

**STATE OF OHIO GENERAL OBLIGATION BONDS**

**FRANKLIN COUNTY**

**JULY 1, 2010 TO JUNE 30, 2011**

**AGREED UPON PROCEDURES**





# Dave Yost • Auditor of State

State of Ohio General Obligation Bonds  
and Board of Deposit  
30 E. Broad Street  
Columbus, Ohio 43215

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the State of Ohio General Obligation Bonds and Board of Deposit, Franklin County, prepared by Kennedy Cottrell Richards, LLC, for the audit period July 1, 2010 through June 30, 2011. 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 State of Ohio General Obligation Bonds and Board of Deposit is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 21, 2011

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

Philip Mulroy, Asst. Administrator  
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., 34<sup>th</sup> Floor  
Columbus, OH 43215

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

Dear Mr. Mulroy, 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, 2011 to June 30, 2011, 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, 2011. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the 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, 2011 to June 30, 2011" prepared by CSF (attached), examine supporting documentation for the bonds authorized, bonds issued, outstanding bond debt, interest paid through June 30<sup>th</sup>, 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, Third Frontier Job Ready Site Development Bonds, and Veterans Compensation 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 or Ohio Constitution.

We traced all bonds authorized reported on the Schedule of General Obligation Bonds as of June 30, 2011 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 that could not be obtained.

*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 06/30/11* - The interest paid through 06/30/11 balance reported on the Schedule of General Obligation Bonds as of June 30, 2011 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. For American Recovery and Reinvestment Act Build America Bonds, this amount includes the federal subsidy portion of interest paid.

*Remaining Interest through Maturity* – The remaining interest through maturity balance reported on the Schedule of General Obligation Bonds as of June 30, 2011 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, seven of which have a swap agreement establishing a fixed swap rate, contain estimates for future interest payments to bondholders. For seven of the nine variable rate bonds, the CSF estimated future interest rates at 4% through maturity and for the remaining two variable rate bonds the CSF estimated future interest rates at 3% through maturity. This contradicts the Semi-Annual Report January 1, 2011 through June 30, 2011 which states "the future funding of interest amounts include estimates calculated for the variable rate bonds using an interest rate of 4.00 percent 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, 2011 traced and agreed to the Ohio Administrative Knowledge System Balance Report as of June 30, 2011 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, site development, or veterans compensation); and the debt was accurately reflected as "bonds issued" as of June 30<sup>th</sup> on the "Schedule of General Obligation Bonds" in the CSF semi-annual report.

Findings:

Debt issued by OPFC during fiscal year 2011 was as follows:

Purpose	Series	Amount
Common Schools - Refunding Bonds	2010C	\$ 129,340,000
Higher Education - Refunding Bonds	2010C	98,560,000
Higher Education	2010D	4,535,000
Higher Education	2010E	295,465,000
Infrastructure - Refunding Bonds	2010D	14,950,000
Infrastructure	2011A	120,000,000
Conservation Project - Refunding Bonds	2010A	26,120,000
Conservation Project	2011A	50,000,000
Third Frontier Research and Development	2010A	22,995,000
Third Frontier Research and Development	2010B	52,005,000
Third Frontier Research and Development	2011A	50,000,000
Third Frontier Job Ready Site	2011A	40,000,000
Veterans Compensation	2010A	50,000,000
		<u>\$ 953,970,000</u>

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

Findings:

During fiscal year 2011, the Treasurer of State issued \$207.61 million in Highway Capital Improvement bonds. Pursuant to our review of the bond issuance documents, the bonds were properly certified by the Office of the Treasurer of State and Director of the Ohio Department of Transportation. The debt was accurately reflected as "bonds issued" as of June 30<sup>th</sup> on the "Schedule of General Obligation Bonds" in the CSF semi-annual report.

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:

KeyBank is the approved depository bank for the State of Ohio's active deposits. We obtained the KeyBank Account Analysis Statement, which details all service charges for the month, for the months of October 2010 and April 2011, and attempted to recalculate the bank fees by tracing Bank Service Codes/Unit Prices to the banking services agreement and Quantity to appropriate supporting documentation. Our results were as follows:

October 2010 (42 bank accounts included in the Account Analysis Statement):

Quantities

- For 24 of the bank accounts, all quantities charged agreed to the KeyBank Public Sector Statement, which is a detailed accounting of monthly transactions.
- For 1 of the bank accounts, we were unable to agree some quantities charged to the KeyBank Public Sector Statement; however, a Monthly Account Analysis Volume Verification Form, which is a confirmation of quantities charged, was obtained from the appropriate State agency.
- For 17 of the bank accounts, we were only able to agree some quantities charged to the KeyBank Public Sector Statement. For the remaining, mostly larger volume quantities charged, we were unable to obtain appropriate supporting documentation.



Unit Prices:

- For all 42 bank accounts, we noted 10 bank fees where the Bank Service Codes/unit prices did not agree or were not listed in the banking services agreement and 11 bank fees where the Bank Service Codes/unit prices agreed with the banking services agreement, but the fee description did not. In addition all 42 bank accounts were assessed an EPA Admin Fee. Although the EPA Admin Fee Bank Service Code/unit price agreed with the banking services agreement, the fee description did not. For the all other bank fees, the Bank Service Codes/unit prices and fee descriptions agreed with the banking services agreement.
- For all 10 bank accounts charged an FDIC Assessment, we were able to recalculate the amount in accordance with the bank-assessed rate, as provided by the BOD.

Other:

- For all bank accounts, all service charges, as presented in the KeyBank Account Analysis Statement, recalculated without exception.
- For all six bank accounts that received an Earnings Credit Allowance, we were able to recalculate the amount in accordance with the banking service agreement.

April 2011 (42 bank accounts included in the Account Analysis Statement):

Quantities

- For 18 of the bank accounts, all quantities charged agreed to the KeyBank Public Sector Statement, which is a detailed accounting of monthly transactions.
- For 17 of the bank accounts, we were unable to agree some quantities charged to the KeyBank Public Sector Statement; however, a Monthly Account Analysis Volume Verification Form, which is a confirmation of quantities charged, was obtained from the appropriate State agency. One of the Monthly Account Analysis Volume Verification Forms noted a discrepancy. We were unable to determine whether or not the discrepancy was resolved.
- For 7 of the bank accounts, we were only able to agree some quantities charged to the KeyBank Public Sector Statement. For the remaining, mostly larger volume quantities charged, we were unable to obtain appropriate supporting documentation.

Unit Prices:

- For all 42 bank accounts, we noted 19 bank fees where the Bank Service Codes/unit prices did not agree or were not listed in the banking services agreement and 19 bank fees where the Bank Service Codes/unit prices agreed with the banking services agreement, but the fee description did not. In addition all 42 bank accounts were assessed an EPA Admin Fee. Although the EPA Admin Fee Bank Service Code/unit price agreed with the banking services agreement, the fee description did not. For the all other bank fees, the Bank Service Codes/unit prices and fee descriptions agreed with the banking services agreement.

- For one of the 10 bank accounts charged an FDIC Assessment, we were not able to recalculate the amount in accordance with the bank-assessed rate, as provided by the BOD.

Other:

- For all bank accounts, all service charges, as presented in the KeyBank Account Analysis Statement, recalculated without exception.
- For all six bank accounts that received an Earnings Credit Allowance, we were able to recalculate the amount in accordance with the banking service agreement.

We were not engaged to and did not conduct an examination or a review of the subject matter, the objectives of which would be the expression of an opinion or limited assurance on the accuracy and completeness of the Schedule of General Obligations Bonds from the Semi-Annual Report January 1, 2011 to June 30, 2011, 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, 2011. Accordingly, we do not express 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*

Kennedy Cottrell Richards LLC  
September 28, 2011

**STATE OF OHIO**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
As of JUNE 30, 2011

	<b>HIGHWAY CAPITAL IMPROVEMENTS BONDS</b> Section 2m of Article VIII, Ohio Constitution 11/7/1995	<b>COAL RESEARCH AND DEVELOPMENT BONDS</b> Section 15 of Article VIII, Ohio Constitution 11/5/1985	<b>NATURAL RESOURCES CAPITAL FACILITIES BONDS</b> Section 2l of Article VIII, Ohio Constitution 11/2/1993
<b>Legal Authority &amp; Date of Voter Authorization</b>			
Bonds Authorized .....	\$ 2,772,000,000	\$ 231,000,000	\$ 350,000,000
Bonds Issued (A) .....	2,290,000,000	198,000,000	325,000,000
Bonds Authorized, but not Issued .....	482,000,000	33,000,000	25,000,000
Bonds Matured .....	1,522,700,000	145,685,000	196,020,000
Outstanding Bonded Debt (B) .....	767,910,000	22,315,000	132,390,000
Total Interest Cost to Maturity .....	645,430,421	46,164,830	113,720,307
Interest Paid through 06/30/11 .....	453,009,462	43,686,846	89,290,966
Remaining Interest through Maturity .....	192,420,959	2,477,984	24,429,341
Original Discount on Capital Appreciation Bonds.....	-	-	-
Accreted Principal Paid through 06/30/11 .....	-	-	-
Remaining Discount through Maturity .....	-	-	-
Cash Balance in Bond Service Fund .....	52,238	8,758	0
Final Maturity Date .....	5/1/2025	8/1/2019	4/1/2024
Funding Source(s) .....	Highway Use Tax, Gasoline Tax & International Registration Plan Fees	General Revenue Fund Appropriation	General Revenue Fund Appropriation

	<b>COMMON SCHOOLS CAPITAL FACILITIES BONDS</b> Section 2n of Article VIII, Ohio Constitution 11/2/1999	<b>HIGHER EDUCATION CAPITAL FACILITIES BONDS</b> Section 2n of Article VIII, Ohio Constitution 11/2/1999	<b>PUBLIC INFRASTRUCTURE CAPITAL IMPROVEMENTS BONDS</b> Section 2m of Article VIII, Ohio Constitution 11/3/1987
<b>Legal Authority &amp; Date of Voter Authorization</b>			
Bonds Authorized (D) .....	\$ 3,870,000,000	\$ 2,613,000,000	\$ 3,150,000,000
Bonds Issued (A) .....	3,290,000,000	2,300,000,000	2,879,986,135
Bonds Authorized, but not Issued .....	580,000,000	313,000,000	270,013,865
Bonds Matured .....	675,970,000	516,805,000	1,230,489,117
Outstanding Bonded Debt (B) .....	2,569,555,000	1,763,720,000	1,641,802,848
Total Interest Cost to Maturity (C) .....	1,775,353,859	1,289,014,822	1,471,051,284
Interest Paid through 06/30/11 .....	898,862,883	617,060,892	850,146,801
Remaining Interest through Maturity (C) .....	876,490,976	671,953,930	620,904,483
Original Discount on Capital Appreciation Bonds .....	-	-	281,518,034
Accreted Principal Paid through 06/30/11 .....	-	-	206,935,882
Remaining Discount through Maturity .....	-	-	74,582,152
Cash Balance in Bond Service Fund .....	14,905	2	6,545,230
Final Maturity Date .....	9/15/2026	8/1/2030	9/1/2030
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, 2011  
(Continued)

	<b>CONSERVATION PROJECTS BONDS Section 2o of Article VIII, Ohio Constitution 11/7/2000</b>	<b>THIRD FRONTIER RESEARCH AND DEVELOPMENT PROJECT BONDS Section 2p of Article VIII, Ohio Constitution 11/8/2005</b>	<b>THIRD FRONTIER JOB READY SITE DEVELOPMENT BONDS Section 2p of Article VIII, Ohio Constitution 11/8/2005</b>
<b>Legal Authority &amp; Date of Voter Authorization</b>			
Bonds Authorized .....	\$ 300,000,000	\$ 850,000,000	\$ 150,000,000
Bonds Issued (A) .....	300,000,000	380,700,000	115,000,000
Bonds Authorized, but not Issued .....	-	469,300,000	35,000,000
Bonds Matured .....	69,665,000	64,890,000	15,925,000
Outstanding Bonded Debt (B) .....	230,260,000	315,810,000	99,075,000
Total Interest Cost to Maturity .....	115,600,905	87,604,202	25,449,090
Interest Paid through 06/30/11 .....	48,096,834	26,364,049	6,368,231
Remaining Interest through Maturity .....	67,504,071	61,240,153	19,080,862
Original Discount on Capital Appreciation Bonds.....	-	-	-
Accreted Principal Paid through 06/30/11 .....	-	-	-
Remaining Discount through Maturity .....	-	-	-
Cash Balance in Bond Service Fund .....	2,607,832	6,854	2,557,920
Final Maturity Date .....	9/1/2025	5/1/2021	5/1/2021
Funding Source(s) .....	General Revenue Fund Appropriation	General Revenue Fund Appropriation	General Revenue Fund Appropriation

	<b>PERSIAN GULF, AFGHANISTAN &amp; IRAQ CONFLICTS COMPENSATION BONDS Section 2r of Article VIII, Ohio Constitution 11/9/2009</b>
<b>Legal Authority &amp; Date of Voter Authorization</b>	
Bonds Authorized .....	\$ 200,000,000
Bonds Issued (A) .....	50,000,000
Bonds Authorized, but not Issued .....	150,000,000
Bonds Matured .....	-
Outstanding Bonded Debt.....	50,000,000
Total Interest Cost to Maturity .....	18,533,301
Interest Paid through 06/30/11 .....	-
Remaining Interest through Maturity .....	18,533,301
Original Discount on Capital Appreciation Bonds.....	-
Accreted Principal Paid through 06/30/11 .....	-
Remaining Discount through Maturity .....	-
Cash Balance in Bond Service Fund .....	11,109
Final Maturity Date .....	4/1/2025
Funding Source(s) .....	General Revenue Fund Appropriation

(continued)

**STATE OF OHIO**  
**SCHEDULE OF GENERAL OBLIGATION BONDS**  
**As of JUNE 30, 2011**  
**(Continued)**

Notes:

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- (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 2012 and not more than \$150 million may be issued annually in fiscal years 2013 through 2017.
  - \$50 million in Conservation Projects Bonds may be issued in any fiscal year.
  - \$450 million in Third Frontier Research and Development Projects Bonds may be issued for the period including state fiscal years 2006 through 2011 and not more than \$225 million in fiscal year 2012, and no more than \$175 million may be issued 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.
  - \$400 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 in lieu of bonded debt until all proceeds are expended.

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# Dave Yost • 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  
DECEMBER 6, 2011