

STATE OF OHIO GENERAL OBLIGATION BONDS AND BOARD OF DEPOSIT

FRANKLIN COUNTY

JUNE 30, 2009

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON-PROCEDURES

Jake Wozniak, Sinking Fund Director
Commissioners of the Sinking Fund
30 E. Broad St., 9th Floor
Columbus, OH 43215

Cynthia L. Klatt, Chief Auditor
Auditor of State
88 E. Broad Street, 10th Floor
Columbus, OH 43215

Larry Scurlock Asst. State Debt Manager
Office of Budget and Management
Asst. Secy., Ohio Public Facilities Commission
30 E. Broad St., 35th Floor
Columbus, OH 43215

Stacey Cumberlander, Secretary
State Board of Deposit
30 E. Broad St., 9th Floor
Columbus, OH 43215

Dear Mr. Wozniak, Ms. Klatt, Mr. Scurlock, and Ms. Cumberlander:

We have performed the procedures enumerated below, which were agreed to by the management of the Commissioners of the Sinking Fund (CSF), Ohio Public Facilities Commission (OPFC), State Board of Deposit (BOD), and Auditor of State solely to assist you in gaining assurance over (1) the accuracy and completeness of the Schedule of General Obligations Bonds from the Semi-Annual Report January 1, 2009 to June 30, 2009, issued by CSF, (2) compliance with debt issuance procedures and (3) compliance with Revised Code Chapter 135 requirements and accuracy of bank fees paid during the fiscal year ended June 30, 2009. This agreed-upon-procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are described in the following section of this report.

1. To help assure the accuracy and completeness of the Schedule of General Obligation Bonds from the "Semi-Annual Report January 1, 2009 to June 30, 2009" prepared by CSF (attached), examine supporting documentation for the bonds authorized, bonds issued, outstanding bond debt, interest paid through June 30th, remaining interest through maturity, and cash balance in the applicable bond service funds and describe the documentation used to support the amounts.

Findings:

Bonds authorized – Various sections of Article VIII of the Ohio Constitution, as approved by voters, authorizes the issuance of Highway Capital Improvement Bonds, Coal Research and Development Bonds, Natural Resources Capital Facilities Bonds, Common Schools Capital Facilities Bonds, Higher Education Capital Facilities Bonds, Public Infrastructure Capital Improvements Bonds, Conservation Projects Bonds, Third Frontier Research and Development Projects Bonds, and Third Frontier Job Ready Site Development Bonds. The authority to issue bonds in amounts authorized was conferred upon the CSF, OPFC, and the Treasurer of State of Ohio through legislation of the General Assembly.

We traced all bonds authorized reported on the Schedule of General Obligation Bonds as of June 30, 2009 to a bond authorization schedule maintained by the Office of Budget and Management. In addition, we were able to trace most of the individual authorizations to the supporting legislation of the General Assembly. The individual authorizations that we were unable to trace to supporting legislation were older authorizations issued prior to the 122 General Assembly.

Bonds Issued – The bonds issued balance reported on the Schedule of General Obligation Bonds includes bonds issued and refunded, but excludes refunding bonds in cases when issued. This balance traced and agreed to bond issuance documents without exception.

Outstanding Bonded Debt – The outstanding bonded debt balance reported on the Schedule of General Obligation Bonds excludes bonds refunded, but includes refunding bonds in cases when issued. This balance traced and agreed to debt-service-to-maturity schedules without exception.

Interest Paid through 06/30/09 - The interest paid through 06/30/09 balance reported on the Schedule of General Obligation Bonds as of June 30, 2009 consists of both fixed and variable rate bond interest paid. For the State's fixed rate bonds interest payments traced and agreed to debt-service-to-maturity schedules without exception. For the State's variable rate bonds all interest payments were traced and agreed to invoices from the bondholders without exception.

Remaining Interest through Maturity – The remaining interest through maturity balance reported on the Schedule of General Obligation Bonds as of June 30, 2009 consists of future interest payments. This balance traced and agreed to debt-service-to-maturity schedules without exception. The debt-service-to-maturity schedules for the State's nine variable rate bonds, each of which have a swap agreement establishing a fixed swap rate, contain estimates for future interest payments to bondholders. For all nine of the variable rate bonds, the CSF estimated future interest rates at 4% through maturity.

Cash Balance in Bond Service Fund – The Cash Balance in Bond Service Fund balance reported on the Schedule of General Obligation Bonds as of June 30, 2009 traced and agreed to the Ohio Administrative Knowledge System Balance Report as of July 3, 2009 without exception.

2. We will review the process for issuing debt at OPFC and determine: what debt was issued during the fiscal year; whether this debt issuance was properly approved; which purpose the debt served (primary and secondary education, higher education, natural resources and conservation, coal research and development, infrastructure improvements, third frontier research and development, or site development); and the debt was accurately reflected as "bonds issued" as of June 30th on the "Schedule of General Obligation Bonds" in the CSF semi-annual report.

Findings:

Debt issued by OPFC during fiscal year 2009 was as follows:

Purpose	Series	Amount
Common Schools Capital Facilities - Refunding Bonds	2009 A	\$ 91,170,000
Common Schools Capital Facilities - Refunding Bonds	2009 B	\$ 102,970,000
Higher Education Capital Facilities - Refunding Bonds	2009 A	\$ 86,905,000
Higher Education Capital Facilities - Refunding Bonds	2009 B	\$ 48,745,000
Public Infrastructure Capital Improvement	2008 B	\$ 240,000,000
Public Infrastructure Capital Improvement - Refunding Bonds	2009 A	\$ 49,995,000
Public Infrastructure Capital Improvement - Refunding Bonds	2009 B	\$ 81,990,000
3rd Frontier Research and Development	2008 A	\$ 39,980,000
3rd Frontier Research and Development	2009 A	\$ 60,000,000

Each issuance was properly approved via Resolution and was accurately reflected as "bonds issued" as of June 30th on the "Schedule of General Obligation Bonds" in the CSF semi-annual report.

3. If the Treasurer of State issued general obligation debt for Highway Capital Improvements during the fiscal year, we will review the process for issuing debt at the Treasurer of State; determine whether the debt issuance was approved by the proper authority; and determine that the debt was accurately reflected as "bonds issued" as of June 30th on the "Schedule of General Obligation Bonds" in the CSF semi-annual report.

Findings:

During fiscal year 2009, the Treasurer of State did not issue Highway Capital Improvement bonds.

4. We will review the monthly BOD minutes to determine whether a quorum was present, prior minutes were approved, and minutes contained sufficient facts and information to understand rationale behind decisions made. The BOD is required to meet monthly per Section 135.02, Revised Code.

Findings:

Pursuant to our review of the monthly BOD minutes, we noted that a quorum was present and prior minutes were approved each month. In addition, the minutes contained sufficient facts and information to understand the rationale behind decisions made.

5. We will determine that interim deposits (investments) were approved by the BOD on a monthly basis. Section 135.09, Revised Code states that interim deposits may be awarded by the treasurer or governing board as interim moneys become available.

Findings:

Pursuant to our review of the monthly BOD minutes, we noted that a motion was moved and carried each month to ratify the previous months' interim funds.

6. We will select two monthly bank statements of the approved depository bank for the State of Ohio's active deposits and determine that the Treasurer of State paid the appropriate amount of bank fees to the public depository by recalculating the bank fees. The BOD designates the public depositories of state monies biennially per Section 135.12, Revised Code.

Findings:

Key Bank is the approved depository bank for the State of Ohio's active deposits. We obtained the Key Bank Account Analysis Statement, which details all service charges for the month, for the months of September 2008 and March 2009, and attempted to recalculate the bank fees by tracing AFP Codes/Unit Prices to the banking services agreement and Quantity to appropriate supporting documentation. Our results were as follows:

September 2008 (45 bank accounts included in the Account Analysis Statement):

- For 28 of the bank accounts, all quantities charged agreed to the Keybank Public Sector Statement, which is a detailed accounting of monthly transactions;
- For 14 of the bank accounts, we were only able to agree some quantities charged to the Keybank Public Sector Statement; however, the remaining, mostly large volume, quantities charged agreed to a Monthly Account Analysis Service Volume Review Form, which is a confirmation of quantities charged submitted by the appropriate State agency;
- For three of the bank statements, we were only able to agree some quantities charged to the Keybank Public Sector Statement; however, the remaining, mostly large volume, quantities charged agreed to a Volume Verification Spreadsheet, which compares large volume quantities charged to a six-month average to ensure reasonableness (significant variances are investigated);
- For 41 of the bank accounts, all unit prices agreed with unit prices outlined in the banking services agreement;
- For four of the bank accounts, most unit prices agreed to unit prices outlined in the banking services agreement; however, some unit prices did not. Each of these bank errors were identified by the Board of Deposit and subsequently corrected in the following month;
- For all bank accounts, all service charges, as presented in the Key Bank Account Analysis Statement, recalculated without exception; and
- For two of the 14 bank accounts charged an FDIC Assessment, we were unable to trace the amount assessed to appropriate supporting documentation.

March 2009 (50 bank accounts included in the Account Analysis Statement):

- For 32 of the bank accounts, all quantities charged agreed to the Keybank Public Sector Statement, which is a detailed accounting of monthly transactions;
- For 15 of the bank accounts, we were only able to agree some quantities charged to the Keybank Public Sector Statement; however, the remaining, mostly large volume, quantities charged agreed to a Monthly Account Analysis Service Volume Review Form, which is a confirmation of quantities charged submitted by the appropriate State agency;
- For three of the bank statements, we were only able to agree some quantities charged to the Keybank Public Sector Statement; however, the remaining, mostly large volume, quantities charged agreed to a Volume Verification Spreadsheet, which compares large volume quantities charged to a six-month average to ensure reasonableness (significant variances are investigated);
- For bank accounts, all unit prices agreed with unit prices outlined in the banking services agreement;
- For all bank accounts, all service charges, as presented in the Key Bank Account Analysis Statement, recalculated without exception; and
- For all 12 bank accounts charged an FDIC Assessment, we were able to trace the amount assessed to appropriate supporting documentation.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accuracy and completeness of the Schedule of General Obligations Bonds from the Semi-Annual Report January 1, 2009 to June 30, 2009, issued by the Commissioners of the Sinking Fund, as well as compliance with debt issuance procedures and Revised Code Chapter 135 requirements and accuracy of bank fees paid during the fiscal year ended June 30, 2009. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Commissioners of the Sinking Fund, Ohio Public Facilities Commission, State Board of Deposit, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC
September 20, 2009

STATE OF OHIO
SCHEDULE OF GENERAL OBLIGATION BONDS
As of JUNE 30, 2009

	HIGHWAY CAPITAL IMPROVEMENTS BONDS Section 2m of Article VIII, Ohio Constitution 11/7/1995	COAL RESEARCH AND DEVELOPMENT BONDS Section 15 of Article VIII, Ohio Constitution 11/5/1985	NATURAL RESOURCES CAPITAL FACILITIES BONDS Section 2l of Article VIII, Ohio Constitution 11/2/1993
Legal Authority & Date of Voter Authorization			
Bonds Authorized	\$ 2,772,000,000	\$ 231,000,000	\$ 350,000,000
Bonds Issued (A)	1,945,000,000	158,000,000	295,000,000
Bonds Authorized, but not Issued	827,000,000	73,000,000	55,000,000
Bonds Matured	1,266,500,000	132,550,000	156,690,000
Outstanding Bonded Debt (B)	678,500,000	25,450,000	141,475,000
Total Interest Cost to Maturity	504,576,813	43,602,204	102,537,983
Interest Paid through 06/30/09	389,635,912	41,222,420	77,656,627
Remaining Interest through Maturity	114,940,901	2,379,784	24,881,356
Original Discount on Capital Appreciation Bonds	-	-	-
Accreted Principal Paid through 06/30/09	-	-	-
Remaining Discount through Maturity	-	-	-
Cash Balance in Bond Service Fund	736,309	14,127	1,588
Final Maturity Date	5/1/2018	8/1/2015	4/1/2020
Funding Source(s)	Highway Use Tax, Gasoline Tax & International Registration Plan Fees	General Revenue Fund Appropriation	General Revenue Fund Appropriation

	COMMON SCHOOLS CAPITAL FACILITIES BONDS Section 2n of Article VIII, Ohio Constitution 11/2/1999	HIGHER EDUCATION CAPITAL FACILITIES BONDS Section 2n of Article VIII, Ohio Constitution 11/2/1999	PUBLIC INFRASTRUCTURE CAPITAL IMPROVEMENTS BONDS Section 2m of Article VIII, Ohio Constitution 11/3/1987
Legal Authority & Date of Voter Authorization			
Bonds Authorized (D)	\$ 3,345,000,000	\$ 2,613,000,000	\$ 2,880,000,000
Bonds Issued (A)	3,290,000,000	2,000,000,000	2,639,986,135
Bonds Authorized, but not Issued	55,000,000	613,000,000	240,013,865
Bonds Matured	595,565,000	492,035,000	1,143,820,753
Outstanding Bonded Debt (B)	2,679,510,000	1,500,800,000	1,486,276,212
Total Interest Cost to Maturity (C)	1,777,571,883	1,109,466,198	1,314,321,633
Interest Paid through 06/30/09	689,943,165	486,429,744	735,905,170
Remaining Interest through Maturity (C)	1,087,628,718	623,036,454	578,416,463
Original Discount on Capital Appreciation Bonds	-	-	281,518,034
Accreted Principal Paid through 06/30/09	-	-	164,069,246
Remaining Discount through Maturity	-	-	117,448,788
Cash Balance in Bond Service Fund	29,440	1,894	11,298
Final Maturity Date	9/15/2026	11/1/2026	9/1/2028
Funding Source(s)	General Revenue Fund Appropriation & Net Lottery Proceeds	General Revenue Fund Appropriation	General Revenue Fund Appropriation

(continued)

STATE OF OHIO
SCHEDULE OF GENERAL OBLIGATION BONDS
As of JUNE 30, 2009
(Continued)

Legal Authority & Date of Voter Authorization	CONSERVATION PROJECTS BONDS Section 2o of Article VIII, Ohio Constitution 11/7/2000	THIRD FRONTIER RESEARCH AND DEVELOPMENT PROJECT BONDS Section 2p of Article VIII, Ohio Constitution 11/8/2005	THIRD FRONTIER JOB READY SITE DEVELOPMENT BONDS Section 2p of Article VIII, Ohio Constitution 11/8/2005
Bonds Authorized	\$ 300,000,000	\$ 350,000,000	\$ 120,000,000
Bonds Issued (A)	200,000,000	180,700,000	30,000,000
Bonds Authorized, but not Issued	100,000,000	169,300,000	90,000,000
Bonds Matured	44,575,000	31,355,000	8,265,000
Outstanding Bonded Debt (B)	155,425,000	149,345,000	21,735,000
Total Interest Cost to Maturity	79,699,014	44,031,766	5,724,035
Interest Paid through 06/30/09	32,741,370	8,935,631	2,333,822
Remaining Interest through Maturity	46,957,644	35,096,135	3,390,213
Original Discount on Capital Appreciation Bonds.....	-	-	-
Accreted Principal Paid through 06/30/09	-	-	-
Remaining Discount through Maturity	-	-	-
Cash Balance in Bond Service Fund	6	4,297	-
Final Maturity Date	9/1/2022	11/1/2018	5/1/2016
Funding Source(s)	General Revenue Fund Appropriation	General Revenue Fund Appropriation	General Revenue Fund Appropriation

Notes:

- (A) The "Bonds Issued" balance includes bonds issued and refunded, but excludes refunding bonds in cases when issued. Also, not more than
- \$220 million in Highway Capital Improvements Bonds may be issued in any year.
 - \$50 million in Natural Resources Capital Facilities Bonds may be issued in any fiscal year.
 - \$120 million in Public Infrastructure Capital Improvements Bonds may be issued annually through fiscal year 2013 and not more than \$150 million may be issued annually in fiscal years 2014 through 2018; the total bonds issued may not exceed \$3.75 billion.
 - \$50 million in Conservation Projects Bonds may be issued in any fiscal year.
 - \$100 million in Third Frontier Research and Development Projects Bonds may be issued in each of the first three fiscal years and not more than \$50 million in any other fiscal year.
 - \$30 million in Third Frontier Job Ready Site Development Bonds may be issued in each of the first three fiscal years and not more than \$15 million in any other fiscal year.
- (B) The "Outstanding Bonded Debt" balance excludes bonds refunded, but includes refunding bonds in cases when issued. Also, not more than
- \$1.2 billion in Highway Capital Improvements Bonds may be outstanding at any time.
 - \$100 million in Coal Research and Development Bonds may be outstanding at any time.
 - \$200 million in Natural Resources Capital Facilities Bonds may be outstanding at any time.
 - \$200 million in Conservation Projects Bonds may be outstanding at any time.
- (C) The "Total Interest Cost to Maturity" and "Remaining Interest through Maturity" balances for the Common Schools Capital Facilities Bonds and the Public Infrastructure Capital Improvements Bonds include estimates for interest payable on variable rate bonds in the future.
- (D) The amounts of general obligations authorized for Common Schools Facilities and for Higher Education Facilities have been reduced by \$800 million and \$950 million, respectively, as a result of proceeds generated by the Buckeye Tobacco Settlement Financing Authority, which will be used to fund such purposes for fiscal year 2008 and 2009 in lieu of bonded debt.



Mary Taylor, CPA
Auditor of State

STATE OF OHIO GENERAL OBLIGATION 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
NOVEMBER 24, 2009**