (Dollars in thousands)

This section of the Ohio Building Authority's (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial activities for the fiscal year ended June 30, 2005. The Authority is a component unit of the State of Ohio. Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements consist of (1) the basic financial statements, (2) management's discussion of and analysis and (3) notes to the financial statements. Because the Authority is a component unit of the State of Ohio, all of the statements presented in this discussion focus on the portion of the funds of the State of Ohio that are attributed to the transactions of the Ohio Building Authority.

- The financial statements and the management's discussion and analysis provide both long-term and short-term information about the Authority's overall financial status.
- Management's discussion and analysis provides a narrative overview of the financial statements from management's perspective.
- The basic financial statements provide information about the Authority's overall financial status.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

Please refer to Note 1 to the financial statements for a more complete discussion of the Authority's basis of presentation.

Financial Information and Analysis

The following summarizes the Authority's financial positions for the fiscal year ended June 30, 2005 and 2004:

	2005	2004
Assets:		
Current Assets	$293,953	$293,977
Non-Current Assets	2,061,117	2,089,974
Total Assets	$2,355,070	$2,383,951
Liabilities:		
Current Liabilities	$263,463	$265,026
Non-Current Liabilities	2,055,346	2,080,437
Total Liabilities	2,318,809	2,345,463
Total Net Assets—Restricted	$36,261	$38,488

During the period ending June 30, 2005, net assets of the Authority decreased by $2,227 or 5.8%. The decrease in net assets is a result of the Authority's planned utilization of existing resources during the period ending June 30, 2005, somewhat offset by an increase in investment income.

The following represents the Authority's summary of changes in net assets for the fiscal year ended June 30, 2005 and 2004:

	2005	2004
Operating Revenues	$133,219	$138,807
Operating Expenses	26,562	25,885
Net Operating Gain	106,657	112,922
Non-Operating Expenses	(108,884)	(116,533)
Net Loss before Special Items	(2,227)	(3,611)
Special Items	-	(14,743)
Net Loss	(2,227)	(18,354)
Net Assets - Beginning of Year	38,488	56,842
Net Assets - End of year	$36,261	$38,488

Operating revenues decreased $6,265 or 4.5% due to less lease interest revenues being collected as the Authority continues to refund debt associated with lease interest income. This decrease is somewhat offset by an increase in rents due to the increase in the Authority's budget.

Building maintenance and operational expenses increased by 2.7% due to the aforementioned budgetary increases.

Capital Asset Activity

During the fiscal year ended June 30, 2005, the Authority disbursed a total of $115 in connection with the completion of the renovations to the Ohio Courts Building. The Authority also disbursed $117 in connection with renovations to the Bureau of Workers' Compensation's facility. Activities related to these projects are accounted for in an agency fund. Please refer to Note 1 to the financial statements for a more complete discussion of the basis of presentation for these projects.

Long-term Debt Activity

During the fiscal year ended June 30, 2005, the Authority issued seven series of bonds totaling $570,250. Of this amount issued $385,250 was issued to refund a portion of bonds previously issued by the Authority. A total of $185,000 was issued to provide additional funding for various state projects. Bond proceeds from bond issuances are generally sent directly to the State by the trustee. In 2005, $8,674 of those proceeds were transferred to the Authority at the direction of the State, and are to be applied against future interest payments due from the State. At year end, $7,828 remains to be applied against future interest due from the State and is reflected as Deferred Revenue in the accompanying financial statements.

During the fiscal year ended June 30, 2005, the Authority paid $217,747 of principal on bonds. Please refer to Note 5 to the financial statements for a more complete discussion of the Authority's long-term debt activity.

Special Item

During the fiscal year ended June 30, 2004, the Authority used $3,079 of certain reserves, to defease the 1985B State Facilities Bonds (Riffe Center). This resulted in a forgiveness of debt for the corresponding lease payments due from the State of Ohio. Additionally, the Authority expended $11,664 of certain reserves to pay current principal amounts due on the 1994A and 1996A State Facilities Bonds (Riffe Center), resulting in an additional forgiveness of debt for the corresponding lease payments due from the State of Ohio.

Recent / Subsequent Events

Effective July 1, 2005 the Treasurer of the State of Ohio superseded and replaced the Authority in all matters relating to the issuance of obligations for financing of Arts and Sports Facilities, including all of the duties, powers, obligations and functions of the Authority pursuant to obligations previously issued by the Authority for financing of Arts and Sports Facilities. Accordingly, all of the related Assets and Liabilities of the Arts and Sports Facilities were transferred to the Treasurer of the State of Ohio as of July 1, 2005.

OHIO BUILDING AUTHORITY

STATEMENT OF NET ASSETS—ENTERPRISE FUND
JUNE 30, 2005
(Dollars in thousands)

ASSETS

CURRENT ASSETS:	
Cash—unrestricted	$ 514
Investments—restricted	44,058
Receivables:	
Leases—current portion	220,078
Lease interest receivable	27,559
Interest	83
Due from other funds	1
Accounts receivable	1,110
Other assets	548
Cash—restricted	2
Total current assets	293,953
NON-CURRENT ASSETS:	
Leases receivable	2,048,834
Deferred debt issuance cost	12,283
Total assets	$ 2,355,070

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities:	
Restricted	7,416
Unrestricted	172
Deferred revenue	7,828
Bonds payable—current portion	220,078
Other liabilities	410
Accrued interest	27,559
Total current liabilities	263,463
NON-CURRENT LIABILITIES—Bonds payable, net	2,055,346
Total liabilities	2,318,809
TOTAL NET ASSETS—Restricted	$ 36,261

OHIO BUILDING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—ENTERPRISE FUND YEAR ENDED JUNE 30, 2005 (Dollars in thousands)

OPERATING REVENUES:	
Rents	$ 25,510
Lease interest	105,654
Other	2,055
Total operating revenues	133,219
OPERATING EXPENSES:	
Building maintenance and operations	17,750
Utilities	4,773
General administration	2,523
Other	1,516
Total operating expenses	26,562
OPERATING GAIN	106,657
NON-OPERATING REVENUES (EXPENSES):	
Earnings on investments	788
Interest expense and other	(109,672)
Total non-operating expenses	(108,884)
NET LOSS	(2,227)
NET ASSETS—Beginning of year	38,488
NET ASSETS—End of year	$ 36,261

See notes to financial statements.

OHIO BUILDING AUTHORITY

STATEMENT OF CASH FLOWS—ENTERPRISE FUND
YEAR ENDED JUNE 30, 2005
(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers:	
State operating rent	$ 22,227
Local operating rent	3,585
Lease interest income receipts	102,853
Total cash received from customers	128,665
Cash received from quasi-external operating transactions with other funds	1,186
Cash payments to suppliers for goods and services	(26,635)
Cash payments to employees for services	(1,113)
Miscellaneous fees and commissions	2,004
Net cash flows provided by operating activities	104,107
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on bonds	(217,747)
Interest paid	(114,167)
Principal receipts on capital leases	216,575
Refunding bond proceeds	708
Payment of debt issue costs	(689)
Net premium on sale of bonds	8,673
Net cash flows used in capital and related financing activities	(106,647)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	389,062
Purchase of investments	(387,185)
Investment income received	714
Net cash flows provided by investing activities	2,591
NET INCREASE IN CASH AND CASH EQUIVALENTS	51
RESTRICTED AND UNRESTRICTED—Beginning of year	465
RESTRICTED AND UNRESTRICTED—End of year	$ 516
OPERATING GAIN	$ 106,657
ADJUSTMENTS TO RECONCILE OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Amortization of lease discount / premium	(3,012)
Changes in assets and liabilities:	
Decrease in lease interest receivable	612
Increase in account receivable—other	(41)
Decrease in other assets	31
Decrease in accounts payable and other liabilities	(140)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 104,107

See notes to financial statements.

OHIO BUILDING AUTHORITY

STATEMENT OF NET ASSETS—AGENCY FUND
JUNE 30, 2005
(Dollars in thousands)

ASSETS	
INVESTMENTS	$ 1,675
RECEIVABLES—	
Prepaid expenses	34
TOTAL ASSETS	1,709
LIABILITIES	
Accounts payable	2
Payable on behalf of the Agency	1,707
Total liabilities	1,709
NET ASSETS	$ -

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Ohio Building Authority (the "Authority"), as created under the Ohio Revised Code, consists of five individuals appointed by the Governor with the advice and consent of the Senate. The Authority is an entity, both corporate and politic, of the State of Ohio (the "State").

The powers and duties of the Authority are assigned to it by Chapter 152 of the Ohio Revised Code. These powers and duties include the authorization to acquire, purchase, construct, reconstruct, equip, furnish, improve, alter, enlarge, maintain, repair and operate office buildings and related storage and parking facilities for use by departments and agencies of the State of Ohio (and local and federal agencies in certain circumstances) on one or more sites within the State and to issue revenue obligations or other obligations to finance the cost of its projects. In addition, the Authority has been given the power to finance the construction of new, and improvements to, existing arts, sports, correctional, highway safety and transportation facilities. The holders or owners of its obligations are not given the right to require the General Assembly to levy excises or taxes for the payment of debt service on such obligations.

The Authority is a component unit of the State (the primary government) which uses funds to report on its combined financial position and results of its operations.

In October 1993, the Authority issued $214,255,000 of bonds at rates from 3.3% to 5.1%, with payments due through 2014 on behalf of the Bureau of Workers' Compensation ("BWC"). In May 2003, the Authority issued $142,500,000 of refunding bonds at rates from 2.0% to 5.0% to completely refund the bonds issued in 1993. The Authority will retain BWC's facility until the debt is repaid. Since BWC is a proprietary component unit of the State of Ohio, its financial statements report the asset and debt financed through the Authority. Accordingly, the Authority's Enterprise Fund does not include BWC's facility, leases receivable or long-term obligations issued by the Authority. The Authority's financial statements include an Agency Fund to report construction and certain general administrative costs, respectively, related to BWC. At June 30, 2005, $137,200,000 BWC bonds were outstanding.

In October 2000, the Authority entered into an agreement with the Supreme Court of Ohio (the "Court") to renovate the Ohio Courts Building on behalf of the Court. This project was completed during fiscal year 2005. In accordance with the agreement, the Court made payments to the Authority from moneys appropriated to the Court and the Authority used these funds to pay the costs of the project. Activities relating to this project were previously accounted for in an Agency Fund.

Basis of Presentation—The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued June 1999. GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis– for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

Significant components of Statement No. 34 include the following:

- A Management's Discussion and Analysis ("MD&A") section providing an analysis of the Authority's overall financial position and results of operations.

- Financial statements reported using the full-accrual basis of accounting for all of the Authority's activities. The Authority follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the Authority's financial activities.

Basis of Accounting—The financial statements of the Authority have been prepared on the accrual basis whereby revenue is recognized when earned, and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. The notes accompanying these financial statements relate directly to the Authority. The Authority applies all applicable GASB pronouncements and the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements; Financial Accounting Standards Board ("FASB") statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Charges for services are reported as operating revenues. Transactions, which are capital, financing or investment related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses.

Leases Receivable—Leases receivable represent amounts due from the State for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

Restricted Assets and Liabilities—Proceeds from each of the projects that the Authority manages are restricted to use within that project by the bond trust agreements. All of the Authority's assets and liabilities, with exception of cash held for administrative purposes, are classified as restricted, and equate to expendable restricted net assets.

Lease Revenue—Lease payments are collected from the State to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments are recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset-carrying values.

Deferred Revenue—Deferred revenue represents certain bond proceeds due to the State, but remitted to the Authority at the direction of the State. These funds will be applied in 2006 against lease interest payments due from the State.

Long-Term Obligations—Long-term liabilities are reported on the Authority's statement of net assets net of the applicable bond premiums and discounts, which are deferred and amortized over the life of the bonds using the effective interest method. Commercial paper notes are recorded at par at the time of issuance.

Compensated Absences—The Authority follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for sick leave if it is probable that the employee will be compensated through a cash payment.

Investments**—**Investments are reported at fair value. Securities are valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service. The calculation of realized gains is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in a given year may have been recognized as an increase or decrease in the fair value of investments reported in prior years. In fiscal year 2005 the Authority invested only in governmental money market type funds that are carried at a dollar per dollar value thus, resulting in no difference between cost and carrying value of investment amounts, other than interest earnings.

2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk. The risk that, in the event of a bank failure, the Authority's deposits may not be returned. The bank and financial statement balances of the Authority's cash with custodians at June 30, 2005 was $515,569. Of this amount $213,097 was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* as of June 30, 2005, $302,472 of the Authority's bank balance was exposed to custodial risk and is considered uninsured, however, they are collateralized with investments held in pledged collateral pools by the various financial institutions.

Investments

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy generally limits investment portfolio maturities to five years or less on individual investments. Each portfolio should have an average maturity not exceeding two years, based upon the cash flow requirements of each account. Portfolio investments should be balanced across maturities to achieve the appropriate average maturity for the portfolio.

At year-end, the Authority had the following investments and maturities (in thousands) as follows:

		Investment Maturities				
Investment Type	Fair Value	12 months or less	13 to 24 months	25 to 36 months	37 to 48 months	49 to 60 months
STAROhio	$ 33	$ 33	$ -	$ -	-	-
Governmental Money Markets	45,700	45,700	-	-	-	-
Total investments	$ 45,733	$ 45,733	$ -	$ -	-	-

Credit Risk. The majority of the Authority's investments are governed by the Bond trust agreements authorizing the Authority to invest, in general, in (1) U.S. Treasury obligations; (2) U.S. agency obligations; (3) collateralized certificates of deposits and repurchase agreements; (4) obligations of any state or political subdivision of any state of the United States (provided such obligations carry one of the two highest ratings of a nationally recognized rating service, provided further that the interest on such obligations is excluded from gross income for federal tax purposes); and (5) in certain circumstances, any money market fund invested solely in obligations described in clauses (1) and (2) above. The Authority may and does also invests in STAROhio, an investment pool managed by the State Treasurer's office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940.

Investments in STAROhio are valued at STAROhio's share price that is the price the investment could be sold for on June 30, 2005.

Management of STAROhio states that its policy also prohibits investing in derivatives and/or engaging in the use of reverse repurchase agreements. Average days to maturity of the STAROhio portfolio at June 30, 2005 was 45 days.

The Authority's investments in the various governmental money markets and STAROhio were all rated "AAAm" by Standard & Poors.

Of the investment balance at June 30, 2005 $44,058 represents restricted investments held in the Enterprise Fund and $1,675 restricted investments held in the Agency Fund.

3. LEASES RECEIVABLE

The Authority's leasing operations consist of leasing of facilities for use by the State of Ohio (or any of its agencies) and by the local governments, under direct financing arrangements expiring in various years through 2025.

Following is a summary of the components of the Authority's net investment in direct financing leases (in thousands), at June 30, 2005:

Total minimum lease principal payments to be received	$ 2,226,725
Add—deferred income	42,187
Net leases receivable	$ 2,268,912

Minimum lease payments (in thousands) to be received as of June 30, 2005 are as follows:

2006	$ 331,947
2007	311,268
2008	286,897
2009	261,065
2010	242,739
2011-2015	927,965
2016-2020	465,641
2021-2025	161,870
Total minimum payments	2,989,392
Interest for capital leases	(762,667)
Minimum lease principal payments	$2,226,725

4. RESTRICTED ASSETS

In general, the trust agreements related to the issuance of the bonds payable established various funds that are used for the deposit and disbursement of cash. Deposits are principally lease receipts, cost reimbursements, interest earnings, and miscellaneous income. Expenditures are principally for project costs, debt service payments, and operating expenses. Deposits to and disbursements from the funds are governed by the provisions of the trust agreements. The trust agreements also require the segregation of specific funds (pledged receipts) as security for the bonds. A single trust agreements specifies that a required reserve fund be maintained at 100% of the highest annual debt service due during the life of the bonds.

Pledged receipts and required reserves (in thousands) at June 30, 2005 by type of project were:

	Pledged Receipts	Required Reserves (1)
Rhodes State Office Tower	$ 5,122	$ -
Lausche State Office Building	2,160	
DiSalle Government Center	9,123	
Ocasek Government Office Building	3,732	
Riffe Center for Government and the Arts	5,071	
State Correctional Facilities	12,758	8,558
DAS Data Center	1	
Administrative Building and Project	4,234	
Juvenile Correctional Facilities	5	
Ohio Arts and Sports Facilities	400	
Bureau of Workers' Compensation	1,637	
Highway Safety	231	
Total	$44,474	$ 8,558

(1) Required reserves are also included in pledged receipts.

5. BONDS AND NOTES PAYABLE

The Authority issues bonds and notes to finance the costs of capital facilities for State departments and agencies and, in some cases, related facilities for local governments. Bonds issued for State agencies are reflected in the financial statements as special obligation bonds and bonds issued for local government facilities are shown as revenue bonds.

The bonds represent limited obligations of the Authority and do not constitute general obligations of the Authority or general obligations or debts of the State or any of the institutions of higher education within the meaning of any constitutional or statutory limitation. The Authority has no taxing power. The bonds are payable from lease revenue to be paid by the State pursuant to the provision of the leases and certain other funds and revenue provided for in the bond resolution.

Special obligation bonds are collateralized by pledges of lease rental payments from biennial General Fund, Highway Operating Fund, and BWC Administrative Cost Fund appropriations, funds held by trustees pursuant to related trust agreements and other receipts. The leases generally coincide with the State biennium, and are renewable for successive two-year periods until the project bonds are retired.

Lease payments are based upon the estimated debt service and administrative costs. In addition, lease payments from the Department of Administrative Services include reimbursement for building operating costs. However, lease payments are limited to an amount appropriated by the Ohio General Assembly. Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. Currently, appropriations are made on or before July 1 of each odd-numbered year. The appropriations for the fiscal 2005 were as follows (in thousands):

	Rent	Operations
Ohio Department of Administrative Services—Office/Administrative Facilities	$117,027	$26,003
Ohio Department of Rehabilitation and Correction—Correctional Facilities	146,308	
Ohio Department of Transportation—Transportation Facilities	13,396	
Ohio Department of Natural Resources—Fountain Square Project	1,095	
Ohio Department of Youth Services—Juvenile Facilities	21,110	
Ohio Arts and Sports Facilities Commission—Arts and Sports Facilities	37,618	
Ohio Department of Public Safety—Highway Safety	13,663	
Bureau of Workers' Compensation	19,239	
Total	$369,456	$26,003

Changes in long-term bonds were as follows (in thousands):

Principal of bonds outstanding—June 30, 2004	$2,262,010
Debt issued on behalf of other agencies under legislation enacted by the Ohio General Assembly	570,250
Principal retired	(217,747)
Bonds defeased	(387,790)
Principal of bonds outstanding—June 30, 2005	2,226,723
Capital appreciation bond accreted values	5,237
Unamortized bond premium and discounts, net	107,302
Deferred amounts on refundings	(63,838)
Total bonds outstanding	$2,275,424

Bonds outstanding (in thousands) at June 30, 2005 are as follows:

	Amount of Obligation Issued	Bond Issue Date	Final Maturity Date	Interest Rates	2005 Balance
1985C (State Correctional)	$160,000	December 1, 1985	October 1, 2005	9.75 %	$ 2,923
1992A (State Transportation)	17,000	September 1, 1992	September 1, 2007	5.9%-6.1%	3,390
1993A (DAS Data Center)	36,765	January 1, 1993	October 1, 2007	5.75%-5.9%	9,770
1993A (State Correctional)	69,970	January 1, 1993	October 1, 2008	5.75%-6.0%	20,315
1993A (Administrative Building)	60,000	March 1, 1993	October 1, 2007	5.5%-5.6%	10,240
1993A (Aronoff Center)	35,000	June 1, 1993	October 1, 2007	5.25%-5.45%	9,190
1993A (Arts Facilities)	10,000	June 1, 1993	October 1, 2007	5.25%-5.45%	2,595
1994A (Administrative Building)	80,000	September 15, 1994	October 1, 2005	5.65%	5,260
1994A (Juvenile Correctional)	50,000	December 1, 1994	October 1, 2005	6.10%	2,385
1994A (State Transportation)	25,000	December 1, 1994	September 1, 2005	6.10%	1,665
1995A (Administrative Building)	60,000	December 1, 1995	October 1, 2006	6.00%	8,295
1996A (Adult Correctional)	85,000	April 1, 1996	April 1, 2006	6.00%	3,930
1996A (Arts Facilities)	10,000	April 1, 1996	October 1, 2005	5.00%	1,270
1996A (Highway Safety)	18,200	April 1, 1996	October 1, 2010	5.1%-6.0%	2,720
1996A (State Transportation)	26,800	April 1, 1996	September 1, 2010	5.25%-6.0%	10,710
1996A (DiSalle Center)	38,570	August 15, 1996	October 1, 2005	6.00 %	3,010
1996A (Lausche Building)	16,545	August 15, 1996	October 1, 2005	6.00 %	1,285
1996A (Ocasek Building)	9,215	August 15, 1996	October 1, 2005	5.00%	700
1996A (Riffe Center)	6,045	August 15, 1996	October 1, 2005	5.00%	440
1996A (State Correctional)	69,540	December 1, 1996	October 1, 2009	5.25%-6.0%	31,445
1997A (Administrative Building)	85,000	January 15, 1997	October 1, 2007	5.00%	18,340
1997A (Arts Facilities)	40,000	January 15, 1997	October 1, 2006	5.50%	9,695
1997A (Sports Facilities)	37,000	January 15, 1997	October 1, 2011	5.0%-5.375%	20,615
1997A (Adult Correctional)	110,000	April 1, 1997	April 1, 2007	6.00%	9,855
1997A (Highway Safety)	75,000	April 1, 1997	October 1, 2006	6.00%	10,435
1998A (Administrative Building)	130,000	January 15, 1998	October 1, 2017	4.75%-5.25%	43,300
1998B (Administrative Building)	19,545	January 15, 1998	October 1, 2010	5.125%-5.25%	9,845
1998A (DAS Data Center)	15,605	January 15, 1998	October 1, 2010	5.125%-5.25%	7,870
1998A (Adult Correctional)	100,000	March 15, 1998	April 1, 2008	5.0%-5.5%	13,270
1998A (State Transportation)	12,000	March 15, 1998	September 1, 2007	4.50 %	3,600
1998B (State Transportation)	34,800	March 15, 1998	September 1, 2007	4.35%-5.0%	12,150
1998A (Rhodes Tower)	43,735	September 15, 1998	June 1, 2011	4.1%-5.25%	28,110
1999A (Juvenile Correctional)	50,000	February 1, 1999	October 1, 2018	4.0%-5.25%	39,055
1999B (Juvenile Correctional)	70,790	February 1, 1999	October 1, 2014	5.0%-5.25%	62,995
1999A (Arts Facilities)	75,000	March 15, 1999	October 1, 2008	5.00%	34,550
1999A (Sports Facilities)	39,000	March 15, 1999	October 1, 2013	4.0%-5.25%	26,270
1999A (Administrative Building)	100,000	May 15, 1999	October 1, 2009	4.375%-5.0%	21,975
1999B (Administrative Building)	18,930	May 15, 1999	October 1, 2011	4.20%-5.25%	14,635
1999A (Adult Correctional)	150,000	July 1, 1999	October 1, 2009	4.6%-5.5%	34,330
2000A (Adult Correctional)	100,000	June 1, 2000	April 1, 2010	5.0%-5.75%	31,910
2001A (Arts Facilities)	29,000	February 1, 2001	April 1, 2016	4.0%-5.5%	23,255
2001A (Juvenile Correctional)	39,000	February 1, 2001	April 1, 2016	4.25%-5.5%	31,425
2001A (Sports Facilities)	23,690	February 1, 2001	April 1, 2016	4.0%-5.5%	18,865
2001A (Administrative Building)	120,000	April 1, 2001	October 1, 2020	5.0%-5.5%	106,405

Bonds outstanding (in thousands) at June 30, 2005 are as follows (continued):

	Amount of Obligation Issued	Bond Issue Date	Final Maturity Date	Interest Rates	2005 Balance
2001A (Highway Safety)	20,000	April 1, 2001	October 1, 2020	4.0%-5.5%	17,215
2001A (Adult Correctional)	249,850	July 1, 2001	October 1, 2014	5.0%-5.5%	202,330
2002A (Administrative Building)	70,000	April 10, 2002	April 1, 2022	5.0%-5.5%	63,325
2002A (State Transportation)	13,060	April 10, 2002	September 1, 2009	3.75%-4.0%	7,885
2002B (Administrative Building)	58,670	June 25, 2002	October 1, 2012	3.3%-5.25%	56,970
2002A (Adult Correctional)	50,000	October 8, 2002	April 1, 2022	3.0%-5.0%	45,635
2002B (Adult Correctional)	90,560	October 8, 2002	April 1, 2017	2.0%-5.25%	90,430
2003A (Arts Facilities)	20,000	March 14, 2003	April 1, 2018	2.0%-5.0%	17,845
2003A (Juvenile Correctional)	30,000	March 14, 2003	April 1, 2018	2.0%-5.0%	26,785
2003A (Administrative Building)	100,000	July 22, 2003	April 1, 2023	4.0%-5.0%	96,635
2003A (DiSalle Center)	10,930	July 22, 2003	October 1, 2007	2.25%-4.0%	10,930
2003A (Lausche Building)	4,915	July 22, 2003	October 1, 2007	2.0%-2.25%	4,915
2003A (Ocasek Building)	2,695	July 22, 2003	October 1, 2007	2.0%-2.25%	2,695
2004A (Adult Correctional)	57,400	March 23, 2004	April 1, 2024	2.0%-5.25%	55,600
2004A (Highway Safety)	10,400	March 23, 2004	April 1, 2019	2.0%-3.4%	9,820
2004B (Highway Safety)	41,695	March 23, 2004	October 1, 2011	2.0%-5.0%	41,695
2004A (Administrative Building)	75,000	May 11, 2004	April 1, 2024	2.5%-5.0%	72,190
2004A (DNR Fountain Square)	3,910	May 11, 2004	October 1, 2008	2.0%-5.0%	3,910
2004A (Riffe Center)	22,705	May 11, 2004	October 1, 2008	2.50%-5.00%	22,705
2004B (Adult Correctional)	42,665	May 11, 2004	October 1, 2008	3.5%-5.0%	42,665
2004A (Arts/Sports Facilities)	20,000	October 21, 2004	October 1, 2014	2.0%-5.0%	20,000
2004B (Administrative Building)	130,750	October 21, 2004	October 1, 2018	3.125%-5.25%	130,750
2004C (Adult Correctional)	225,350	October 21, 2004	October 1, 2018	5.0%-5.25%	225,350
2005A (Administrative Building)	85,000	March 30, 2005	April 1, 2025	5.00%	85,000
2005B (Administrative Building)	29,150	March 30, 2005	October 1, 2011	5.00%	29,150
2005A (Highway Safety)	5,000	March 30, 2005	April 1, 2010	3.0%-5.0%	5,000
2005A (Adult Correctional)	75,000	June 1, 2005	April 1, 2025	3.5%-5.0%	75,000
Total bonds principal outstanding					2,226,723
Capital Appreciation Bond accreted values					5,237
Unamortized bond premium and discounts, net					107,302
Deferred amounts on refundings					(63,838)
Total bonds outstanding					$ 2,275,424

Bonds maturing on or 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 103% to 100% dependent upon the terms of the particular series of the bonds and the date redeemed.

The maturities (in thousands) for all of the Authority's bonds and notes for the fiscal years ending June 30 are as follows:

	Principal	Interest
2006	$ 220,078	$111,867
2007	214,775	96,493
2008	200,530	86,367
2009	184,085	76,980
2010	174,625	68,114
2011-2015	704,920	223,045
2016-2020	382,930	82,711
2021-2025	144,780	17,090
Capital Appreciation Bond accreted values	5,237	
Unamortized bond premium and discounts, net	107,302	
Deferred amounts on refundings	(63,838)	
Total	$2,275,424	$762,667

During the year ended June 30, 2005, the Authority issued $570,250 in bonds on behalf of other agencies, under legislation enacted by the Ohio General Assembly. Of the $570,250, 2005 bonds issued, $185,000 were new bonds (2004A Arts & Sports, 2005A Highway Safety and 2005A Adult Correctional). Bond proceeds from bond issues are generally sent directly to the State by the trustee. In 2005 $8,674 of those proceeds were transferred to the Authority at the Direction of the State, and are to be applied against future interest payments due from the State. At June 30, 2005, $7,828 remains to be applied against future interest due from the State and is reflected as Deferred Revenue in the accompanying financial statements.

The Authority has refunded various bonds by issuing $385,250 refunding bonds. The proceeds of refunding bond issues were used to purchase U.S. Government securities in amounts sufficient, without further investment, to pay, when due, the principal and interest on the bonds being refunded. The U.S. Government securities referred to above are placed with an escrow agent pursuant to the terms of related escrow agreements. The escrow agents are responsible for future debt service on the refunded bonds until they are fully retired. The funding of the escrow agreements defeased the related trust agreements and, accordingly, escrow accounts assets and the related outstanding principal balance of the refunded bonds are not reflected in the accompanying combined financial statements.

State Facilities Refunding Bonds — Administrative Building (Refunding)— During the year ended June 30, 2005, the Authority issued approximately $130.75 million in refunding bonds with an average interest rate of 3.62% to defease in substance approximately $131.32 million in principal and interest on the bonds being refunded. The bonds partially refunded were the 1995A, 1998A, and 1999A State Facilities Bonds. At the date of refunding, the refunded bonds had an average interest rate of 5.182%. The refunding resulted in an economic gain of $3.655 million.

State Facilities Refunding Bonds — Adult Correctional Building (Refunding)— During the year ended June 30, 2005, the Authority issued approximately $225.35 million in refunding bonds with an average interest rate of 3.65% to defease in substance approximately $226.905 million in principal and interest on the bonds being refunded. The bonds partially refunded were the 1996A, 1997A, 1998A, 1999A and 2000A State Facilities Bonds. At the date of refunding, the refunded bonds had an average interest rate of 5.382%. The refunding resulted in an economic gain of $8.179 million.

State Facilities Refunding Bonds* — *Administrative Building (Refunding)— During the year ended June 30, 2005, The Authority issued approximately $29.15 million in refunding bonds with an average interest rate of 3.45% to defease in substance approximately $29.565 million in principal and interest on the bonds being refunded. The bonds partially refunded were the 1997A State Facilities Bonds. At the date of refunding, the refunded bonds had an average interest rate of 5.349%. The refunding resulted in an economic gain of $0.895 million.

The bond issues refunded in current and prior years and the remaining principal outstanding at June 30, 2005 are as follows (in thousands):

Issue Refunded	**Balance Outstanding**
1985A (Lausche Building)	$ 530
1985A (Disalle Center)	1,231
1985A (Ocasek Building)	287
1985B (Riffe Center)	201
1996A (Adult Correctional Building Fund Projects)	53,555
1997A (Adult Correctional Building Fund Projects)	69,405
1994A (Highway Safety Building Fund Projects)	4,230
1996A (Highway Safety Building Fund Projects)	6,380
1997A (Highway Safety Building Fund Projects)	32,040
1995A (Administrative Building Fund Projects)	19,370
1997A (Administrative Building Fund Projects)	29,565
1998A (Administrative Building Fund Projects)	62,390
1998A (Adult Correctional Building Fund Projects)	56,765
1999A (Administrative Building Fund Projects)	90,560
1999A (Adult Correctional Building Fund Projects)	41,995
2000A (Adult Correctional Building Fund Projects)	55,185
Total	$523,689

Certain bonds defeased as of June 30, 2004, were called during the year ended June 30, 2005:

Defeased Bonds Called

1994A (State Correctional Facilities)
1994A (Adult Correctional Building Fund Projects)
1995A (Adult Correctional Building Fund Projects)
1994A (Juvenile Correctional Building Fund Projects)
1994A (Administrative Building Fund Projects)
1994A (Transportation Building Fund Projects)

6. SEGMENT INFORMATION

The Authority issued bonds to finance the construction of the five buildings to which it has title, as well as to finance capital construction for various Departments and Agencies of the State of Ohio. Investors in these bonds rely solely on revenues generated by individual activities for repayment. Summary financial information for individual activities is presented below.

CONDENSED STATEMENT OF NET ASSETS

	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transportation Facilities
ASSETS:							
Current assets	$10,327	$3,717	$ 13,211	$ 4,873	$ 18,586	$107,384	$ 12,062
Other assets	22,608	5,820	13,449	3,131	9,796	826,397	27,943
Total assets	32,935	9,537	26,660	8,004	28,382	933,781	40,005
LIABILITIES:							
Current liabilities	5,929	1,747	7,701	1,421	14,381	97,473	12,029
Noncurrent liabilities	22,608	4,357	10,166	2,357	9,796	826,397	27,692
Total liabilities	28,537	6,104	17,867	3,778	24,177	923,870	39,721
Total net assets—(restricted)	$ 4,398	$3,433	$ 8,793	$ 4,226	$ 4,205	$ 9,911	$ 284

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Account	Total
ASSETS:								
Current assets	$ 4,615	$ 931	$ 60,861	$ 14,810	$ 31,247	$ 10,803	$ 526	$ 293,953
Other assets	12,960	2,944	747,331	151,333	158,677	78,728		2,061,117
Total assets	17,575	3,875	808,192	166,143	189,924	89,531	526	2,355,070
LIABILITIES:								
Current liabilities	4,590	915	60,691	14,209	31,090	10,761	526	263,463
Noncurrent liabilities	12,960	2,944	747,331	151,333	158,677	78,728		2,055,346
Total liabilities	17,550	3,859	808,022	165,542	189,767	89,489	526	2,318,809
Total net assets—(restricted)	$ 25	$ 16	$ 170	$ 601	$ 157	$ 42	$ -	$ 36,261

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transportation Facilities
Rents	$ 6,870	3,911	$ 4,150	$ 1,970	$ 7,439	$ 150	$ 35
Lease interest	1,724	(439)	(1,126)	(235)	1,375	45,606	2,149
Other	572	108	658	181	536		
Operating expenses	(7,442)	(3,632)	(4,825)	(2,154)	(7,311)	(129)	(36)
Operating gain (loss)	1,724	(52)	(1,143)	(238)	2,039	45,627	2,148
Non-operating revenues (expenses):							
Earnings on investments	132	28	153	43	63	243	3
Interest expense and other	(1,785)	(481)	(1,143)	(261)	(1,395)	(45,647)	(2,321)
Change in net assets	71	(505)	(2,133)	(456)	707	223	(170)
Beginning net assets	4,327	3,938	10,926	4,682	3,498	9,688	454
Ending net assets	$ 4,398	$ 3,433	$ 8,793	$ 4,226	$ 4,205	$ 9,911	$ 284

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Account	Total
Rents	$ 15	$ 15	$ 200	$	$ 735	$ 20	$ -	$ 25,510
Lease interest	1,258	207	34,641	8,199	8,398	3,897		105,654
Other								2,055
Operating expenses	(22)	(14)	(100)	(33)	(852)	(12)		(26,562)
Operating gain (loss)	1,251	208	34,741	8,166	8,281	3,905		106,657
Non-operating revenues (expenses):								
Earnings on investments	2		80	18	15	8		788
Interest expense and other	(1,260)	(207)	(34,662)	(8,206)	(8,403)	(3,901)		(109,672)
Change in net assets	(7)	1	159	(22)	(107)	12	-	(2,227)
Beginning net assets	32	15	11	623	264	30	-	38,488
Ending net assets	$ 25	$ 16	$ 170	$ 601	$ 157	$ 42	$ -	$ 36,261

CONDENSED STATEMENT OF CASH FLOWS

	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transportation Facilities
Net cash flows provided by (used in):							
Operating activities	$ 1,738	$ 318	$ 712	$ (54)	$ 1,559	$ 47,428	$ 2,238
Capital and related financing activities	(1,558)	(212)	(1,606)	(294)	(1,152)	(47,136)	(2,241)
Investing activities	(179)	(106)	895	348	(407)	(296)	3
Net increase (decrease) in cash and cash equivalents	1	-	1	-	-	(4)	-
Beginning cash and cash equivalents						4	
Ending cash and cash equivalents	$ 1	$ -	$ 1	$ -	$ -	$	$ -

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Account	Total
Net cash flows provided by (used in):								
Operating activities	$ 1,083	$ 140	$ 28,196	$ 8,215	$ 8,602	$ 3,879	$ 53	$ 104,107
Capital and related financing activities	(1,090)	(139)	(30,658)	(8,254)	(8,358)	(3,949)		(106,647)
Investing activities	7	(1)	2,462	39	(244)	70		2,591
Net increase (decrease) in cash and cash equivalents	-	-	-	-	-	-	53	51
Beginning cash and cash equivalents							461	465
Ending cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 514	$ 516

7. DEFINED BENEFIT PENSION PLAN

Employees of the Authority participate in the Public Employees Retirement System of Ohio (PERS). PERS administers three separate pension plans as described below:

1. The Traditional Pension Plan-a cost sharing, multiple-employer defined benefit pension plan
2. The Member-Directed Plan-a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan-a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by PERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the PERS Board.

PERS issues a stand alone financial report, which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)-466-2085 or 1-800-222-PERS (7377).

Employee and employer contributions to PERS are established under the Ohio Revised Code and are based upon percentages of covered employee's gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. In fiscal year 2005 and fiscal year 2004 the employee and the employer contribution were 8.50% and 13.31% respectively, for all Authority employees. The Authority's required contributions to PERS for the years ended June 30, 2005, 2004, and 2003 were $155,632, $158,648, and $157,893, respectively.

8. OTHER POSTEMPLOYMENT BENEFITS

PERS provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit under the Traditional and Combined plans. Health care coverage for disability recipients and primary survivor recipients is also available.

The health care coverage provided by the retirement system is considered an "Other Post Employment Benefit (OPEB)" as described in GASB Statement No. 12, Disclosure of Information on Post Employment Benefits Other Than Pension Benefits by State and Local Government Employers. The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund post retirement healthcare through their contributions to PERS. A portion of each employer contribution to PERS (13.31% of covered payroll) is set aside for the funding of post retirement health care. For the year ended June 30, 2005 that portion was 4.0% for all Authority employees.

The related assumptions and calculations were based on the PERS's latest actuarial review performed as of December 31, 2003. Included in the assumptions is the entry age normal actuarial cost method of valuation to determine the present value of the OPEB with the difference between assumed and actual experience (actuarial gains and losses) becoming part of the unfunded actuarial accrued liability. Also all investments are carried at market value, and for valuation purposes include the smoothed market approach. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. In addition, the investment assumption rate for 2003 was 8.00%. Finally an annual increase of 4.0 %, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

Other Post Employment Benefits (OPEB) are advance funded on an actuarially determined basis. There are approximately 369,885 active contributing participants state-wide. The portion of the employer contribution actually made to fund post employment benefits can be determined by multiplying actual employer contributions times 0.3005 or in the Foundation's case is equal to $39,006. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 was $10.5 billion. PERS' actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

Finally, PERS adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures PERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority purchases insurance coverage for these risks. In the past three years, there were no losses exceeding insurance coverage.

10. SUBSEQUENT EVENTS

Effective July 1, 2005 the Treasurer of the State of Ohio superseded and replaced the Authority in all matters relating to the issuance of obligations for financing of Arts and Sports Facilities, including all of the duties, powers, obligations and functions of the Authority pursuant to obligations previously issued by the Authority for financing of Arts and Sports Facilities. Accordingly, all of the related Assets and Liabilities of the Arts and Sports Facilities were transferred to the Treasurer of the State of Ohio as of July 1, 2005.

* * * * * *

SUPPLEMENTAL SCHEDULES

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF NET ASSETS
JUNE 30, 2005
(Dollars in thousands)

ASSETS	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transporation Facilities
CURRENT ASSETS:							
Cash—unrestricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investments—restricted	5,121	2,160	9,121	3,732	5,070	12,941	31
Receivables:							
Leases—current portion	4,930	1,420	3,010	810	13,145	83,168	11,375
Lease interest receivable	114	45	137	23	222	11,216	653
Interest	11	3	20	6	8	25	
Due from (to) other projects	(50)	10	18	20	(2)	34	3
Due from (to) other funds							
Accounts receivable	34	2	825	248	1		
Other Assets	166	77	79	34	142		
Cash—restricted	1		1				
Total current assets	10,327	3,717	13,211	4,873	18,586	107,384	12,062
NONCURRENT ASSETS:							
Leases receivable	22,500	5,803	13,418	3,118	9,746	821,265	27,859
Deferred debt issuance and other expense	108	17	31	13	50	5,132	84
TOTAL ASSETS	32,935	9,537	26,660	8,004	28,382	933,781	40,005
LIABILITIES:							
CURRENT LIABILITIES:							
Accounts payable and accrued liabilities:							
Restricted	885	282	4,554	588	1,014	36	1
Unrestricted							
Deferred revenue						3,053	
Bonds payable—current portion	4,930	1,420	3,010	810	13,145	83,168	11,375
Other liabilities							
Accrued interest	114	45	137	23	222	11,216	653
Total current liabilities	5,929	1,747	7,701	1,421	14,381	97,473	12,029
NONCURRENT LIABILITIES—Bonds payable (net of unamortized premiums and discounts)	22,608	4,357	10,166	2,357	9,796	826,397	27,692
Total liabilities	28,537	6,104	17,867	3,778	24,177	923,870	39,721
TOTAL NET ASSETS - RESTRICTED	$ 4,398	$ 3,433	$ 8,793	$ 4,226	$ 4,205	$ 9,911	$ 284

(Continued)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF NET ASSETS
JUNE 30, 2005
(Dollars in thousands)

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Account	Total
ASSETS								
CURRENT ASSETS:								
Cash—unrestricted	$ -	$ -	$ -	$ -	$ -	$ -	$ 514	$ 514
Investments—restricted	25	17	4,368	689	480	270	33	44,058
Receivables:								
Leases—current portion	4,345	880	46,840	12,135	28,525	9,495		220,078
Lease interest receivable	244	34	9,649	1,984	2,199	1,039		27,559
Interest			8	1	1			83
Due from (to) other projects	1		(4)	1	(8)	(1)	(22)	
Due from (to) other funds							1	1
Accounts receivable								1,110
Other Assets					50			548
Cash—restricted								2
Total current assets	4,615	931	60,861	14,810	31,247	10,803	526	293,953
NONCURRENT ASSETS:								
Leases receivable	12,924	2,922	742,282	150,733	158,036	78,228		2,048,834
Deferred debt issuance and other expense	36	22	5,049	600	641	500		12,283
TOTAL ASSETS	17,575	3,875	808,192	166,143	189,924	89,531	526	2,355,070
LIABILITIES:								
CURRENT LIABILITIES:								
Accounts payable and accrued liabilities:								
Restricted	1	1	19	1		1	33	7,416
Unrestricted							172	172
Deferred revenue			4,183		366	226		7,828
Bonds payable—current portion	4,345	880	46,840	12,135	28,525	9,495		220,078
Other liabilities				89			321	410
Accrued interest	244	34	9,649	1,984	2,199	1,039		27,559
Total current liabilities	4,590	915	60,691	14,209	31,090	10,761	526	263,463
NONCURRENT LIABILITIES—Bonds payable (net of unamortized premiums and discounts)	12,960	2,944	747,331	151,333	158,677	78,728		2,055,346
Total liabilities	17,550	3,859	808,022	165,542	189,767	89,489	526	2,318,809
TOTAL NET ASSETS - RESTRICTED	$ 25	$ 16	$ 170	$ 601	$ 157	$ 42	$ -	$ 36,261

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(Dollars in thousands)

	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transportation Facilities
OPERATING REVENUES:							
Rents	$ 6,870	$ 3,911	$ 4,150	$ 1,970	$ 7,439	$ 150	$ 35
Lease interest	1,724	(439)	(1,126)	(235)	1,375	45,606	2,149
Other	572	108	658	181	536		
Total operating revenues	9,166	3,580	3,682	1,916	9,350	45,756	2,184
OPERATING EXPENSES:							
Building maintenance and operations	4,663	2,522	3,449	1,616	4,880		
Utilities	1,487	664	919	338	1,365		
General administration	826	159	159	162	639	129	36
Other	466	287	298	38	427		
Total operating expenses	7,442	3,632	4,825	2,154	7,311	129	36
OPERATING GAIN (LOSS)	1,724	(52)	(1,143)	(238)	2,039	45,627	2,148
NONOPERATING REVENUES (EXPENSES):							
Earnings on investments	132	28	153	43	63	243	3
Interest expense and other	(1,785)	(481)	(1,143)	(261)	(1,395)	(45,647)	(2,321)
Total nonoperating expenses	(1,653)	(453)	(990)	(218)	(1,332)	(45,404)	(2,318)
NET GAIN (LOSS)	71	(505)	(2,133)	(456)	707	223	(170)
NET ASSETS—Beginning of year	4,327	3,938	10,926	4,682	3,498	9,688	454
NET ASSETS—End of year	$ 4,398	$ 3,433	$ 8,793	$ 4,226	$ 4,205	$ 9,911	$ 284

(Continued)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(Dollars in thousands)

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Account	Total
OPERATING REVENUES:								
Rents	$ 15	$ 15	$ 200	$	$ 735	$ 20	$ -	$ 25,510
Lease interest	1,258	207	34,641	8,199	8,398	3,897		105,654
Other								2,055
Total operating revenues	1,273	222	34,841	8,199	9,133	3,917		133,219
OPERATING EXPENSES:								
Building maintenance and operations					620			17,750
Utilities								4,773
General administration	22	14	100	33	232	12		2,523
Other								1,516
Total operating expenses	22	14	100	33	852	12		26,562
OPERATING GAIN (LOSS)	1,251	208	34,741	8,166	8,281	3,905	-	106,657
NONOPERATING REVENUES (EXPENSES):								
Earnings on investments	2		80	18	15	8		788
Interest expense and other	(1,260)	(207)	(34,662)	(8,206)	(8,403)	(3,901)		(109,672)
Total nonoperating expenses	(1,258)	(207)	(34,582)	(8,188)	(8,388)	(3,893)		(108,884)
NET GAIN (LOSS)	(7)	1	159	(22)	(107)	12	-	(2,227)
NET ASSETS—Beginning of year	32	15	11	623	264	30		38,488
NET ASSETS—End of year	$ 25	$ 16	$ 170	$ 601	$ 157	$ 42	$ -	$ 36,261

See notes to financial statements.

(Concluded)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(Dollars in thousands)

	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transportation Facilities
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers:							
State operating rent	$ 7,093	$ 3,550	$ 1,777	$ 1,359	$ 7,278	$ 150	$ 35
Local operating rent			3,079	506			
Lease interest income receipts	1,498	204	181	67	1,132	47,371	2,238
Total cash received from customers	8,591	3,754	5,037	1,932	8,410	47,521	2,273
Cash received from quasi-external operating transactions with other funds							
Cash payments to suppliers for goods and services	(7,018)	(3,553)	(4,960)	(2,097)	(7,111)	(93)	(35)
Cash payments to employees for services	(403)				(313)		
Miscellaneous fees and commissions	568	117	635	111	573		
Net cash flows provided by operating activities	1,738	318	712	(54)	1,559	47,428	2,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Principal payments on bonds	(4,740)	(1,075)	(2,520)	(590)	(12,620)	(92,237)	(11,120)
Interest paid	(1,558)	(212)	(623)	(105)	(1,152)	(50,528)	(2,241)
Principal receipts on capital leases	4,740	1,075	1,537	401	12,620	92,237	11,120
Refunding bond proceeds						336	
Payment of debt issue costs						(336)	
Other—net premium on sale of bonds						3,392	
Net cash flows provided by (used) in capital and related financing activities	(1,558)	(212)	(1,606)	(294)	(1,152)	(47,136)	(2,241)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	27,069	5,197	8,180	3,240	22,971	154,563	13,397
Purchase of investments	(27,370)	(5,327)	(7,420)	(2,928)	(23,434)	(155,081)	(13,397)
Investment income received	122	24	135	36	56	222	3
Net cash flows provided by (used in) investing activities	(179)	(106)	895	348	(407)	(296)	3
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1		1			(4)	
RESTRICTED AND UNRESTRICTED—Beginning of year	-	-	-	-	-	4	-
RESTRICTED AND UNRESTRICTED—End of year	$ 1	$ -	$ 1	$ -	$ -	$	$ -

(Continued)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(Dollars in thousands)

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Acount	Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers:								
State operating rent	$ 15	$ 15	$ 200	$	$ 735	$ 20	$	$ 22,227
Local operating rent								3,585
Lease interest income receipts	1,089	139	28,096	8,247	8,720	3,871		102,853
Total cash received from customers	1,104	154	28,296	8,247	9,455	3,891		128,665
Cash received from quasi-external operating transactions with other funds							1,186	1,186
Cash payments to suppliers for goods and services	(21)	(14)	(100)	(32)	(853)	(12)	(736)	(26,635)
Cash payments to employees for services							(397)	(1,113)
Miscellaneous fees and commissions								2,004
Net cash flows provided by operating activities	1,083	140	28,196	8,215	8,602	3,879	53	104,107
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Principal payments on bonds	(4,105)	(865)	(42,635)	(11,615)	(25,555)	(8,070)		(217,747)
Interest paid	(1,090)	(139)	(35,041)	(8,254)	(9,049)	(4,175)		(114,167)
Principal receipts on capital leases	4,105	865	42,635	11,615	25,555	8,070		216,575
Refunding bond proceeds		18	343			11		708
Payment of debt issue costs		(18)	(324)			(11)		(689)
Other—net premium on sale of bonds			4,364		691	226		8,673
Net cash flows provided by (used) in capital and related financing activities	(1,090)	(139)	(30,658)	(8,254)	(8,358)	(3,949)		(106,647)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Proceeds from sales and maturities of investments	5,216	1,018	78,972	20,609	36,027	12,603		389,062
Purchase of investments	(5,211)	(1,019)	(76,582)	(20,589)	(36,285)	(12,541)	(1)	(387,185)
Investment income received	2		72	19	14	8	1	714
Net cash flows provided by (used in) investing activities	7	(1)	2,462	39	(244)	70		2,591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							53	51
RESTRICTED AND UNRESTRICTED—Beginning of year							461	465
RESTRICTED AND UNRESTRICTED—End of year	$ -	$ -	$ -	$ -	$ -	$ -	$ 514	$ 516

See notes to financial statements.

(Concluded)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(Dollars in thousands)

	Rhodes State Office Tower	Lausche State Office Building	DiSalle Government Office Building	Ocasek Government Office Building	Riffe Government Center	State Correctional Facilities	State Transportation Facilities
OPERATING GAIN (LOSS)	$ 1,724	$ (52)	$ (1,143)	$ (238)	$ 2,039	$ 45,627	$ 2,148
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Amortization of lease premium (discount)	(242)	627	1,638	326	(375)	1,280	(99)
Changes in assets and liabilities:							
(Increase) decrease in lease interest receivable	16	16	38	7	133	485	188
(Increase) decrease in account receivable—other	(14)	8	(5)	(67)	37		
(Increase) decrease in other assets	11	6	9	3	10		
Increase (decrease) in accounts payable and other liabilities	243	(287)	175	(85)	(285)	36	1
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 1,738	$ 318	$ 712	$ (54)	$ 1,559	$ 47,428	$ 2,238

	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Account	Total
OPERATING GAIN (LOSS)	$ 1,251	$ 208	$ 34,741	$ 8,166	$ 8,281	$ 3,905	$	$ 106,657
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:								
Amortization of lease premium (discount)	(226)	(70)	(5,914)	(76)	209	(90)		(3,012)
Changes in assets and liabilities:								
(Increase) decrease in lease interest receivable	57	2	(630)	124	113	63		612
(Increase) decrease in account receivable—other								(41)
(Increase) decrease in other assets			(1)		(1)		(6)	31
Increase (decrease) in accounts payable and other liabilities	1			1		1	59	(140)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 1,083	$ 140	$ 28,196	$ 8,215	$ 8,602	$ 3,879	$ 53	$ 104,107

See notes to financial statements.

(Concluded)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Ohio Building Authority and
The Honorable Betty Montgomery, Auditor of the State of Ohio
Columbus, Ohio

We have audited the financial statements of the enterprise fund and the remaining fund information of the Ohio Building Authority (the "Authority") as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. 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 G*overnment Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated September 30, 2005

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's 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 or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board of Trustees, management of the Authority, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
September 30, 2005

Auditor of State
Betty Montgomery

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OHIO BUILDING AUTHORITY

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
NOVEMBER 10, 2005