

Ohio Building Authority

*Financial Statements for the
Year Ended June 30, 2003
and Independent Auditors' Report*



**Auditor of State
Betty Montgomery**

Board of Trustees
Ohio Building Authority
30 E. Broad St., Suite 4020
Columbus, OH 43266-0412

We have reviewed the Independent Auditor's Report of the Ohio Building Authority, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

November 26, 2003

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OHIO BUILDING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Ohio Building Authority, a component unit of the State of Ohio, as of and for the year ended June 30, 2003, as listed in the foregoing Table of Contents. These component unit financial statements are the responsibility of the Ohio Building Authority's management. Our responsibility is to express an opinion 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 A, 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 are 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 Ohio Building Authority as of June 30, 2003, and the results of its operations and cash flows of its Enterprise Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements, but is supplementary information required by the GASB 34. 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 an opinion on the financial statements of the Authority taken as a whole. The combining financial statements listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the component unit financial statements of the Ohio Building Authority. These combining financial statements are also the responsibility of the management of the Authority. Such additional information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2003 on our consideration of the Ohio Building Authority's internal control over reporting and our test of its compliance with certain provisions of laws, contracts and regulations. 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.

As discussed in Note J to the financial statements, net assets of the Ohio Building Authority—Enterprise Fund as of July 1, 2002 have been restated.

Deloitte & Touche LLP

September 12, 2003

OHIO BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2003

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, 2003. 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 A to the financial statements for a more complete discussion of the Authority's basis of presentation.

Financial Information (in thousands)

- The Authority's total net assets, as of June 30, 2003, were \$56,842.
- The Authority's total assets, as of June 30, 2003, were \$2,355,979.
- The Authority had total liabilities of \$2,299,137, as of June 30, 2003, of which \$2,042,596 were long-term liabilities.
- Operating Revenue for the year ended June 30, 2003 was \$146,965.
- Operating Expense for the year ended June 30, 2003 was \$29,326.
- Non-Operating Expense for the year ended June 30, 2003 was \$122,095.
- The change in net assets for the year ended June 30, 2003, was a reduction of \$4,456.

Financial Analysis of the Authority

Net assets of the Authority decreased 7.28% from the restated beginning balance of \$61,298 to \$56,842. The decrease of net assets is the result of the Authority's planned utilization of existing resources during the year ended June 30, 2003.

Capital Asset Activity

During the fiscal year ended June 30, 2003, the Authority disbursed a total of \$31,661 in connection with the ongoing renovations to the Ohio Courts Building. The Authority also disbursed \$608 in connection with renovations to the Bureau of Workers' Compensation's facility. Please refer to Note A 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, 2003, the Authority issued five series of bonds totaling \$333,060. Of the amount issued, \$233,060 was issued to refund a portion of bonds previously issued by the Authority. A total of \$100,000 was issued to provide additional funding for various state projects. Please refer to Note E to the financial statements for a more complete discussion of the Authority's long-term debt activity.

During the fiscal year ended June 30, 2003, the Authority received \$8,256 on behalf of the State of Ohio pursuant to the Federal Surplus Real Property Transfer Program. At the direction of the State, these funds will be used subsequent to the fiscal year ended June 30, 2003 for the payment of certain debt service costs.

Recent Events

Subsequent to the year ended June 30, 2003, the Authority issued four series of bonds totaling \$118,540. Of the amount issued, \$18,540 was issued to refund a portion of bonds previously issued by the Authority. In connection with the issuance of the refunding bonds, certain required reserves were released to defease an additional portion of bonds previously issued by the Authority. A total of \$100,000 was issued to provide additional funding for various state projects. Please refer to Note E to the financial statements for a more complete discussion of the Authority's long-term debt activity.

OHIO BUILDING AUTHORITY

STATEMENT OF NET ASSETS—ENTERPRISE FUND

AS OF JUNE 30, 2003

(Dollars in thousands)

ASSETS

CURRENT ASSETS:

Cash—unrestricted	\$ 451
Investments—restricted	70,566
Receivables:	
Leases—current portion	210,145
Lease interest receivable	29,301
Interest	23
Due from other funds	1
Accounts receivable	1,415
Cash—restricted	<u>18</u>

Total current assets 311,920

NON-CURRENT ASSETS—Leases receivable 2,043,463

OTHER ASSETS 596

Total assets 2,355,979

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities:	
Restricted	7,482
Unrestricted	155
Deferred revenue	940
Bonds payable—current portion	210,145
Other liabilities	8,518
Accrued interest	<u>29,301</u>

Total current liabilities 256,541

NON-CURRENT LIABILITIES—Bonds payable 2,042,596

Total liabilities 2,299,137

TOTAL NET ASSETS—Restricted \$ 56,842

See notes to financial statements.

OHIO BUILDING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—ENTERPRISE FUND YEAR ENDED JUNE 30, 2003 (Dollars in thousands)

OPERATING REVENUES:	
Rents	\$ 22,976
Lease interest	121,420
Other	<u>2,569</u>
Total operating revenues	<u>146,965</u>
OPERATING EXPENSES:	
Building maintenance and operations	19,334
Utilities	4,715
General administration	3,552
Other	<u>1,725</u>
Total operating expenses	<u>29,326</u>
Operating gain	<u>117,639</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings on investments	544
Interest expense and other	<u>(122,639)</u>
Total nonoperating expenses	<u>(122,095)</u>
NET LOSS	<u>(4,456)</u>
NET ASSETS—Beginning of year (as previously reported)	66,516
PRIOR PERIOD ADJUSTMENT (Note J)	<u>(5,218)</u>
NET ASSETS—Beginning of year (as restated)	<u>61,298</u>
NET ASSETS—End of year	<u>\$ 56,842</u>

See notes to financial statements.

OHIO BUILDING AUTHORITY

COMBINED STATEMENT OF CASH FLOWS—ENTERPRISE FUND

YEAR ENDED JUNE 30, 2003

(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers:	
State operating rent	\$ 20,339
Local operating rent	3,715
Lease interest income receipts	<u>116,731</u>
Total cash received from customers	140,785
Cash received from quasi-external operating transactions with other funds	1,182
Cash payments to suppliers for goods and services	(28,201)
Cash payments to employees for services	(1,079)
Miscellaneous fees and commissions	<u>1,854</u>
Net cash flows provided by operating activities	<u>114,541</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on bonds	(196,100)
Interest paid	(118,890)
Principal receipts on capital leases	204,528
Refunding bond proceeds	136
Payment of debt issue costs	(136)
Other—net premium on sale of bonds	<u>859</u>
Net cash flows used in capital and related financing activities	<u>(109,603)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	346,934
Purchase of investments	(352,300)
Investment income received	<u>570</u>
Net cash flows used in investing activities	<u>(4,796)</u>
Net increase in cash and cash equivalents	142

RESTRICTED AND UNRESTRICTED—Beginning of year 327

RESTRICTED AND UNRESTRICTED—End of year \$ 469

(Continued)

OHIO BUILDING AUTHORITY

COMBINED STATEMENT OF CASH FLOWS—ENTERPRISE FUND

YEAR ENDED JUNE 30, 2003

(Dollars in thousands)

	Total
Operating gain	\$ 117,639
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Amortization of lease discount/premium	(4,576)
Changes in assets and liabilities:	
Decrease in lease interest receivable	1,022
Decrease in account receivable—other	35
Increase in other assets	(30)
Decrease in deferred revenue	(106)
Increase in accounts payable and other liabilities	<u>557</u>
Net cash flows provided by operating activities	<u>\$ 114,541</u>
See notes to financial statements.	(Concluded)

OHIO BUILDING AUTHORITY

STATEMENT OF NET ASSETS—AGENCY FUND AS OF JUNE 30, 2003 (Dollars in thousands)

ASSETS

INVESTMENTS	\$ 14,239
RECEIVABLES:	
Interest receivable	18
Prepaid expenses	<u>35</u>
TOTAL ASSETS	<u>14,292</u>

LIABILITIES

Accounts payable	3,071
Retainage payable	1,198
Payable on behalf of the Agency	<u>10,023</u>
TOTAL LIABILITIES	<u>14,292</u>
NET ASSETS	<u>\$ -</u>

See notes to financial statements.

OHIO BUILDING AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS (RESTATED) YEAR ENDED JUNE 30, 2003

A. 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 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 of Ohio (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, 2003, \$142,500,000 BWC bonds were outstanding.

In October 2000, the Authority entered into an agreement with the Supreme Court of Ohio (“Court”) to renovate the Ohio Courts Building on behalf of the Court. In accordance with the agreement, the Court makes payments to the Authority from moneys appropriated to the Court and the Authority uses these funds to pay the costs of the project. Activities relating to this project are 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, *Basis 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 or State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Significant changes in 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 now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive, on-line 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 footnotes 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 from 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 of Ohio 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 of Ohio 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.

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 2003, there were no realized gains. The net increase in fair value of investments during 2003 was \$124,000. These amounts take into account all changes in fair value (including purchases and sales) that occur during each respective year. The unrealized appreciation on investments held at June 30, 2003 was \$23,154.

B. CASH AND INVESTMENTS

Cash includes demand deposits. The bank and financial statement balances of the Authority’s unrestricted cash with custodians at June 30, 2003 were \$450,905. These balances were partially insured by the Federal Deposit Insurance Corporation and fully collateralized.

Bond trust agreements authorize 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’s investments are categorized below to give an indication of the level of risk assumed by the Authority at June 30, 2003. Category 1 includes investments that are insured or collateralized with securities held by the trustees in the Authority’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the trustees in the Authority’s name. Category 3 includes uninsured and unregistered investments (or investments registered in book entry form) for which the securities are held by the broker or dealer, or by the trustees, but are not in the Authority’s name.

	Category (in thousands)			Market Value
	1	2	3	
Total categorized investments—				
U.S. Treasury obligations	\$ 75		\$ 84,696	\$ 84,771

The total market value amounts of deposits and investments included in the statement of net assets are (in thousands):

	Cash	Investments	Total
Unrestricted assets	\$ 451	\$ -	\$ 451
Restricted assets	<u>18</u>	<u>84,805</u>	<u>84,823</u>
Total	<u>\$ 469</u>	<u>\$ 84,805</u>	<u>\$ 85,274</u>

Of the investment balance at June 30, 2003, \$34 (market value) represents non-categorized investments in the State Treasury Asset Reserve held in the Enterprise Fund, \$70,532 represents restricted investments held in the Enterprise Fund and \$14,239 restricted investments held in the Agency Fund.

C. 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 2023.

Following is a summary of the components of the Authority's net investment in direct financing leases (in thousands), at June 30, 2003:

Total minimum lease principal payments to be received	\$2,236,290
Add—deferred income	<u>17,318</u>
Net leases receivable	<u>\$2,253,608</u>

Minimum lease payments (in thousands) to be received as of June 30, 2003 are as follows:

2004	\$ 322,988
2005	322,643
2006	306,610
2007	282,310
2008	252,567
2009 and thereafter	1,529,260
Total minimum payments	3,016,378
Interest for capital leases	<u>(780,088)</u>
Minimum lease principal payments	<u>\$2,236,290</u>

D. 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. Certain trust agreements also specify that a

required reserve fund be maintained at levels varying from 50% to 100% of the highest annual debt service due during the life of the bonds.

Pledged receipts and required reserves (in thousands) at June 30, 2003 by type of project were:

	Pledged Receipts	Required Reserves (1)
Rhodes State Office Tower	\$ 4,533	\$ -
Lausche State Office Building	5,054	3,156
DiSalle Government Center	17,548	7,347
Ocasek Government Office Building	5,618	1,711
Riffe Center for Government and the Arts	17,826	14,837
State Correctional Facilities	17,769	9,334
Juvenile Correctional Facilities	550	
Administrative Building Fund Projects	1	
Arts and Sports Facilities	345	
Bureau of Workers' Compensation	1,844	
Highway Safety	<u>1</u>	<u> </u>
Total	<u>\$ 71,089</u>	<u>\$ 36,385</u>

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

E. 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 2003 were as follows (in thousands):

	Rent	Operations
Ohio Department of Administrative Services—Office/ Administrative Facilities	\$ 110,269	\$ 23,537
Ohio Department of Rehabilitation and Correction— Correctional Facilities	149,654	
Ohio Department of Transportation—Transportation Facilities	14,403	
Ohio Department of Natural Resources—Fountain Square Project	1,089	
Ohio Department of Youth Services—Juvenile Facilities	18,739	
Ohio Arts and Sports Facilities Commission— Arts and Sports Facilities	36,413	
Ohio Department of Public Safety—Highway Safety Bureau of Workers' Compensation	<u>12,736</u> <u>18,175</u>	
Total	<u>\$ 361,478</u>	<u>\$ 23,537</u>

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

Principal of bonds outstanding—June 30, 2002	\$2,332,830
Debt issued on behalf of other agencies under legislation enacted by the Ohio General Assembly	190,560
Principal retired	(196,100)
Bonds defeased	<u>(91,000)</u>
Principal of bonds outstanding—June 30, 2003	2,236,290
Capital appreciation bond accreted values	18,094
Premium on bonds	<u>(1,643)</u>
Total outstanding	<u>\$2,252,741</u>

Bonds outstanding (in thousands) at June 30, 2003 are as follows:

	Amount of Obligation Issued	Bond Issue Date	Final Maturity Date	Interest Rates	2003 Balance
State Facilities Bonds:					
1985A (Lausche Building)	\$ 36,233	12-1-85	10-1-07	6.0%-9.75%	\$ 5,630
1985A (DiSalle Center)	84,174	12-1-85	10-1-07	6.0%-9.75%	13,059
1985A (Ocasek Building)	19,644	12-1-85	10-1-07	6.0%-9.75%	3,046
1985B (Riffe Center)	13,674	12-1-85	10-1-07	6.0%-9.75%	2,120
1992A (State Transportation)	17,000	9-1-92	9-1-07	5.7%-6.1%	5,650
1993A (DAS Data Center)	36,765	1-1-93	10-1-07	5.7%-5.9%	15,400
1993A (Administrative Building)	60,000	3-1-93	4-1-13	5.3%-5.6%	16,190
1993A (Aronoff Center)	35,000	6-1-93	10-1-07	5.1%-5.45%	14,555
1993A (Arts Facilities)	10,000	6-1-93	10-1-07	5.1%-5.4%	4,120
1994A (DNR Fountain Square)	9,290	1-1-94	10-1-08	4.5%-5.0%	5,600
1994A (Riffe Center)	96,405	1-1-94	10-1-08	4.5%-5.75%	46,740
1994A (Administrative Building)	80,000	9-15-94	10-1-05	5.5%-5.65%	14,970
1994A (Highway Safety)	10,000	9-15-94	10-1-09	5.5%-6.0%	5,625
1994A (State Transportation)	25,000	12-1-94	9-1-05	5.9%-6.1%	4,995
1995A (Administrative Building)	60,000	12-1-95	10-1-10	4.6%-6.0%	35,195
1996A (Arts Facilities)	10,000	4-1-96	10-1-05	4.8%-5.0%	3,635
1996A (Highway Safety)	18,200	4-1-96	10-1-10	4.8%-6.0%	11,565
1996A (State Transportation)	26,800	4-1-96	9-1-10	4.8%-6.0%	14,280
1996A (DiSalle Center)	38,570	8-15-96	10-1-05	6.0%	11,085
1996A (Lausche Building)	16,545	8-15-96	10-1-05	6.0%	4,745
1996A (Ocasek Building)	9,215	8-15-96	10-1-05	4.75%-5.0%	2,605
1996A (Riffe Center)	6,045	8-15-96	10-1-05	4.75%-5.0%	1,680
1997A (Administrative Building)	85,000	1-15-97	10-1-11	4.8%-5.5%	58,615
1997A (Arts Facilities)	40,000	1-15-97	10-1-06	4.8%-5.5%	18,420
1997A (Sports Facilities)	37,000	1-15-97	10-1-11	4.7%-5.375%	25,275
1997A (Highway Safety)	75,000	4-1-97	10-1-11	5.0%-6.0%	51,820
1998A (Administrative Building)	130,000	1-15-98	10-1-17	4.75%-5.375%	108,565
1998B (Administrative Building)	19,545	1-15-98	10-1-10	5.125%-5.25%	12,815
1998A (DAS Data Center)	15,605	1-15-98	10-1-10	5.125%-5.25%	10,230
1998A (State Transportation)	12,000	3-15-98	9-1-07	4.5%	6,000
1998B (State Transportation)	34,800	3-15-98	9-1-07	4.35%-5.0%	19,310
1998A (Rhodes Tower)	43,735	9-15-98	6-1-11	4.0%-5.25%	37,370
1999A (Arts Facilities)	75,000	3-15-99	10-1-08	5.00%	49,400
1999A (Sports Facilities)	39,000	3-15-99	10-1-13	4.0%-5.25%	30,860
1999A (Administrative Building)	100,000	5-15-99	10-1-18	4.0%-5.375%	86,190
1999B (Administrative Building)	18,930	5-15-99	10-1-11	4.0%-5.25%	18,095
2001A (Arts Facilities)	29,000	2-1-01	4-1-16	4.0%-5.5%	26,355
2001A (Sports Facilities)	23,690	2-1-01	4-1-16	3.75%-5.5%	21,455
2001A (Administrative Building)	120,000	4-1-01	10-1-20	5.0%-5.5%	114,495
2001A (Highway Safety)	20,000	4-1-01	10-1-20	4.0%-5.5%	18,635
2002A (Administrative Building)	70,000	4-10-02	4-1-22	4.0%-5.5%	67,805
2002A (State Transportation)	13,060	4-10-02	9-1-09	3.75%-4.5%	11,265
2002B (Administrative Building)	58,670	6-25-02	10-1-12	3.3%-5.25%	57,715
2003A (Arts Facilities)	20,000	3-14-03	4-1-18	2.0%-5.0%	20,000

Bonds outstanding (in thousands) at June 30, 2003 are as follows (continued):

	Amount of Obligation Issued	Bond Issue Date	Final Maturity Date	Interest Rates	2003 Balance
State Correctional Facilities Bonds:					
1985C	\$160,000	12-1-85	10-1-05	9.75%	\$ 5,710
1993A	69,970	1-1-93	10-1-08	5.7%-6.0%	30,470
1994A	212,665	1-1-94	10-1-06	4.6%-4.85%	74,850
1996A	69,540	12-1-96	10-1-09	5.0%-6.0%	41,740
1993A (Adult Correctional)	100,000	1-1-93	10-1-03	5.6%-5.7%	4,810
1994A (Adult Correctional)	125,000	3-15-94	4-1-04	5.5%-6.5%	11,775
1995A (Adult Correctional)	100,000	2-1-95	10-1-04	5.4%-5.5%	9,065
1996A (Adult Correctional)	85,000	4-1-96	4-1-08	5.2%-6.0%	19,695
1997A (Adult Correctional)	110,000	4-1-97	4-1-11	5.0%-6.0%	42,075
1998A (Adult Correctional)	100,000	3-15-98	4-1-18	5.0%-5.5%	83,470
1999A (Adult Correctional)	150,000	7-1-99	10-1-18	4.4%-5.5%	136,485
2000A (Adult Correctional)	100,000	6-1-00	4-1-15	4.875%-5.75%	84,500
2001A (Adult Correctional)	249,850	7-1-01	10-1-14	5.0%-5.5%	232,075
2002A (Adult Correctional)	50,000	10-8-02	4-1-22	2.0%-5.0%	49,170
2002B (Adult Correctional)	90,560	10-8-02	4-1-17	2.0%-5.25%	90,560
1992B (Juvenile Correctional)	43,000	9-1-92	10-1-03	5.7%	2,075
1994A (Juvenile Correctional)	50,000	12-1-94	10-1-05	5.9%-6.1%	6,745
1999A (Juvenile Correctional)	50,000	2-1-99	10-1-18	3.5%-5.25%	42,960
1999B (Juvenile Correctional)	70,790	2-1-99	10-1-14	3.5%-5.25%	68,045
2001A (Juvenile Correctional)	39,000	2-1-01	4-1-16	4.0%-5.5%	35,525
2003A (Juvenile Correctional)	30,000	3-14-03	4-1-18	2.0%-5.0%	30,000
Local Jail Grant Bonds—1994A	43,305	1-1-94	10-1-08	4.5%-4.95%	<u>21,310</u>
Total bonds principal outstanding					2,236,290
Capital Appreciation					
Bond Accreted Values					18,094
Unamortized bond discount					<u>(1,643)</u>
Total bonds outstanding					<u>\$2,252,741</u>

State Facilities Bonds, State Correctional Facilities Bonds and Local Jail Grant 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
2004	\$ 210,145	\$ 112,843
2005	211,335	111,308
2006	207,116	99,494
2007	202,915	79,395
2008	183,150	69,417
2009-2013	721,455	224,781
2014-2018	409,885	75,336
2019-2022	90,289	7,514
Capital Appreciation Bond accreted values	18,094	
Unamortized bond discount	<u>(1,643)</u>	<u> </u>
 Total	 <u>\$2,252,741</u>	 <u>\$ 780,088</u>

The Authority has refunded various bonds by issuing 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.

Adult Correctional Facilities Bonds (Refunding)

The Authority issued approximately \$90.6 million in refunding bonds with an average interest rate of 3.68% to defease in *substance* approximately \$91 million in principal and interest on the bonds being refunded. The bonds partially refunded were the 1996A and 1997A Adult Correctional Facilities Bonds. At the date of refunding, the refunded bonds had an average interest rate of 5.57%. The refunding resulted in an economic gain of \$4.06 million.

Workers' Compensation Bonds (Refunding)

The Authority issued approximately \$142.5 million in refunding bonds with an average interest rate of 3.52% to defease in *substance* approximately \$160 million in principal and interest on the bonds being refunded. The bonds partially refunded were the 1993A Workers' Compensation Bonds. At the date of refunding, the refunded bonds had an average interest rate of 4.84%. The refunding resulted in an economic gain of \$8.9 million.

The bond issues refunded in current and prior years and the remaining principal outstanding at June 30, 2003 are as follows (in thousands):

Issue Refunded	Balance Outstanding
1993A (Adult Correctional Facilities)	\$ 58,170
1993A (Administrative Buildings)	21,345
1994A (Adult Correctional Facilities)	73,565
1994A (Administrative Buildings)	34,810
1994A (Transportation Building Fund)	6,660
1994A (Juvenile Corrections)	29,985
1995A (Adult Correctional Facilities)	63,740
1996A (Adult Correctional Facilities)	45,000
1997A (Adult Correctional Facilities)	<u>46,000</u>
 Total	 <u>\$ 379,275</u>

Subsequent Events (refunding bonds and new issuance bonds)

Subsequent to June 30, 2003, the Authority issued approximately \$10.9 million in 2003A refunding bonds with an average interest rate of 1.89% to defease in substance approximately \$13.1 million in principal and interest on the 1985A DiSalle Center Bonds. An additional \$7.5 million of the existing required reserve fund was used to finance this defeasance. At June 30, 2003, the refunded bonds had an average interest rate of 6.4%. The refunding resulted in an economic gain of \$1.0 million.

Subsequent to June 30, 2003, the Authority issued approximately \$4.9 million in 2003A refunding bonds with an average interest rate of 1.89% to defease in substance approximately \$5.6 million in principal and interest on the 1985A Lausche Building Bonds. An additional \$3.2 million of the existing required reserve fund was used to finance this defeasance. At June 30, 2003, the refunded bonds had an average interest rate of 6.4%. The refunding resulted in an economic gain of \$0.4 million.

Subsequent to June 30, 2003, the Authority issued approximately \$2.7 million in 2003A refunding bonds with an average interest rate of 1.89% to defease in substance approximately \$3.0 million in principal and interest on the 1985A Ocacek Building Bonds. An additional \$1.7 million of the existing required reserve fund was used to finance this defeasance. At June 30, 2003, the refunded bonds had an average interest rate of 6.4%. The refunding resulted in an economic gain of \$0.2 million.

Subsequent to June 30, 2003, the Authority used approximately \$3.08 million of the existing required reserve fund to defease \$2.1 million in principal and interest on the 1985B Riffe Center Bonds. The defeasance resulted in an economic gain of \$0.4 million.

Subsequent to June 30, 2003, the Authority issued approximately \$100 million in bonds with an average interest rate of 4.10%. The new bonds issued were Administrative Building Fund Project Bonds.

F. 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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total
ASSETS															
CURRENT ASSETS	\$ 9,186	\$ 7,694	\$24,738	\$ 7,276	\$30,965	\$121,547	\$12,035	\$ 4,282	\$ 909	\$ 42,366	\$ 14,604	\$ 27,537	\$ 8,332	\$449	\$ 311,920
OTHER ASSETS	<u>31,833</u>	<u>9,601</u>	<u>22,216</u>	<u>5,184</u>	<u>37,277</u>	<u>855,482</u>	<u>50,365</u>	<u>20,871</u>	<u>4,510</u>	<u>559,313</u>	<u>174,322</u>	<u>192,509</u>	<u>80,576</u>		<u>2,044,059</u>
TOTAL ASSETS	<u>41,019</u>	<u>17,295</u>	<u>46,954</u>	<u>12,460</u>	<u>68,242</u>	<u>977,029</u>	<u>62,400</u>	<u>25,153</u>	<u>5,419</u>	<u>601,679</u>	<u>188,926</u>	<u>220,046</u>	<u>88,908</u>	<u>449</u>	<u>2,355,979</u>
LIABILITIES															
CURRENT LIABILITIES	5,236	2,956	11,179	2,194	13,666	111,823	11,998	4,240	893	42,273	14,027	27,297	8,310	187	256,541
NONCURRENT LIABILITIES	<u>31,651</u>	<u>9,515</u>	<u>22,127</u>	<u>5,146</u>	<u>37,122</u>	<u>855,482</u>	<u>49,498</u>	<u>20,871</u>	<u>4,510</u>	<u>559,313</u>	<u>174,322</u>	<u>192,463</u>	<u>80,576</u>	<u>262</u>	<u>2,042,812</u>
TOTAL LIABILITIES	<u>36,887</u>	<u>12,471</u>	<u>33,306</u>	<u>7,340</u>	<u>50,788</u>	<u>967,305</u>	<u>61,496</u>	<u>25,111</u>	<u>5,403</u>	<u>601,586</u>	<u>188,349</u>	<u>219,760</u>	<u>88,886</u>	<u>449</u>	<u>2,299,137</u>
TOTAL NET ASSETS—(Restricted)	<u>\$ 4,132</u>	<u>\$ 4,824</u>	<u>\$13,648</u>	<u>\$ 5,120</u>	<u>\$17,454</u>	<u>\$ 9,724</u>	<u>\$ 904</u>	<u>\$ 42</u>	<u>\$ 16</u>	<u>\$ 93</u>	<u>\$ 577</u>	<u>\$ 286</u>	<u>\$ 22</u>	<u>\$-</u>	<u>\$ 56,842</u>

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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total
Rents	\$ 7,912	\$ 2,979	\$ 2,850	\$ 1,393	\$ 6,539	\$ 175	\$ 50	\$ 20	\$ 10	\$ 150	\$ 105	\$ 793	\$ -	\$ -	\$ 22,976
Lease interest	2,154	940	1,809	502	3,323	54,347	3,222	1,792	368	30,255	8,364	9,578	4,766		121,420
Other	482	156	530	49	435									917	2,569
Operating expenses	<u>(8,011)</u>	<u>(4,236)</u>	<u>(5,467)</u>	<u>(1,911)</u>	<u>(7,428)</u>	<u>(202)</u>	<u>(40)</u>	<u>(20)</u>	<u>(13)</u>	<u>(98)</u>	<u>(155)</u>	<u>(781)</u>	<u>(14)</u>	<u>(950)</u>	<u>(29,326)</u>
Operating income	2,537	(161)	(278)	33	2,869	54,320	3,232	1,792	365	30,307	8,314	9,590	4,752	(33)	117,639
Non-Operating revenues (expenses):															
Earnings on investments	65	43	174	25	59	126	3	2		15	14	15	3		544
Interest expense and other	<u>(2,236)</u>	<u>(960)</u>	<u>(2,233)</u>	<u>(507)</u>	<u>(3,611)</u>	<u>(54,408)</u>	<u>(3,511)</u>	<u>(1,794)</u>	<u>(368)</u>	<u>(30,276)</u>	<u>(8,369)</u>	<u>(9,597)</u>	<u>(4,769)</u>		<u>(122,639)</u>
CHANGE IN NET ASSETS	<u>366</u>	<u>(1,078)</u>	<u>(2,337)</u>	<u>(449)</u>	<u>(683)</u>	<u>38</u>	<u>(276)</u>		<u>(3)</u>	<u>46</u>	<u>(41)</u>	<u>8</u>	<u>(14)</u>	<u>(33)</u>	<u>(4,456)</u>
Beginning net assets (as previously reported)	3,766	5,902	20,586	6,186	18,137	9,686	1,180	42	19	47	618	278	36	33	66,516
Prior period adjustment			<u>(4,601)</u>	<u>(617)</u>											<u>(5,218)</u>
Beginning net assets (as restated)	<u>3,766</u>	<u>5,902</u>	<u>15,985</u>	<u>5,569</u>	<u>18,137</u>	<u>9,686</u>	<u>1,180</u>	<u>42</u>	<u>19</u>	<u>47</u>	<u>618</u>	<u>278</u>	<u>36</u>	<u>33</u>	<u>61,298</u>
Ending net assets	<u>\$ 4,132</u>	<u>\$ 4,824</u>	<u>\$13,648</u>	<u>\$ 5,120</u>	<u>\$17,454</u>	<u>\$ 9,724</u>	<u>\$ 904</u>	<u>\$ 42</u>	<u>\$ 16</u>	<u>\$ 93</u>	<u>\$ 577</u>	<u>\$ 286</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 56,842</u>

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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total
Net cash flows provided (used) by:															
Operating activities	\$2,248	\$ (43)	\$ (316)	\$ (44)	\$2,328	\$52,005	\$ 3,159	\$ 1,515	\$ 282	\$ 30,293	\$7,929	\$10,215	\$4,846	\$ 124	\$114,541
Capital and related financing activities	(1,947)	(898)	(1,934)	(441)	(2,864)	(43,837)	(3,255)	(1,519)	(284)	(30,359)	(7,489)	(9,913)	(4,863)		(109,603)
Investing activities	<u>(301)</u>	<u>941</u>	<u>2,250</u>	<u>485</u>	<u>536</u>	<u>(8,150)</u>	<u>96</u>	<u>4</u>	<u>2</u>	<u>66</u>	<u>(440)</u>	<u>(302)</u>	<u>17</u>		<u>(4,796)</u>
Net increase in cash and cash equivalents						18								124	142
Beginning cash and cash equivalents														<u>327</u>	<u>327</u>
Ending cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 469</u>

G. DEFINED BENEFIT PENSION PLAN

The Ohio Building Authority contributes to the Public Employees Retirement System of Ohio (“PERS”) a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio Revised Code. PERS issues a publicly available financial report that includes financial information for the plan. That report may be obtained by writing to PERS, 277 East Town Street, Columbus, Ohio 43215-4642.

Regularly plan members are required to contribute 8.5% of their annual covered salary, while employers are required to contribute 13.31%. The Authority’s contributions to PERS for the years ended June 30, 2003, June 30, 2002 and June 30, 2001, respectively, were \$157,893, \$159,115 and \$133,393 which equals the required contribution.

H. OTHER POSTEMPLOYMENT BENEFITS

PERS provides postemployment health care benefits to age and service retirants who retire with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability retirants is also available. During 2000, PERS returned to an actuarially pre-funded type of disclosure because it is a better presentation of PERS’ actual funding methodology.

The Authority and all employees are required by Chapter 145 of the ORC to contribute to PERS. A portion of each employer’s contribution is set aside to fund postemployment health care benefits. Such contributions, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to sustain the program indefinitely. Of the 13.31% of employee payroll contributed by the Authority, 4.2% or approximately \$49,823 was the portion used to fund health care expenses. \$11,558 million represents the actuarial value of PERS’ net assets available for postemployment health care. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$11,273 million and \$285 million, respectively.

I. 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 3 years, there were no losses exceeding insurance coverage.

J. RESTATEMENT

Subsequent to the issuance of the Authority’s 2002 financial statements, the management determined that certain accounts payable, rents, lease interest, and net assets were incorrectly recorded in the Authority’s financial statements as of and for the year ended June 30, 2002 as follows.

Understatement of accounts payable	\$ 5,218
Overstatement of revenue—rents	(78)
Overstatement of revenue—lease interest	(294)
Overstatement of beginning net assets at July 1, 2001	(4,846)

As a result, a prior period adjustment has been recorded to reduce Beginning Net Assets as of July 1, 2002 by \$5,218.

The effect of these items on the 2003 financial statements is summarized below:

Enterprise Fund	As Restated	Previously Reported
At June 30, 2003:		
Beginning Net Assets	\$ 61,298	\$ 66,516

* * * * *

SUPPLEMENTAL SCHEDULES

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF NET ASSETS

AS OF JUNE 30, 2003

(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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total
ASSETS															
CURRENT ASSETS:															
Unrestricted cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451	\$ 451
Restricted cash						18									18
Investments—restricted	4,533	5,054	17,548	5,618	17,825	17,922	34	41	17	97	1,259	562	24	32	70,566
Receivables:															
Leases—current portion	4,520	2,385	5,555	1,315	12,460	90,910	10,980	3,885	825	34,715	11,090	24,370	7,135		210,145
Interest	3		10		1	8					1				23
Lease interest receivable	148	211	490	107	651	12,655	1,017	355	67	7,557	2,253	2,616	1,174		29,301
Due from (to) other projects	(60)	12	23	21	14	34	4	1		(3)	1	(11)	(1)	(35)	1
Due from (to) other funds														1	
Accounts receivable	42	32	1,112	215	14										1,415
OTHER ASSETS	182	86	89	38	155							46			596
NON-CURRENT ASSETS—Leases receivable	<u>31,651</u>	<u>9,515</u>	<u>22,127</u>	<u>5,146</u>	<u>37,122</u>	<u>855,482</u>	<u>50,365</u>	<u>20,871</u>	<u>4,510</u>	<u>559,313</u>	<u>174,322</u>	<u>192,463</u>	<u>80,576</u>		<u>2,043,463</u>
TOTAL ASSETS	<u>41,019</u>	<u>17,295</u>	<u>46,954</u>	<u>12,460</u>	<u>68,242</u>	<u>977,029</u>	<u>62,400</u>	<u>25,153</u>	<u>5,419</u>	<u>601,679</u>	<u>188,926</u>	<u>220,046</u>	<u>88,908</u>	<u>449</u>	<u>2,355,979</u>
LIABILITIES															
CURRENT LIABILITIES:															
Unrestricted accounts payable														155	155
Accounts payable and accrued liabilities	568	360	5,134	772	555	2	1	1	1	1	53	1	1	32	7,482
Deferred revenue											630	310			940
Bonds payable (current)	4,520	2,385	5,555	1,315	12,460	90,910	10,980	3,885	825	34,715	11,090	24,370	7,135		210,145
Other liabilities						8,256								262	8,518
Accrued interest	148	211	490	107	651	12,655	1,017	354	67	7,557	2,254	2,616	1,174		29,301
NONCURRENT LIABILITIES—															
Bonds payable (long-term)	<u>31,651</u>	<u>9,515</u>	<u>22,127</u>	<u>5,146</u>	<u>37,122</u>	<u>855,482</u>	<u>49,498</u>	<u>20,871</u>	<u>4,510</u>	<u>559,313</u>	<u>174,322</u>	<u>192,463</u>	<u>80,576</u>		<u>2,042,596</u>
TOTAL LIABILITIES	<u>36,887</u>	<u>12,471</u>	<u>33,306</u>	<u>7,340</u>	<u>50,788</u>	<u>967,305</u>	<u>61,496</u>	<u>25,111</u>	<u>5,403</u>	<u>601,586</u>	<u>188,349</u>	<u>219,760</u>	<u>88,886</u>	<u>449</u>	<u>2,299,137</u>
TOTAL NET ASSETS—(Restricted)	<u>\$ 4,132</u>	<u>\$ 4,824</u>	<u>\$13,648</u>	<u>\$ 5,120</u>	<u>\$17,454</u>	<u>\$ 9,724</u>	<u>\$ 904</u>	<u>\$ 42</u>	<u>\$ 16</u>	<u>\$ 93</u>	<u>\$ 577</u>	<u>\$ 286</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 56,842</u>

See notes to financial statements.

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2003

(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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total
OPERATING REVENUES:															
Rents	\$ 7,912	\$ 2,979	\$ 2,850	\$ 1,393	\$ 6,539	\$ 175	\$ 50	\$ 20	\$ 10	\$ 150	\$ 105	\$ 793	\$ -	\$ -	\$ 22,976
Lease interest	2,154	940	1,809	502	3,323	54,347	3,222	1,792	368	30,255	8,364	9,578	4,766		121,420
Other	482	156	530	49	435									917	2,569
Total operating revenues	<u>10,548</u>	<u>4,075</u>	<u>5,189</u>	<u>1,944</u>	<u>10,297</u>	<u>54,522</u>	<u>3,272</u>	<u>1,812</u>	<u>378</u>	<u>30,405</u>	<u>8,469</u>	<u>10,371</u>	<u>4,766</u>	<u>917</u>	<u>146,965</u>
OPERATING EXPENSES:															
Building maintenance and operations	5,292	3,070	4,000	1,356	4,998							618			19,334
Utilities	1,460	704	863	352	1,336										4,715
General administration	774	169	186	167	601	202	40	20	13	98	155	163	14	950	3,552
Other	485	293	418	36	493										1,725
Total operating expenses	<u>8,011</u>	<u>4,236</u>	<u>5,467</u>	<u>1,911</u>	<u>7,428</u>	<u>202</u>	<u>40</u>	<u>20</u>	<u>13</u>	<u>98</u>	<u>155</u>	<u>781</u>	<u>14</u>	<u>950</u>	<u>29,326</u>
Operating gain (loss)	<u>2,537</u>	<u>(161)</u>	<u>(278)</u>	<u>33</u>	<u>2,869</u>	<u>54,320</u>	<u>3,232</u>	<u>1,792</u>	<u>365</u>	<u>30,307</u>	<u>8,314</u>	<u>9,590</u>	<u>4,752</u>	<u>(33)</u>	<u>117,639</u>
NONOPERATING REVENUES (EXPENSES):															
Earnings on investments	65	43	174	25	59	126	3	2		15	14	15	3		544
Interest expense and other	(2,236)	(960)	(2,233)	(507)	(3,611)	(54,408)	(3,511)	(1,794)	(368)	(30,276)	(8,369)	(9,597)	(4,769)		(122,639)
Total nonoperating expenses	<u>(2,171)</u>	<u>(917)</u>	<u>(2,059)</u>	<u>(482)</u>	<u>(3,552)</u>	<u>(54,282)</u>	<u>(3,508)</u>	<u>(1,792)</u>	<u>(368)</u>	<u>(30,261)</u>	<u>(8,355)</u>	<u>(9,582)</u>	<u>(4,766)</u>		<u>(122,095)</u>
NET INCOME (LOSS)	<u>366</u>	<u>(1,078)</u>	<u>(2,337)</u>	<u>(449)</u>	<u>(683)</u>	<u>38</u>	<u>(276)</u>		<u>(3)</u>	<u>46</u>	<u>(41)</u>	<u>8</u>	<u>(14)</u>	<u>(33)</u>	<u>(4,456)</u>
NET ASSETS (as previously reported)	3,766	5,902	20,586	6,186	18,137	9,686	1,180	42	19	47	618	278	36	33	66,516
Prior period adjustment			(4,601)	(617)											(5,218)
NET ASSETS— Beginning of year (as restated in Note J)	<u>3,766</u>	<u>5,902</u>	<u>15,985</u>	<u>5,569</u>	<u>18,137</u>	<u>9,686</u>	<u>1,180</u>	<u>42</u>	<u>19</u>	<u>47</u>	<u>618</u>	<u>278</u>	<u>36</u>	<u>33</u>	<u>61,298</u>
NET ASSETS—End of year	<u>\$ 4,132</u>	<u>\$ 4,824</u>	<u>\$13,648</u>	<u>\$ 5,120</u>	<u>\$17,454</u>	<u>\$ 9,724</u>	<u>\$ 904</u>	<u>\$ 42</u>	<u>\$ 16</u>	<u>\$ 93</u>	<u>\$ 577</u>	<u>\$ 286</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 56,842</u>

OHIO BUILDING AUTHORITY

**SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003**

(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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:															
Cash received from customers:															
State operating rent	\$ 7,912	\$ 2,979	\$ 765	\$ 946	\$ 6,539	\$ 175	\$ 50	\$ 20	\$ 10	\$ 150	\$ -	\$ 793	\$ -	\$ -	\$ 20,339
Local operating rent			3,151	564											3,715
Lease interest income receipts	<u>1,865</u>	<u>879</u>	<u>645</u>	<u>335</u>	<u>2,575</u>	<u>52,032</u>	<u>3,164</u>	<u>1,516</u>	<u>284</u>	<u>30,339</u>	<u>8,033</u>	<u>10,204</u>	<u>4,860</u>		<u>116,731</u>
Total cash received from customers	9,777	3,858	4,561	1,845	9,114	52,207	3,214	1,536	294	30,489	8,033	10,997	4,860		140,785
Cash received from quasi-external operating transactions with other funds														1,182	1,182
Cash payments to suppliers for goods and services	(7,773)	(4,102)	(5,453)	(1,909)	(6,919)	(202)	(55)	(21)	(12)	(196)	(104)	(782)	(14)	(659)	(28,201)
Cash payments to employees for services	(391)				(289)									(399)	(1,079)
Miscellaneous fees and commissions	<u>635</u>	<u>201</u>	<u>576</u>	<u>20</u>	<u>422</u>										<u>1,854</u>
Net cash flows provided (used) by operating activities	<u>2,248</u>	<u>(43)</u>	<u>(316)</u>	<u>(44)</u>	<u>2,328</u>	<u>52,005</u>	<u>3,159</u>	<u>1,515</u>	<u>282</u>	<u>30,293</u>	<u>7,929</u>	<u>10,215</u>	<u>4,846</u>	<u>124</u>	<u>114,541</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:															
Principal payments on bonds	(4,350)	(2,255)	(5,255)	(1,250)	(11,825)	(84,830)	(10,925)	(3,680)	(785)	(32,805)	(9,090)	(22,255)	(6,795)		(196,100)
Interest paid	(1,947)	(898)	(2,090)	(457)	(2,864)	(52,093)	(3,255)	(1,519)	(284)	(30,359)	(8,038)	(10,223)	(4,863)		(118,890)
Principal receipts on capital leases	4,350	2,255	5,411	1,266	11,825	93,086	10,925	3,680	785	32,805	9,090	22,255	6,795		204,528
Refunding bond proceeds						136									136
Payment of debt issue costs						(136)									(136)
Other—net premium on sale of bonds											549	310			859
Net cash flows provided (used) by capital and related financing activities	<u>(1,947)</u>	<u>(898)</u>	<u>(1,934)</u>	<u>(441)</u>	<u>(2,864)</u>	<u>(43,837)</u>	<u>(3,255)</u>	<u>(1,519)</u>	<u>(284)</u>	<u>(30,359)</u>	<u>(7,489)</u>	<u>(9,913)</u>	<u>(4,863)</u>		<u>(109,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:															
Proceeds from sales and maturities of investments	20,253	7,342	10,899	3,734	22,497	136,764	14,235	5,219	1,081	63,427	16,780	33,037	11,666		346,934
Purchase of investments	(20,621)	(6,446)	(8,834)	(3,276)	(22,029)	(145,043)	(14,142)	(5,217)	(1,079)	(63,375)	(17,232)	(33,354)	(11,652)		(352,300)
Investment income received	<u>67</u>	<u>45</u>	<u>185</u>	<u>27</u>	<u>68</u>	<u>129</u>	<u>3</u>	<u>2</u>		<u>14</u>	<u>12</u>	<u>15</u>	<u>3</u>		<u>570</u>
Net cash flows provided (used) by investing activities	<u>(301)</u>	<u>941</u>	<u>2,250</u>	<u>485</u>	<u>536</u>	<u>(8,150)</u>	<u>96</u>	<u>4</u>	<u>2</u>	<u>66</u>	<u>(440)</u>	<u>(302)</u>	<u>17</u>		<u>(4,796)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						18								124	142
RESTRICTED AND UNRESTRICTED—Beginning of year														327	327
RESTRICTED AND UNRESTRICTED—End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 469</u>

See notes to financial statements.

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2003 (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	DAS Data Center	ODNR Fountain Square	Administrative Fund Projects	Juvenile Correctional Facilities	Arts and Sports Facilities	Highway Safety	Custodial Fund	Total (As Restated, See Note J)
Operating income (loss)	\$2,537	\$(161)	\$(278)	\$ 33	\$2,869	\$54,320	\$3,232	\$1,792	\$365	\$30,307	\$8,314	\$ 9,590	\$4,752	\$ (33)	\$117,639
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:															
Amortization of lease premium (discount)	(303)	(87)	(210)	(65)	(878)	(2,911)	(191)	(327)	(92)	40	(132)	570	10		(4,576)
Changes in assets and liabilities:															
Increase (decrease) in lease interest receivable	14	27	65	15	130	594	136	49	8	44	(198)	56	82		1,022
(Increase) decrease in account receivable—other	143	43	(111)	(27)	(13)										35
Decrease in other assets	(18)	1	(4)	(4)	(6)							1			(30)
Decrease in deferred revenue											(106)				(106)
Increase (decrease) in accounts payable and other liabilities	<u>(125)</u>	<u>134</u>	<u>222</u>	<u>4</u>	<u>226</u>	<u>2</u>	<u>(18)</u>	<u>1</u>	<u>1</u>	<u>(98)</u>	<u>51</u>	<u>(2)</u>	<u>2</u>	<u>157</u>	<u>557</u>
NET CASH FLOWS PROVIDED															
(USED) BY OPERATING ACTIVITIES	<u>\$2,248</u>	<u>\$ (43)</u>	<u>\$(316)</u>	<u>\$(44)</u>	<u>\$2,328</u>	<u>\$52,005</u>	<u>\$3,159</u>	<u>\$1,515</u>	<u>\$282</u>	<u>\$30,293</u>	<u>\$7,929</u>	<u>\$10,215</u>	<u>\$4,846</u>	<u>\$124</u>	<u>\$114,541</u>

See notes to financial statements.

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE AGENCY FUND—STATEMENT OF NET ASSETS AS OF JUNE 30, 2003 (Dollars in thousands)

	Ohio Courts Building	Bureau of Workers' Compensation	Total
ASSETS			
INVESTMENTS	\$ 12,325	\$ 1,914	\$ 14,239
RECEIVABLES:			
Interest receivable	1	17	18
Prepaid expenses	<u> </u>	<u> 35</u>	<u> 35</u>
TOTAL ASSETS	<u>12,326</u>	<u>1,966</u>	<u>14,292</u>
LIABILITIES			
Accounts payable	3,070	1	3,071
Retainage payable	1,198		1,198
Payable on behalf of the Agency	<u>8,058</u>	<u>1,965</u>	<u>10,023</u>
TOTAL LIABILITIES	<u>12,326</u>	<u>1,966</u>	<u>14,292</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING 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:

We have audited the financial statements of the Ohio Building Authority (the "Authority") as of and for the year ended June 30, 2003, and have issued our report thereon dated September 12, 2003, which includes an explanatory paragraph relating to a misstatement. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in dark ink, appearing to read "Deloitte & Touche LLP".

September 12, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JANUARY 20, 2004**