

**LEASE REVENUE OBLIGATIONS GOVERNED BY**  
**OHIO REVISED CODE CHAPTER 154**  
**(STATE OF OHIO CHAPTER 154 BONDS)**

Financial Statements  
and  
Supplementary Financial Information  
For the Year Ended June 30, 2011  
and  
Independent Auditors' Report Thereon





# Dave Yost • Auditor of State

Treasurer of State Lease Revenue Bonds  
30 E. Broad Street, 9th Floor  
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Treasurer of State Lease Revenue Bonds, Franklin County, prepared by Schneider Downs & Co., Inc., 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 Treasurer of State Lease Revenue Bonds 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 9, 2011

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**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Financial Report**  
**As of and for the Year Ended June 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Treasurer of State of Ohio  
Columbus, Ohio

We have audited the accompanying financial statements of the Debt Service Funds as held in the name of the Treasurer of the State of Ohio (the Funds) of the Higher Education Capital Facilities, Mental Health Capital Facilities, Parks and Recreation Capital Facilities, and Cultural and Sports Capital Facilities Lease Revenue Bonds Governed by the Ohio Revised Code Chapter 154 (the Obligations), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Treasurer of State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Treasurer of the State of Ohio (which is part of the reporting entity of the State of Ohio) as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally in the United States of America.

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material aspects, the financial position of the Funds as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011 on our consideration of the Funds' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Schneider, Downs & Co., Inc.*

Columbus, Ohio  
September 27, 2011



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis**  
**As of and For the Year Ended June 30, 2011**  
**(UNAUDITED)**

This section of the annual financial report for the Chapter 154 Lease Revenue Obligations presents management's discussion and analysis of financial performance during the year ended June 30, 2011. The management's discussion and analysis section should be read in conjunction with the Chapter 154 Lease Revenue Obligations debt service funds' financial statements, which follow. Chapter 154 refers to a chapter in the Ohio Revised Code (Ohio's statutes) titled, *Financing for Certain Capital Facilities*.

**FINANCIAL HIGHLIGHTS**

- As of June 30, 2011, total debt service fund assets exceeded liabilities by \$58.6 million. The total combined ending fund balance, which is reserved for debt service, increased by \$5.8 million during fiscal year 2011.
- For fiscal year 2011, other financing sources from lease principal payments from state agency-lessees totaled \$169.4 million, and lease interest revenue was reported at \$29.4 million.
- During fiscal year 2011, the Treasurer of State issued \$58 million in new bonds with a total premium of \$3.9 million. In addition, \$164.5 million in bond principal and \$30.5 million in bond interest were paid to bondholders.

**OVERVIEW OF THE FUND FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Chapter 154 Lease Revenue Obligations debt service funds' financial statements. The fund financial statements include a Balance Sheet, a Statement of Revenues, Expenditures and Changes in Fund Balances, and accompanying notes.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental fund financial statements have a focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Treasurer of State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All four of the debt service funds listed below fall under the governmental fund classification:

- Higher Education Capital Facilities Bond Service Fund
- Mental Health Facilities Bond Service Fund
- Parks and Recreation Facilities Bond Service Fund
- Cultural and Sports Facilities Bond Service Fund

Debt service funds, by definition, account for resources accumulated and payments made for principal and interest on long-term debt. The financial statements for the funds listed above can be found on Pages 8 and 9 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on Pages 10 to 14 of this report.

In addition, supplementary financial information follows the notes. Supplementary financial information, which can be found on Pages 15 to 28, provides additional information that is considered to be useful to certain users of the financial statements.

(Continued)

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2011**  
**(UNAUDITED)**

**FINANCIAL ANALYSIS OF THE CHAPTER 154 LEASE REVENUE OBLIGATIONS DEBT SERVICE FUNDS**

A comparative balance sheet analysis follows:

	<u>As of 06/30/11</u>	<u>As of 06/30/10</u>	<u>Percentage Change</u>
<b>ASSETS:</b>			
Cash .....	\$2,142	\$111	1,829.7%
Receivable from State Agencies:			
Lease Principal .....	639,595	746,135	(14.3%)
Lease Interest .....	4,303	7,392	(41.8%)
<b>Total Assets .....</b>	<b><u>\$646,040</u></b>	<b><u>\$753,638</u></b>	
<b>LIABILITIES:</b>			
Deferred Revenue .....	\$587,427	\$700,799	(16.2%)
<b>Total Liabilities .....</b>	<b><u>587,502</u></b>	<b><u>700,799</u></b>	
<b>FUND BALANCE:</b>			
Restricted for Debt Service .....	58,613	52,839	10.8%
<b>Total Liabilities and Fund Balance .....</b>	<b><u>\$646,040</u></b>	<b><u>\$753,638</u></b>	

The significant decrease in lease principal receivable and deferred revenue at June 30, 2011 compared to June 30, 2010 is the result of the continued payoff of outstanding bond principal and bond service principal payments exceeding new debt issuances bond proceeds. The significant increase in cash and investments at June 30, 2011 is primarily the result of cash held from the proceeds of new bond issuances.

The following tables compare debt service fund revenues, expenditures and other financing sources/(uses) reported for fiscal year 2011 with fiscal year 2010 results:

	<u>Fiscal Year 2011</u>	<u>Percent of Total 2011 Revenue</u>	<u>Fiscal Year 2010</u>	<u>Percentage Change</u>
Lease Interest from State Agencies .....	\$29,352	97.8%	\$34,834	(15.7%)
Administrative Fees .....	652	2.2%	709	(8.0%)
Other Interest Income .....	-	0.0%	7	(100.0%)
<b>Total Revenue .....</b>	<b><u>\$30,004</u></b>	<b><u>100%</u></b>	<b><u>\$35,550</u></b>	

As the above table indicates, 97.8% of debt service fund revenues for fiscal year 2011 were composed of lease interest. Lease interest from state agencies decreased for fiscal year 2011 primarily due to the corresponding decrease in debt service expenditures for bond interest paid.

(Continued)

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2011**  
**(UNAUDITED)**

**Expenditures**  
**Comparative Analysis**  
*(Dollars in 000s)*

	<u>Fiscal Year 2011</u>	<u>Percent of Total 2011 Expenditures</u>	<u>Fiscal Year 2010</u>	<u>Percentage Change</u>
Administrative Costs .....	\$632	0.3%	\$645	(2.0%)
Debt Service:				
Principal .....	164,540	83.8%	175,350	(6.2%)
Interest .....	30,537	15.6%	37,494	(18.6%)
Bond Issue Costs .....	540	0.3%	505	6.9%
<b>Total Expenditures .....</b>	<b><u>\$196,249</u></b>	<b><u>100.00%</u></b>	<b><u>\$213,994</u></b>	

As the table above shows, 99.4% of total reported expenditures for fiscal year 2011 were for debt service payments (principal and interest). Interest expenditures for fiscal year 2011 were less than fiscal year 2010 by 18.6%, primarily due to the declining balance of outstanding bond principal.

**Other Financing Sources/(Uses)**  
**Comparative Analysis**  
*(Dollars in 000s)*

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Percentage Change</u>
Lease Principal Payments from State Agencies .....	\$169,355	\$184,370	(8.1%)
Bond Proceeds:			
Principal .....	58,000	70,000	(17.1%)
Premium .....	3,864	3,610	7.0%
Financing Provided to State Agencies Under Leases .....	(59,200)	(71,311)	17.0%
<b>Total Other Financing Sources/(Uses) .....</b>	<b><u>\$172,019</u></b>	<b><u>\$186,669</u></b>	

The decrease in bond principal proceeds, and financing provided to state agencies under leases are the result of the smaller bond issuances in fiscal year 2011 compared to 2010. Lease principal payments from State agencies decreased due to a reduction in corresponding debt service requirements.

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**STATE OF OHIO  
CHAPTER 154 LEASE REVENUE OBLIGATIONS  
Management's Discussion and Analysis (Continued)  
As of and For the Year Ended June 30, 2011  
(UNAUDITED)**

**BUDGETARY HIGHLIGHTS**

None of the debt service funds presented in the fund financial statements is required to have a legally adopted budget, and therefore, no budgetary comparisons have been included in this report.

**ECONOMIC FACTORS**

- Generally, interest rates affect the pricing of new bond issues. Currently the Federal Open Market Committee (FOMC) at the Federal Reserve has decided to keep its target for the federal funds rate 0% to 0.25%.
- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2011, were as follows:

<b>Bond Type</b>	<b>Bonds Authorized, but Unissued <i>(Dollars in 000s)</i></b>
Higher Education Facilities Bonds .....	\$ —
Mental Health Facilities Bonds .....	124,915
Parks and Recreation Facilities Bonds .....	10,000
Cultural and Sports Facilities Bonds.....	25,310
	<b>\$160,225</b>

**CONTACTING THE TREASURER OF STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide an overview of the financial activities of the Chapter 154 Lease Revenue Obligations. If you have questions about this report or need additional financial information, please contact the Director of Debt Management, Ohio Treasurer of State's Office, 30 East Broad Street, 9<sup>th</sup> Floor, Columbus, Ohio 43215.

**CHAPTER 154**  
**LEASE REVENUE OBLIGATIONS**  
**DEBT SERVICE FUNDS**  
**FINANCIAL STATEMENTS**

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Debt Service Funds**  
**Balance Sheet**  
**As of June 30, 2011**  
*(Dollars in 000s)*

	<b>Higher Education Facilities Bond Service</b>	<b>Mental Health Facilities Bond Service</b>	<b>Parks and Recreation Facilities Bond Service</b>	<b>Cultural and Sports Facilities Bond Service</b>	<b>Total Debt Service Funds</b>
<b>ASSETS:</b>					
Cash.....	\$ 19	\$ 13	\$ 442	\$ 1,668	\$ 2,142
Receivable from State Agencies:					
Lease Principal .....	139,520	176,635	145,410	178,030	639,595
Lease Interest .....	2,084	1,201	670	348	4,303
<b>TOTAL ASSETS .....</b>	<b><u>\$ 141,623</u></b>	<b><u>\$ 177,849</u></b>	<b><u>\$ 146,522</u></b>	<b><u>\$ 180,046</u></b>	<b><u>\$ 646,040</u></b>
<b>LIABILITIES:</b>					
Deferred Revenue .....	\$ 98,403	\$ 165,966	\$ 144,680	\$ 178,378	\$ 587,427
<b>TOTAL LIABILITIES .....</b>	<b><u>98,403</u></b>	<b><u>165,966</u></b>	<b><u>144,680</u></b>	<b><u>178,378</u></b>	<b><u>587,427</u></b>
<b>FUND BALANCES:</b>					
Restricted for Debt Service .....	43,220	11,883	1,842	1,668	58,613
<b>TOTAL FUND BALANCES .....</b>	<b><u>43,220</u></b>	<b><u>11,883</u></b>	<b><u>1,842</u></b>	<b><u>1,668</u></b>	<b><u>58,613</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 141,623</u></b>	<b><u>\$ 177,849</u></b>	<b><u>\$ 146,522</u></b>	<b><u>\$ 180,046</u></b>	<b><u>\$ 646,040</u></b>

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

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Debt Service Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2011**

(Dollars in 000s)

	Higher Education Facilities Bond Service	Mental Health Facilities Bond Service	Parks and Recreation Facilities Bond Service	Cultural and Sports Facilities Bond Service	Total Debt Service Funds
<b>REVENUES:</b>					
Lease Interest from State Agencies.....	\$ 8,807	\$ 8,417	\$ 5,070	\$ 7,058	\$ 29,352
Administrative Fees.....	35	40	35	542	652
<b>TOTAL REVENUES.....</b>	<b>8,842</b>	<b>8,457</b>	<b>5,105</b>	<b>7,600</b>	<b>30,004</b>
<b>EXPENDITURES:</b>					
Administrative Costs.....	16	27	28	561	632
Debt Service:					
Principal.....	98,210	32,725	13,771	19,835	164,541
Interest.....	9,642	8,597	5,182	7,115	30,536
Bond Issue Costs.....	-	-	271	269	540
<b>TOTAL EXPENDITURES.....</b>	<b>107,868</b>	<b>41,349</b>	<b>19,252</b>	<b>27,780</b>	<b>196,249</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>(99,026)</b>	<b>(32,892)</b>	<b>(14,147)</b>	<b>(20,180)</b>	<b>(166,245)</b>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Lease Principal Payments from State Agencies.....	100,375	35,285	13,860	19,835	169,355
Bond Proceeds:					
Principal.....	-	-	30,000	28,000	58,000
Premium.....	-	-	707	3,157	3,864
Financing Provided to State Agencies Under Leases:					
Higher Education Facilities.....	-	-	-	-	-
Mental Health Capital Facilities.....	-	-	-	-	-
Parks and Recreation Capital Facilities....	-	-	(30,000)	-	(30,000)
Cultural and Sports Capital Facilities.....	-	-	-	(29,200)	(29,200)
<b>TOTAL OTHER FINANCING SOURCES/(USES).....</b>	<b>100,375</b>	<b>35,285</b>	<b>14,567</b>	<b>21,792</b>	<b>172,019</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,349</b>	<b>2,393</b>	<b>420</b>	<b>1,612</b>	<b>5,774</b>
<b>FUND BALANCE, JULY 1.....</b>	<b>41,871</b>	<b>9,490</b>	<b>1,422</b>	<b>56</b>	<b>52,839</b>
<b>FUND BALANCE, JUNE 30.....</b>	<b>\$ 43,220</b>	<b>\$ 11,883</b>	<b>\$ 1,842</b>	<b>\$ 1,668</b>	<b>\$ 58,613</b>

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

(Dollars in thousands)

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying debt service fund financial statements for the Chapter 154 Lease Revenue Obligations have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. Significant accounting policies are as follows:

**A. Reporting Entity**

In 1969, the Ohio General Assembly enacted Chapter 154, Ohio Revised Code, pursuant to Section 2i of Article VIII of the Ohio Constitution. This constitutional provision authorizes the issuance of revenue and other obligations, the owners and holders of which are not given the right to have excises or taxes levied by the General Assembly for payment of principal or interest.

The Ohio Public Facilities Commission (Commission) was created at that time and was initially authorized to issue obligations of the State of Ohio to pay costs of capital facilities for (a) state-supported and state-assisted higher education institutions, (b) mental hygiene and retardation, and (c) parks and recreation. Under Section 154.23, Ohio Revised Code, enacted in 1980, the Commission was also authorized to issue obligations to pay costs of capital facilities for the housing of branches and agencies of state government. The General Assembly, however, never granted specific dollar authorization to the Commission to issue obligations for this additional purpose, and in 2000, Section 154.23, Ohio Revised Code, was repealed.

Effective on September 14, 2000, Amended Substitute House Bill 640 reassigned the issuing authority and functions of the Commission with respect to the obligations to the Ohio Treasurer of the State (Treasurer). The Treasurer succeeded the Commission as issuer with all responsibilities and obligations under the bond proceedings relative to the previously issued obligations. Under the authority of this legislation, the Treasurer has the authority to issue obligations only in such amounts as are previously authorized by the General Assembly, and the proceeds are to be applied only to capital improvements designated by or pursuant

to action by the General Assembly. The financing arrangements for such obligations for capital improvements so designated involve separate bond proceedings and lease arrangements between the Commission (its only remaining responsibility relating to the obligations) and the respective state agencies, including the Ohio Board of Regents for higher education facilities, the Department of Mental Health and the Department of Developmental Disabilities for mental health facilities, and the Department of Natural Resources for parks and recreation facilities.

Pursuant to House Bill 16, which became effective on July 1, 2005, all matters relative to the issuance of obligations for the financing of Cultural and Sports Facilities, including all related obligations previously issued by the Ohio Building Authority under Chapter 152, Ohio Revised Code, were transferred to the Treasurer, including the lease agreements with the Cultural Facilities Commission. Subsequent to July 1, 2005, all new issuances of Cultural and Sports Facilities bonds were to be governed by the provisions of Chapter 154, Ohio Revised Code, as previously described above.

The Treasurer of State, a constitutional member of the State's executive branch who is separately elected, is considered to be part of the primary government within the State of Ohio's financial reporting entity. In addition, the Ohio Public Facilities Commission, a legally separate organization from the State, meets the definition of a component unit of the State of Ohio's financial reporting entity, since the voting majority of its governing board is composed of state elected and appointed officials, and the Commission provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefits the State. Consequently, the debt service fund financial statements presented herein are also included in the State of Ohio's Comprehensive Annual Financial Report (CAFR) and are reported as part of the State of Ohio's primary government, as explained further in NOTE 4.

**B. Fund Accounting and Basis of Presentation**

The Debt Management Section of the Treasurer of State's Office uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.



(Dollars in thousands)

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Transactions related to certain functions or activities are reported in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information about the debt service activities of the Chapter Lease Revenue Obligations at a more detailed level. In governmental accounting, debt service funds are classified as governmental funds.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

The following debt service funds are presented in separate columns in the fund financial statements:

*Higher Education Facilities Bond Service Fund* — This fund accounts for the debt service activities of the Higher Education Facilities Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code.

*Mental Health Facilities Bond Service Fund* — This fund accounts for the debt service activities of the Mental Health Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code.

*Parks and Recreation Facilities Bond Service Fund* — This fund accounts for the debt service activities of the Parks and Recreation Facilities Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code.

*Cultural and Sports Facilities Bond Service Fund* — This fund accounts for the debt service activities of the Cultural and Sports Facilities Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code.

**C. Measurement Focus and Basis of Accounting**

The debt service funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The debt service funds use the modified accrual basis of accounting. On a modified accrual basis,

revenue, including lease interest, and other financing sources, pertaining to lease principal receipts, are recorded in the fiscal year in which the resources are measurable and become available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues and other financing sources are considered to be available when they are collectible within 60 days of the fiscal year-end.

In governmental fund financial statements, leases receivable and deferred amounts are used to account for leases. Only the portion of lease receivables that represents other financing sources that are measurable and available is recognized in the debt service funds. The remainder, or the noncurrent portion, of the receivable is deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as amortization, are not recognized in the debt service funds.

Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made in the subsequent fiscal year, soon after June 30 (i.e., generally within less than one month of year-end).

**D. Budget**

None of the debt service funds presented in the fund financial statements is required to have a legally adopted budget, and therefore, no budgetary comparisons have been included in this report.

**E. Leases**

Receivables are reported for principal and interest due under lease agreements between the Ohio Public Facilities Commission and the state agencies that are required to make the payments. Lease principal and interest receivable not collectible within 60 days are reported as deferred revenue. Additional disclosures on lease-related receivables can be found in NOTE 3.

**F. Fund Balance**

Fund balance reserved for debt service represents amounts that are legally segregated for debt service.

**STATE OF OHIO  
CHAPTER 154 LEASE REVENUE OBLIGATIONS  
Debt Service Funds  
Notes to the Financial Statements**

**As of and for the Year Ended June 30, 2011**

*(Dollars in thousands)*

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**NOTE 2 — DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the total carrying amount of deposits was \$2,142; the bank balance of \$2,142 was entirely insured or collateralized.

Investments are carried at amortized cost, which approximates market value. Investments are restricted to U.S. government or agency obligations thereof (and funds consisting exclusively of, and repurchase agreements secured by, those obligations), obligations of the State of Ohio or any political subdivision thereof, the State Treasury

Asset Reserve of Ohio (STAR Ohio), and certificates of deposit of any national bank located in Ohio and certain other banks incorporated in Ohio and subject to inspection by the Superintendent of Institutions. Investment income is credited to the debt service fund from which the investment is made.

As of June 30, 2011, there were no investments to report.

**STATE OF OHIO  
CHAPTER 154 LEASE REVENUE OBLIGATIONS  
Debt Service Funds  
Notes to the Financial Statements**

**As of and for the Year Ended June 30, 2011**

*(Dollars in thousands)*

**NOTE 3 — LEASES**

The primary sources of payments, as contemplated under the respective bond and note proceedings, for meeting bond interest and principal requirements and establishing and maintaining any funded "required reserve" and meeting any note interest and principal (partial) requirements, are rentals paid to the Treasurer by the Ohio Board of Regents, the Ohio Department of Mental Health and the Ohio Department of Developmental Disabilities, the Ohio Department of Natural Resources, and the Ohio Cultural Facilities Commission, from moneys appropriated for such purposes by the General Assembly.

The respective obligations of each of the five state agencies to make such rental payments pursuant to the respective leases with the Ohio Public Facilities Commission are expressly made subject to the availability of appropriations for such purposes. Each lease terminates when the Treasurer has paid or retired all of the bonds or bond anticipation notes contemplated by that lease for the respective category of facilities.

For the 2010-11 biennium, the 128th General Assembly appropriated the amounts necessary from the General Revenue Fund to meet the payments required under such leases, not exceeding \$232,358 for higher education facilities, \$86,570 for mental health facilities, \$42,317 for parks and recreation facilities, and \$54,757 for cultural and sports facilities. From these appropriated amounts, the following have been paid to the Treasurer during

fiscal year 2010 and fiscal year 2011: \$232,302 with respect to higher education, \$81,507 with respect to mental health facilities, \$39,725 with respect to parks and recreational facilities, and \$53,766 with respect to cultural and sports facilities. Such amounts were paid into the Treasurer's respective Bond Service Funds that are established to receive rental and other payments and to make payments of bond service charges (principal and interest).

There were additional unappropriated funds available to supplement the rental payments required under the respective bond proceedings for the payment of the lease revenue obligations. These funds were composed of interest earnings, accrued interest, and original issue premium on bond sales.

The respective bond service accounts under the trust agreements for the Mental Health Capital Facilities Bonds, Higher Education Capital Facilities Bonds, Parks and Recreation Capital Facilities Bonds, and the Cultural and Sports Capital Facilities Bonds are restricted to payments of principal and interest on the bonds issued and outstanding under those respective trust agreements. No debt service reserve funds have been established for the outstanding Chapter 154 lease revenue bonds.

As of June 30, 2011, future payments to be received from the state agencies responsible for making the requisite payments under the lease agreements are detailed below by debt service fund.

**Schedule of Future Payments  
Under Lease Agreements with State Agencies  
as of June 30, 2011**

<b>Year Ending June 30,</b>	<b>Higher Education Facilities Bond Service</b>	<b>Mental Health Facilities Bond Service</b>	<b>Parks &amp; Recreation Facilities Bond Service</b>	<b>Cultural &amp; Sports Facilities Bond Service</b>	<b>Total Debt Service Funds</b>
2012.....	\$ 83,117	\$ 35,915	\$ 20,965	\$ 28,924	\$ 168,921
2013.....	57,600	33,611	18,750	27,200	137,161
2014.....	5,771	28,603	21,653	30,105	86,132
2015.....	-	28,603	21,646	26,478	76,727
2016.....	-	25,828	19,688	24,074	69,590
2017-2021.....	-	52,858	60,163	77,415	190,436
2022-2026.....	-	-	14,901	-	14,901
	<u>146,488</u>	<u>205,418</u>	<u>177,766</u>	<u>214,196</u>	<u>743,868</u>
<b>Amount</b>					
Representing Interest.....	(6,968)	(28,783)	(32,356)	(36,166)	(104,273)
Total.....	<u>\$ 139,520</u>	<u>\$ 176,635</u>	<u>\$ 145,410</u>	<u>\$ 178,030</u>	<u>\$ 639,595</u>

**STATE OF OHIO  
CHAPTER 154 LEASE REVENUE OBLIGATIONS  
Debt Service Funds  
Notes to the Financial Statements**

**As of and for the Year Ended June 30, 2011**

*(Dollars in thousands)*

**NOTE 3 — LEASES (Continued)**

A summary of the deferred portion of leases receivable by debt service fund as of June 30, 2011 is presented in the table below:

	<b>Higher Education Facilities Bond Service</b>	<b>Mental Health Facilities Bond Service</b>	<b>Parks &amp; Recreation Facilities Bond Service</b>	<b>Cultural &amp; Sports Facilities Bond Service</b>	<b>Total Debt Service Funds</b>
Lease Principal .....	\$ 98,185	\$ 165,480	\$ 144,365	\$ 178,030	\$ 586,060
Lease Interest .....	218	486	315	348	1,367
<b>Total Deferred Revenue, as of June 30, 2011 .....</b>	<b>\$ 98,403</b>	<b>\$ 165,966</b>	<b>\$ 144,680</b>	<b>\$ 178,378</b>	<b>\$ 587,427</b>

**NOTE 4 — CONSOLIDATION OF DEBT SERVICE FUND BALANCES IN THE STATE OF OHIO'S CAFR**

The Ohio Office of Budget and Management will consolidate the accompanying financial statements of the debt service funds in the financial statements presented in the State of Ohio's CAFR as of and for the year ended June 30, 2011.

When the debt service funds' financial statements are consolidated at the state level, the leases receivable, both principal and interest, and deferred

revenue balances will not be reported on the State's balance sheet for governmental funds, since the lease agreements are between organizations included within the State's primary government.

The accounting treatment at the state level is in conformity with the guidance provided in Section L20 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

**NOTE 5 — NEW ACCOUNTING PRONOUNCEMENTS**

During the fiscal year, the Treasurer implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which impacted the classification of fund balance for its

debt service funds. No other new accounting pronouncements had a significant impact on the financial statements.

# **SUPPLEMENTARY INFORMATION**

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Net Assets - Accrual Basis**  
**As of June 30, 2011**  
*(Dollars in 000s)*

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<b>ASSETS:</b>	
Cash.....	\$ 2,142
Receivables from State Agencies:	
Leases.....	639,595
Unamortized Lease Premium/Discount, Net.....	10,462
Interest.....	4,303
Unamortized Bond Issue Costs.....	<u>3,099</u>
<b>TOTAL ASSETS.....</b>	<u><b>659,601</b></u>
 <b>LIABILITIES:</b>	
Bond Interest Payable.....	6,444
Bonds Payable, net of deferred refunding amounts, premiums and discount:	
Due in One Year.....	143,632
Due in More Than One Year.....	<u>509,525</u>
<b>TOTAL LIABILITIES</b>	<u><b>659,601</b></u>
 <b>NET ASSETS:</b>	
Restricted for Debt Service.....	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u><u><b>\$ -</b></u></u>

See Independent Auditors' Report.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Activities - Accrual Basis**  
**For the Year Ended June 30, 2011**  
*(Dollars in 000s)*

	<b>Total Debt Service Funds</b>	<b>Higher Education Facilities</b>	<b>Mental Health Facilities</b>	<b>Parks and Recreation Facilities</b>	<b>Cultural and Sports Facilities</b>
<b>EXPENSES:</b>					
Administrative	\$ 632	\$ 16	\$ 27	\$ 28	\$ 561
Amortization of Bond Issue Costs	850	210	275	148	217
Interest on Debt	24,529	7,798	7,328	4,808	4,595
<b>TOTAL EXPENSES</b>	<b>26,011</b>	<b>8,024</b>	<b>7,630</b>	<b>4,984</b>	<b>5,373</b>
<b>PROGRAM REVENUES:</b>					
Charges for Services (1)	26,011	8,024	7,630	4,984	5,373
<b>TOTAL PROGRAM REVENUES</b>	<b>26,011</b>	<b>8,024</b>	<b>7,630</b>	<b>4,984</b>	<b>5,373</b>
<b>NET EXPENSE AND CHANGES IN NET ASSETS</b>	-	-	-	-	-
<b>NET ASSETS, JULY 1</b>	-				
<b>NET ASSETS, JUNE 30</b>	<b>\$ -</b>				

<sup>(1)</sup>Includes interest charges from leases receivable (due from state agencies) and administrative fees.

See Independent Auditors' Report.

**STATE OF OHIO  
CHAPTER 154 LEASE REVENUE OBLIGATIONS  
Reconciliation Schedule Between the Balance Sheet  
and the Schedule of Net Assets  
As of June 30, 2011**

*(Dollars in 000s)*

<b>Fund Balance per Debt Service Funds' Balance Sheet.....</b>	<b>\$ 58,613</b>
 Amounts reported in the Schedule of Net Assets are different from the Balance Sheet because:	
Some of the revenues and other financing sources are collectible after year-end, but are not available soon enough to pay for the current period's (i.e., within 60 days of year-end) expenditures, and therefore, are deferred in the funds.	
Leases Receivable from State Agencies:	
Principal .....	586,060
Interest .....	1,367
	587,427
 The following are not financial resources, and therefore are not reported in the fund.	
Unamortized Lease Premium/Discount, Net .....	10,462
Unamortized Bond Issue Costs .....	3,099
	13,561
 The following liabilities are not due and payable in the current period, and therefore, are not reported in the debt service funds.	
Bonds Payable.....	(653,157)
Bond Interest Payable.....	(6,444)
	(659,601)
 <b>Net Assets per Schedule of Net Assets.....</b>	<b>\$ -</b>

See Independent Auditors' Report.



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Reconciliation Schedule Between**  
**the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**and the Schedule of Activities**  
**For the Fiscal Year Ended June 30, 2011**  
*(Dollars in 000s)*

**Net Change in Fund Balance per Debt Service Funds'**  
**Statement of Revenues, Expenditures and Changes in Fund Balances .....** \$ 5,775

Amounts reported in the Schedule of Activities is different from the Debt Service Funds' Statement of Revenue, Expenditures and Changes in Fund Balances because:

Lease interest revenues and other financing sources from lease principal receipts are deferred in the debt service funds. During fiscal year 2011, deferred revenue changed by the following amounts.

Lease Principal .....	(111,355)
Lease Interest .....	<u>(2,017)</u>
	<u>(113,372)</u>

Increases and decreases in unamortized lease premiums/discounts are not reported in the debt service funds .....	<u>1,344</u>
------------------------------------------------------------------------------------------------------------------	--------------

Debt proceeds provide current financial resources to the debt service funds, but issuing debt increases long-term liabilities in the Schedule of Net Assets. In the current period, proceeds were received from:

Bonds.....	(58,000)
Premiums.....	<u>(3,864)</u>
	<u>(61,864)</u>

Repayments of long-term debt are reported as expenditures in the debt service funds, but the repayments reduce long-term liabilities in the Schedule of Net Assets. During fiscal year 2011, these amounts consisted of:

Scheduled Debt Principal Retirements .....	<u>164,540</u>
	<u>164,540</u>

Some expenses reported in the Schedule of Activities are not reported as expenditures in the debt service funds. Under the modified accrual basis of accounting used for debt service funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Schedule of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

Decrease in Unamortized Bond Issue Costs .....	(309)
Decrease in Bond Interest Payable.....	1,059
Amortization of Bond Premiums/Accretion of Bond Discounts, Net .....	5,676
Amortization of Deferred Refunding Amount .....	<u>(2,849)</u>
	<u>3,502</u>

<b>Change in Net Assets per Schedule of Activities .....</b>	<u>\$ -</u>
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See Independent Auditors' Report.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Future Payments**  
**Under Lease Agreements with State Agencies**  
**As of June 30, 2011**

*(Dollars in 000s)*

Year Ending June 30,	Higher Education Facilities	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities	Total
2012.....	\$83,117	\$35,915	\$20,965	\$28,924	\$168,921
2013.....	57,600	33,611	18,750	27,200	137,161
2014.....	5,771	28,603	21,653	30,105	86,132
2015.....	-	28,603	21,646	26,478	76,727
2016.....	-	25,828	19,688	24,074	69,590
2017-2021.....	-	52,857	60,163	77,415	190,435
2022-2026.....	-	-	14,901	-	14,901
	<u>146,488</u>	<u>205,417</u>	<u>177,766</u>	<u>214,196</u>	<u>743,867</u>
Amount Representing Interest.....	(6,968)	(28,782)	(32,356)	(36,166)	(104,272)
	<u>139,520</u>	<u>176,635</u>	<u>145,410</u>	<u>178,030</u>	<u>639,595</u>
Premium/(Discount), Net.....	428	2,921	1,469	5,644	10,462
<b>Leases Receivable, as of June 30, 2011.....</b>	<b>\$ 139,948</b>	<b>\$ 179,556</b>	<b>\$ 146,879</b>	<b>\$ 183,674</b>	<b>\$650,057</b>

See Independent Auditors' Report.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2011**  
*(Dollars in 000s)*

Outstanding Chapter 154 Lease Rental Obligations as of June 30, 2011 are in the form of fully registered bonds that mature in various amounts and at various dates and bear interest payable semiannually at various interest rates. The bonds mature after specified dates and are subject to redemption prior to maturity, in whole or in part, in inverse order of maturity. The redemption price varies from 100% to 102%, dependent upon the terms of the particular series of the bonds and the redemption date.

As of June 30, 2011, the Chapter 154 Lease Obligations had the following credit ratings assigned by the major bond rating agencies:

	Fitch	Moody's	Standard & Poor's
Higher Education Facilities.....	AA+	Aa1	AA
Mental Health Facilities .....	AA	Aa2	AA
Parks and Recreation Facilities	AA	Aa2	AA
Cultural & Sports Facilities .....	AA	Aa2	AA

Through June 30, 2011, the Ohio General Assembly has authorized issuance of Chapter 154 Lease Revenue Obligations, including bonds and bond anticipation notes for capital facilities, in the following amounts:

<u>Type of Bond</u>	<u>Amount</u>
Higher Education Facilities* .....	\$4,817,590
Mental Health Facilities .....	1,517,000
Parks and Recreation Facilities .....	418,000
Cultural and Sports Facilities.....	512,000
<b>Total Authorization.....</b>	<b><u>\$7,264,590</u></b>

\* Includes transfers of subsequent issuing authority from special obligations (lease-rental) to general obligations for higher education capital facilities.

Details on bonds issued through June 30, 2011 are displayed in the following tables. Bond amounts issued in accordance with the above authorizations amounts are listed under the "Original Issues at Par" column. Bond issue authorization limits do not apply to advance refunding issues. The final maturity dates and average effective interest rates reported on the following tables represent data valid at the time of the original issue; this data has not been adjusted for the effects of any advance refunding issues that occurred subsequent to the original bond series issue.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2011 (Continued)**  
*(Dollars in 000s)*

**Higher Education Facilities Special Obligation Bonds**

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2011
1970A	\$40,000	\$ —	8/1/1970	6/1/1992	6.17%	\$ —
1971A	50,000	—	5/1/1971	5/1/1994	5.10%	—
1972A	60,000	—	3/1/1972	12/1/1994	4.97%	—
1972B	75,000	—	8/1/1972	11/1/1993	5.27%	—
1973A	40,000	—	6/1/1973	12/1/1993	5.08%	—
1974A	45,000	—	4/1/1974	11/1/1996	5.56%	—
1974B	40,000	—	12/1/1974	12/1/1996	6.30%	—
1975A	30,000	—	6/1/1975	6/1/1990	6.53%	—
1976A	100,000	—	3/1/1976	5/1/1993	6.90%	—
1976B	70,000	—	10/1/1976	11/1/1996	5.88%	—
1977A	50,000	—	9/1/1977	12/1/1995	5.15%	—
1978A	60,000	—	3/1/1978	12/1/1995	5.31%	—
1978B	100,000	—	8/1/1978	5/1/1994	6.14%	—
1979A	65,000	—	6/1/1979	6/1/1994	5.92%	—
1980A	85,000	—	8/1/1980	5/1/1991	9.09%	—
1981A	45,000	—	3/1/1981	6/1/1992	10.02%	—
1982A	75,000	—	7/1/1982	6/1/1992	13.11%	—
1983A	90,000	—	4/1/1983	6/1/1993	9.00%	—
1984A	90,000	—	1/1/1984	12/1/1994	8.73%	—
1984B	115,000	—	9/1/1984	11/1/1995	9.71%	—
1985A	110,000	—	6/1/1985	6/1/1996	8.22%	—
1986A	110,000	—	2/1/1986	11/1/1996	8.15%	—
1986B	120,000	—	8/1/1986	5/1/1997	7.11%	—
1987A	120,000	—	4/1/1987	5/1/1997	6.43%	—
1987B	—	130,000	7/1/1987	6/1/1997	7.15%	—
1988A	120,000	—	1/1/1988	11/1/1997	6.99%	—
1988B	115,000	—	9/1/1988	6/1/1997	7.14%	—
1989A	115,000	—	4/1/1989	5/1/1997	7.41%	—
1989B	115,000	—	12/1/1989	12/1/1997	6.71%	—
II-1990A	115,000	—	8/1/1990	5/1/1998	6.86%	—
II-1991A	115,000	—	4/1/1991	5/1/1998	6.45%	—
II-1991B	115,000	—	10/1/1991	12/1/2006	6.06%	—
II-1992A	114,450	137,405	2/1/1992	12/1/2007	5.65%	—
II-1992B	115,000	—	7/1/1992	11/1/2007	5.56%	—
II-1992C	85,000	51,110	10/1/1992	12/1/2007	5.43%	—
II-1993A	121,280	84,520	6/1/1993	6/1/2008	4.87%	—
II-1993B	120,000	—	12/1/1993	12/1/2008	4.85%	—
II-1994A	120,850	132,150	3/1/1994	12/1/2008	4.48%	—
II-1994B	120,000	—	11/1/1994	11/1/2009	5.98%	—
II-1995A	139,765	26,635	4/1/1995	5/1/2010	5.40%	—
II-1995B	140,000	—	10/1/1995	11/1/2010	5.12%	—
II-1996A	150,000	—	2/1/1996	11/1/2010	5.63%	—
II-1996B	150,000	—	10/1/1996	11/1/2011	5.14%	—
II-1997A	149,885	132,415	4/1/1997	5/1/2012	5.07%	—
II-1997B	150,000	86,500	10/1/1997	11/1/2012	4.75%	—
II-1998A	146,360	107,840	3/1/1998	12/1/2012	4.52%	—
II-1998B	150,000	—	7/1/1998	6/1/2013	4.69%	—
II-1998C	150,000	—	12/1/1998	6/1/2013	4.41%	—
II-1999A	100,000	—	8/1/1999	11/1/2013	4.85%	—
II-2001A	—	394,495	4/1/2001	12/1/2011	4.25%	12,220
II-2002A	—	253,275	8/1/2002	12/1/2012	3.54%	36,810
II-2003A	—	36,065	2/1/2003	6/1/2009	3.23%	—
II-2004A	—	173,975	10/5/2004	8/1/2013	3.50%	90,490
<b>Total</b>	<b>\$4,817,590</b>	<b>\$1,746,385</b>				<b>\$139,520</b>

See Independent Auditors' Report.

(Continued)

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2011 (Continued)**  
*(Dollars in 000s)*

**Mental Health Facilities Special Obligation Bonds**

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2011
1970A	\$25,000	\$ —	8/1/1970	12/1/1992	6.20%	\$ —
1971A	50,000	—	8/1/1971	6/1/1991	6.06%	—
1975A	50,000	—	4/1/1975	12/1/1993	6.85%	—
1976A	45,000	—	4/1/1976	12/1/1993	6.36%	—
1976B	50,000	—	12/1/1976	12/1/1993	6.02%	—
1977A	50,000	—	12/1/1977	12/1/1996	5.23%	—
1978A	40,000	—	12/1/1978	12/1/1993	6.11%	—
1979A	65,000	—	9/1/1979	12/1/1993	6.55%	—
1980A	40,000	—	6/1/1980	6/1/1992	6.94%	—
1982A	185,000	—	10/1/1982	12/1/1993	11.28%	—
1984A	50,000	—	12/1/1984	12/1/1995	9.52%	—
1987A	24,200	71,700	7/1/1987	12/1/1997	7.00%	—
1988A	40,000	—	9/1/1988	6/1/1998	7.26%	—
1989A	40,000	—	11/1/1989	12/1/1997	6.86%	—
II-1991A	40,000	—	4/1/1991	12/1/2005	6.44%	—
II-1992A	39,940	22,290	2/1/1992	12/1/2006	5.86%	—
II-1993A	40,000	—	2/1/1993	12/1/2007	5.19%	—
II-1993B	40,395	137,940	11/1/1993	6/1/2008	4.52%	—
II-1994A	40,000	—	11/1/1994	12/1/2009	6.03%	—
II-1996A	40,000	—	2/1/1996	12/1/2010	4.67%	—
II-1996B	40,000	—	10/1/1996	6/1/2011	5.20%	—
II-1997A	40,000	—	12/1/1997	12/1/2012	4.81%	—
II-1998A	39,550	21,250	7/1/1998	6/1/2013	4.63%	—
II-2000A	30,000	—	6/1/2000	6/1/2015	5.29%	—
II-2001A	—	56,970	4/1/2001	12/1/2010	4.11%	—
II-2001B	30,000	—	8/1/2001	6/1/2016	4.54%	2,325
II-2002A	30,000	—	8/1/2002	6/1/2017	4.19%	2,750
II-2002B	—	38,065	8/1/2002	12/1/2010	3.11%	—
II-2003A	—	8,215	2/1/2003	6/1/2011	3.45%	—
II-2003B	30,000	—	6/1/2003	6/1/2018	3.54%	16,950
II-2004A	—	30,035	10/5/2004	8/1/2012	3.54%	16,330
II-2004B	25,000	—	12/29/2004	6/1/2019	3.54%	14,540
II-2005A	30,000	—	8/31/2005	8/1/2019	4.37%	20,990
II-2006A	30,000	—	8/10/2006	6/1/2016	4.09%	17,365
II-2006B	—	26,775	12/14/2006	12/1/2016	4.75%	26,775
II-2008A	30,000	—	11/19/2008	6/1/2018	3.72%	22,030
II-2009A	40,000	—	12/17/2009	12/1/2019	2.56%	36,580
	<u>1,389,085</u>	<u>413,240</u>				<u>176,635</u>
Bond Anticipation Notes	<u>3,000</u>	<u>—</u>				<u>—</u>
<b>Total</b>	<b><u>\$1,392,085</u></b>	<b><u>\$413,240</u></b>				<b><u>176,635</u></b>

See Independent Auditors' Report.

(Continued)

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2011 (Continued)**  
*(Dollars in 000s)*

**Parks and Recreation Facilities Special Obligation Bonds**

Series	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2011
1972A	\$6,000	\$ —	6/1/1972	6/1/1994	5.04%	\$ —
1978A	38,000	—	6/1/1978	12/1/1995	5.86%	—
1982A	20,000	—	12/1/1982	12/1/1992	10.06%	—
1986A	16,150	—	5/1/1986	12/1/1997	6.78%	—
1989A	36,000	—	6/1/1989	12/1/1997	6.66%	—
II-1992A	8,100	8,400	10/1/1992	12/1/2007	5.33%	—
II-1993A	20,000	—	3/1/1993	12/1/2007	4.74%	—
II-1994A	20,000	—	9/1/1994	6/1/2009	5.41%	—
II-1995A	20,000	11,100	10/1/1995	6/1/2010	5.10%	—
II-1997A	10,150	15,850	12/1/1997	12/1/2012	4.65%	—
II-2000A	20,000	—	2/1/2000	12/1/2014	5.47%	—
II-2001A	25,000	—	2/1/2001	12/1/2015	4.58%	1,850
II-2001B	—	20,935	4/1/2001	12/1/2009	4.02%	—
II-2002A	25,000	—	5/1/2002	6/1/2017	4.46%	1,755
II-2002B	—	9,675	8/1/2002	12/1/2007	2.52%	—
II-2003A	—	6,425	2/1/2003	6/1/2012	3.58%	1,960
II-2004A	25,000	—	3/11/2004	12/1/2018	4.11%	14,420
II-2004B	—	11,740	10/5/2004	8/1/2014	4.11%	9,395
II-2005A	23,100	—	3/9/2005	2/1/2020	4.11%	15,320
II-2006A	—	15,410	12/14/2006	12/1/2016	4.32%	15,120
II-2007A	30,000	—	11/13/2007	12/1/2017	3.82%	22,590
II-2009A	35,000	—	3/12/2009	12/1/2020	3.95%	33,000
II-2011A	30,000	—	3/3/2011	8/1/2025	4.06%	30,000
	<u>407,500</u>	<u>99,535</u>				<u>145,410</u>
Bond Anticipation Notes	500	—				—
<b>Total</b>	<u><u>\$408,000</u></u>	<u><u>\$99,535</u></u>				<u><u>145,410</u></u>

See Independent Auditors' Report.

(Continued)

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2011 (Continued)**  
*(Dollars in 000s)*

**Cultural and Sports Facilities Special Obligation Bonds**

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2011
1992A	\$5,000	\$ —	4/9/1992	4/8/1993	3.50%	\$ —
1993A	10,000	—	6/1/1993	10/1/2007	4.48%	—
1993A	35,000	—	6/1/1993	10/1/2007	4.48%	—
1996A	10,000	—	4/1/1996	10/1/2005	4.37%	—
1997A	40,000	—	1/15/1997	10/1/2006	4.97%	—
1997A	37,000	—	1/15/1997	10/1/2011	4.75%	—
1999A	75,000	—	3/15/1999	10/1/2008	5.00%	—
1999A	39,000	—	3/15/1999	10/1/2013	4.40%	—
2001A	29,000	—	2/1/2001	4/1/2016	4.82%	2,190
2001A	23,690	—	2/1/2001	4/1/2016	4.42%	1,745
2003A	20,000	—	3/14/2003	4/1/2018	3.53%	10,630
2004A	20,000	—	10/21/2004	10/1/2014	3.57%	8,915
2005A	30,000	—	8/31/2005	4/1/2020	4.61%	21,625
2006A	25,000	—	12/14/2006	4/1/2020	4.45%	18,550
2006B	—	28,295	12/14/2006	10/1/2015	4.83%	27,655
2008A	—	6,880	8/1/2008	10/1/2011	2.85%	3,460
2008B	30,000	—	12/3/2008	10/1/2018	3.68%	25,260
2010A	30,000	—	2/10/2010	10/1/2020	3.73%	30,000
2011A	28,000	—	3/3/2011	10/1/2020	4.84%	28,000
<b>Total</b>	<b>\$486,690</b>	<b>\$35,175</b>				<b>178,030</b>

See Independent Auditors' Report.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Changes in Bonds Payable Balance**  
**For the Year Ended June 30, 2011**

*(Dollars in 000s)*

	<b>Higher Education Facilities Bonds</b>	<b>Mental Health Facilities Bonds</b>	<b>Parks and Recreation Facilities Bonds</b>	<b>Cultural and Sports Facilities Bonds</b>	<b>Total</b>
Outstanding Balance, July 1, 2010	\$ 239,105	\$ 214,236	\$ 131,048	\$ 174,272	\$ 758,661
Additions:					
New Issuances:					
Bond Principal	-	-	30,000	28,000	58,000
Bond Premium	-	-	707	3,157	3,864
Accretion of Discount	-	-	5	-	5
Amortization of Deferred Refunding Amount	1,876	446	264	263	2,849
<b>Total Additions</b>	<b>1,876</b>	<b>446</b>	<b>30,976</b>	<b>31,420</b>	<b>64,718</b>
Deductions:					
Bond Principal Repayments	98,210	32,725	13,771	19,835	164,541
Amortization of Premium	2,650	1,467	500	1,064	5,681
<b>Total Deductions</b>	<b>100,860</b>	<b>34,192</b>	<b>14,271</b>	<b>20,899</b>	<b>170,222</b>
<b>Outstanding Balance, June 30, 2011</b>	<b>\$ 140,121</b>	<b>\$ 180,490</b>	<b>\$ 147,753</b>	<b>\$ 184,793</b>	<b>\$ 653,157</b>
Amount Due in One Year	\$ 78,147	\$ 28,786	\$ 15,306	\$ 21,393	\$ 143,632
Amount Due in More Than One Year	61,974	151,704	132,447	163,400	509,525
<b>Outstanding Balance, June 30, 2011</b>	<b>\$ 140,121</b>	<b>\$ 180,490</b>	<b>\$ 147,753</b>	<b>\$ 184,793</b>	<b>\$ 653,157</b>

See Independent Auditors' Report.



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Future Debt Service Funding Requirements**  
**As of June 30, 2011**

(Dollars in 000s)

	Higher Education Bonds			Mental Health Bonds			Parks & Recreation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 77,990	\$ 5,127	\$ 83,117	\$ 28,700	\$ 7,215	\$ 35,915	\$ 15,310	\$ 5,655	\$ 20,965
2013	55,900	1,700	57,600	27,550	6,061	33,611	13,600	5,150	18,750
2014	5,630	141	5,771	23,660	4,943	28,603	17,050	4,603	21,653
2015	-	-	-	24,650	3,953	28,603	17,680	3,966	21,646
2016	-	-	-	22,895	2,933	25,828	16,390	3,298	19,688
2017-2021	-	-	-	49,180	3,678	52,858	52,090	8,073	60,163
2022-2026	-	-	-	-	-	-	13,290	1,611	14,901
	139,520	6,968	146,488	176,635	28,783	205,418	145,410	32,356	177,766
Premium/Discount, Net	2,107	-	2,107	4,644	-	4,644	3,031	-	3,031
Deferred Refunding Amount	(1,507)	-	(1,507)	(789)	-	(789)	(688)	-	(688)
<b>Total, as of June 30, 2011</b>	<b>\$ 140,120</b>	<b>\$ 6,968</b>	<b>\$ 147,088</b>	<b>\$ 180,490</b>	<b>\$ 28,783</b>	<b>\$ 209,273</b>	<b>\$ 147,753</b>	<b>\$ 32,356</b>	<b>\$ 180,109</b>

	Cultural Facilities Bonds			Total - Chapter 154 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 21,355	\$ 7,569	\$ 28,924	\$ 143,355	\$ 25,566	\$ 168,921
2013	20,665	6,535	27,200	117,715	19,446	137,161
2014	24,490	5,615	30,105	70,830	15,302	86,132
2015	21,765	4,713	26,478	64,095	12,632	76,727
2016	20,230	3,845	24,075	59,515	10,076	69,591
2017-2021	69,525	7,889	77,414	170,795	19,640	190,435
2022-2026	-	-	-	13,290	1,611	14,901
	178,030	36,166	214,196	639,595	104,273	743,868
Premium/Discount, Net	7,279	-	7,279	17,061	-	17,061
Deferred Refunding Amount	(515)	-	(515)	(3,499)	-	(3,499)
<b>Total, as of June 30, 2011</b>	<b>\$ 184,794</b>	<b>\$ 36,166</b>	<b>\$ 220,960</b>	<b>\$ 653,157</b>	<b>\$ 104,273</b>	<b>\$ 757,430</b>

See Independent Auditors' Report.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Current and Advance Refunding Issues and Prior Years' Defeasances**  
**As of and For the Year Ended June 30, 2011**  
*(Dollars in 000s)*

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**Current and Advance Refunding Issues**

There were no current or advance refunding issues during the year ended June 30, 2011.

**Prior Years' Defeasances**

The Treasurer has defeased certain Chapter 154 Lease Revenue Obligations by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements of the Chapter 154 Lease Revenue Obligations. The following table details advance refunded bonds, which are considered to be defeased and no longer outstanding as of June 30, 2011 that were refunded in fiscal year 2011 and prior.

<u>Refunded Issue</u>	<u>Principal Yet to be Paid as of June 30, 2011</u>	<u>Scheduled Redemption Date</u>
Mental Health:		
Series II-2001B	\$ 9,930	December 1, 2016
Series II-2002A	<u>11,445</u>	June 1, 2017
	<u>21,375</u>	
Parks & Recreation:		
Series II-2002A	<u>10,205</u>	June 1, 2017
	<u>10,205</u>	
<b>Total</b>	<b><u>\$ 31,580</u></b>	

See Independent Auditors' Report.



INSIGHT ■ INNOVATION ■ EXPERIENCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Treasurer of State of Ohio  
Columbus, Ohio

We have audited the financial statements of the Debt Service Funds as held in the name of the Treasurer of the State of Ohio (the Funds) of the Higher Education Capital Facilities, Mental Health Capital Facilities, Parks and Recreation Capital Facilities, and Cultural and Sports Capital Facilities Lease Revenue Bonds Governed by the Ohio Revised Code Chapter 154 as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. The financial statements present only the State Lease Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Treasurer of the State of Ohio, which is part of the reporting entity of the State of Ohio. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds' financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Treasurer of State and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

*Schneider, Downs & Co, Inc.*

Columbus, Ohio  
September 27, 2011



# Dave Yost • Auditor of State

**TREASURER OF STATE REVENUE LEASE BOND**

**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 22, 2011**