OHIO BUILDING AUTHORITY

Financial Statements
for the Six Month Period Ended December 31, 2011
and
Independent Accountants' Reports

Kennedy
Cottrell
Richards

Ohio Building Authority
30 East Broad Street
Suite 4020
Columbus, Ohio 43215

We have reviewed the *Independent Accountants' Report* of the Ohio Building Authority, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2011 through December 31, 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 Ohio Building Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 6, 2012

OHIO BUILDING AUTHORITY

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INDEPENDENT ACCOUNTANTS' REPORT

To the Members of the Ohio Building Authority and
The Honorable Dave Yost, Auditor of the State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the enterprise fund and the remaining fund information of the Ohio Building Authority, (the "Authority") a component unit of the State of Ohio, as of and for the six month period ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund and the remaining fund information of the Ohio Building Authority as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the six month period then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, Amended Substitute House Bill No. 153 as enacted by the General Assembly provides that effective January 1, 2012 the Treasurer of the State of Ohio and the Department of Administrative Services of the State of Ohio supersedes and replaces the Authority in all matters. These financial statements reflect the operations of the final six months of the Ohio Building Authority.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The Schedules of Projects provide additional analysis and are not a required part of the basic financial statements. The schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
January 27, 2012

OHIO BUILDING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2011 THROUGH DECEMBER 31, 2011 (Dollars in thousands)

This section of the Ohio Building Authority's (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial activities for the period July 1, 2011 through December 31, 2011. 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.

Ceased Operations

Amended Substitute House Bill No. 153 as enacted by the General Assembly provides that effective January 1, 2012 the Treasurer of the State of Ohio supersedes and replaces the Authority in all matters relating to the issuance of obligations for the financing of capital facilities for housing braches and agencies of State government. The legislation also provides that the Treasurer succeeds to all of the duties, powers, obligations and functions of the Authority relating to bonds previously issued by the Authority. This legislation also provides that effective January 1, 2012 the building and facility operations and management functions of the Authority are transferred to the Department of Administrative Services of the State of Ohio. These financial statements reflect the operations of the final six months of the Ohio Building Authority.

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

Financial Information and Analysis

The following summarizes the Authority's financial positions at December 31, 2011 and June 30, 2011:

	December 31, 2011	June 30,2011
Assets:		
Current Assets	$171,943	$222,512
Non-Current Assets	1,448,172	1,438,093
Total Assets	$1,620,115	$1,660,605
Liabilities:		
Current Liabilities	$143,032	$195,695
Non-Current Liabilities	1,448,172	1,438,084
Total Liabilities	1,591,204	1,633,779
Total Net Assets—Restricted	$28,911	$26,826

During the period July 1, 2011 through December 31, 2011, net assets of the Authority increased by $2,085 or 7.8%. The increase in net assets is due to the refunding of $159,815 of various bond issues. The refunding reduced the amount of interest cost on debt payments thus reducing non-operating expenses. The following represents the Authority's summary of changes in net assets for the period from July 1, 2011 through December 31, 2011 and for the fiscal year ended June 30, 2011:

	July 1, 2011 through December 31, 2011	Fiscal year ended June 30, 2011
Operating Revenues	$44,650	$88,706
Operating Expenses	13,011	22,865
Net Operating Gain	31,639	65,841
Non-Operating Expenses	(29,554)	(62,930)
Net Gain (Loss)	2,085	2,911
Net Assets – Beginning of the period	26,826	23,915
Net Assets – End of the period	$28,911	$26,826

The operating information above as of December 31, 2011 is for six month period then ended, whereas the information as of June 30, 2011 is for the twelve month fiscal year then ended. Overall net assets increased due to the aforementioned refunding's.

Capital Asset Activity

During the period July 1, 2011 through December 31, 2011, the Authority disbursed a total of $6,566 in connection with State Community and Technical College facilities. Activities related to these projects are accounted for in an agency fund. Please refer to Note 1 to the financial statements for a more complete discussion of the basis of presentation for these projects.

Long-term Debt Activity

On September 15, 2011 the Authority, as part of the State's biennium budget as enacted by Amended Substitute House Bill No. 153, refunded portions of 19 series of previously issued bonds in order to restructure the debt service on bonds coming due October 1, 2011 and April 1, 2012 in the amount of $110,045. Additionally, $49,770 was refunded for bonds due in 2012 through 2014. The overall transaction resulted in an economic gain of $3,111 and issuance cost of $1,017. Please refer to Note 5 to the financial statements for a more complete discussion of the Authority's long-term debt activity.

Request for Information

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Kevin T. Fenlon, Assistant Executive Director - Financial Affairs, Ohio Building Authority, 30 East Broad Street, Columbus, Ohio 43215

OHIO BUILDING AUTHORITY

STATEMENT OF NET ASSETS—ENTERPRISE FUND
December 31, 2011
(Dollars in thousands)

ASSETS

CURRENT ASSETS:	
Cash—unrestricted	$ 321
Investments—restricted	29,046
Receivables:	
Leases—current portion, net	123,708
Lease interest receivable	18,195
Accounts receivable	503
Other assets	170
Total current assets	171,943
NON-CURRENT ASSETS:	
Leases receivable, net	1,442,080
Deferred debt issuance cost	6,092
Total assets	$ 1,620,115

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities:	
Restricted	559
Unrestricted	114
Deferred revenue	249
Bonds payable—current portion, net	123,708
Other liabilities	207
Accrued interest	18,195
Total current liabilities	143,032
NON-CURRENT LIABILITIES—Bonds payable, net	1,448,172
Total liabilities	1,591,204
TOTAL NET ASSETS—Restricted	$ 28,911

OHIO BUILDING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—ENTERPRISE FUND
For the period July 1, 2011 through December 31, 2011
(Dollars in thousands)

OPERATING REVENUES:	
Rents	$ 15,980
Lease interest	28,076
Other	594
Total operating revenues	44,650
OPERATING EXPENSES:	
Building maintenance and operations	8,363
Utilities	1,845
General administration	2,614
Other	189
Total operating expenses	13,011
OPERATING GAIN	31,639
NON-OPERATING REVENUES (EXPENSES):	
Earnings on investments	2
Interest expense and other	(29,556)
Total non-operating expenses	(29,554)
NET GAIN	2,085
NET ASSETS—Beginning of period	26,826
NET ASSETS—End of period	$ 28,911

See notes to financial statements.

OHIO BUILDING AUTHORITY

STATEMENT OF CASH FLOWS—ENTERPRISE FUND
For the period July 1, 2011 through December 31, 2011
(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers:	
State operating rent	$ 12,381
Local operating rent	1,503
Lease interest income receipts	32,345
Total cash received from customers	46,229
Cash received from quasi-external operating transactions with other funds	567
Cash payments to suppliers for goods and services	(14,952)
Cash payments to employees for services	(689)
Miscellaneous fees and commissions	555
Net cash flows provided by operating activities	31,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on bonds	(32,690)
Interest paid	(33,682)
Principal receipts on capital leases	31,253
Refunding bond proceeds	351
Payment of debt issue costs	(351)
Premium on sale of bonds, net	6
Net cash flows used in capital and related financing activities	(35,113)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	82,661
Purchase of investments	(79,493)
Investment income received	1
Net cash flows used by investing activities	3,169
NET INCREASE IN CASH AND CASH EQUIVALENTS	(234)
RESTRICTED AND UNRESTRICTED—Beginning of period	555
RESTRICTED AND UNRESTRICTED—End of period	$ 321
OPERATING GAIN	$ 31,639
ADJUSTMENTS TO RECONCILE OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Amortization of lease discount / premium	4,417
Changes in assets and liabilities:	
Decrease in lease interest receivable	778
Decrease in account receivable—other	304
Decrease in other assets	191
Decrease in accounts payable and other liabilities	(5,619)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 31,710

See notes to financial statements.

OHIO BUILDING AUTHORITY

STATEMENT OF NET ASSETS—AGENCY FUND
December 31, 2011
(Dollars in thousands)

ASSETS

INVESTMENTS	$	4,707
Other assets:		
Prepaid expenses		9
TOTAL ASSETS		4,716

LIABILITIES

Payable on behalf of the Agency		4,716
Total liabilities		4,716
NET ASSETS	$	-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In October 1993, the Authority issued $214,255 (in thousands) 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 of refunding bonds at rates from 2.0% to 5.0% to completely refund the bonds issued in 1993. The Authority will retain title to 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 December 31, 2011, $47,005 of BWC bonds were outstanding.

In August 2010, the Authority issued $20,145 (in thousands) of bonds at rates from 2.0% to 5.97%, with payments due through 2030 on behalf of Stark State College and in October 2010 the Authority issued $9,525 (in thousands) of bonds at rates from 1.5% to 6.17%, with payments due through 2035 on behalf of Clark State Community College (collectively, the "Colleges"). Since the Colleges are a proprietary component unit of the State of Ohio, its financial statements report the assets and debt financed through the Authority. Accordingly, the Authority's Enterprise Fund does not include the Colleges facilities, 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 the Colleges. At December 31, 2011, $28,620 of Colleges bonds were outstanding.

Ceased Operations

Amended Substitute House Bill No. 153 as enacted by the General Assembly provides that effective January 1, 2012 the Treasurer of the State of Ohio supersedes and replaces the Authority in all matters relating to the issuance of obligations for the financing of capital facilities for housing braches and agencies of State government. The legislation also provides that the Treasurer succeeds to all of the duties, powers, obligations and functions of the Authority relating to bonds previously issued by the Authority. This legislation also provides that effective January 1, 2012 the building and facility operations and management functions of the Authority are transferred to the Department of Administrative Services of the State of Ohio. These financial statements reflect the operations of the final six months of the Ohio Building Authority.

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

Significant components of Statement No. 34 include the following:

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

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

Basis of Accounting—The financial statements of the Authority have been prepared on the accrual basis whereby revenue is recognized when earned, and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. The notes accompanying these financial statements relate directly to the Authority. The Authority applies all applicable GASB pronouncements and the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements; Financial Accounting Standards Board ("FASB") statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its enterprise funds.

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

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

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

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

Deferred Revenue—Deferred revenue represents certain bond proceeds due to the State, but remitted to the Authority at the direction of the State.

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 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. For the sixth month period ended December 31, 2011 the Authority invested only in governmental money market type funds that are carried at a dollar per dollar value thus, resulting in no difference between cost and carrying value of investment amounts, other than interest earnings.

Statement of Cash Flows— For purposes of the statement of cash flows the Authority considers all cash deposits to be cash equivalents.

2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk. The risk that, in the event of a bank failure, the Authority's deposits may not be returned. The bank and financial statement balances of the Authority's cash with custodians at December 31, 2011 was $321 (in thousands). Of this amount $250 was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* as of December 31, 2011, $71 of the Authority's bank balance was exposed to custodial risk and is considered uninsured, however, they are collateralized with investments held in pledged collateral pools by the various financial institutions. The Authority does not have a policy related to custodial credit risk for investments; however, all of the Authority's investments are book-entry securities held by a safekeeping agent and are, therefore, not exposed to custodial credit risk.

Investments

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

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

		Investment Maturities
		12 months
Investment Type	Fair Value	or less
Governmental Money Markets	33,753	33,753
Total investments	$ 33,753	$ 33,753

Credit Risk. The majority of the Authority's investments are governed by the Bond trust agreements authorizing the Authority to invest, in general, in (1) U.S. Treasury obligations; (2) U.S. agency obligations; (3) collateralized certificates of deposits and repurchase agreements; (4) obligations of any state or political subdivision of any state of the United States (provided such obligations carry one of the two highest ratings of a nationally recognized rating service, provided further that the interest on such obligations is excluded from gross income for federal tax purposes); and (5) in certain circumstances, any money market fund invested solely in obligations described in clauses (1) and (2) above.

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

Of the investment balance at December 31, 2011, $29,046 represents restricted investments held in the Enterprise Fund and $4,707 restricted investments held in the Agency Fund.

3. LEASES RECEIVABLE

The Authority's leasing operations consist of leasing of facilities for use by the State of Ohio (or any of its agencies) and by the local governments, under direct financing arrangements expiring in various years through 2031.

Following is a summary of the components of the Authority's net investment in direct financing leases (in thousands), at December 31, 2011:

Total minimum lease principal payments to be received	$ 1,514,920
Add—deferred income-non current	42,325
Add—deferred income current	7,408
Add—deferred debt issuance cost - current	1,135
Net leases receivable	$ 1,565,788

Minimum lease payments (in thousands) to be received as of December, 2011 are as follows:

2012	$ 186,240
2013	220,055
2014	218,307
2015	189,974
2016	188,207
2017-2021	641,064
2022-2026	302,917
2027-2031	42,446
Total minimum payments	1,989,210
Interest for capital leases	(474,290)
Minimum lease principal payments	$ 1,514,920

4. RESTRICTED ASSETS

In general, the trust agreements related to the issuance of the bonds payable established various funds that are used for the deposit and disbursement of cash. Deposits are principally lease receipts, cost reimbursements, interest earnings, and miscellaneous income. Expenditures are principally for project costs, debt service payments, and operating expenses. Deposits to and disbursements from the funds are governed by the provisions of the trust agreements. The trust agreements also require the segregation of specific funds (pledged receipts) as security for the bonds.

Pledged receipts (in thousands) at December 31, 2011 by type of project were:

	Pledged Receipts
Rhodes State Office Tower	$ 6,137
Lausche State Office Building	3,193
DiSalle Government Center	7,141
Ocasek Government Office Building	3,394
Riffe Center for Government and the Arts	8,425
State Correctional Facilities	3
Administrative Building Fund Projects	17
Juvenile Correctional Facilities	229
Community & Technical College Facilities	4,693
Total	$ 33,232

5. BONDS AND NOTES PAYABLE

The Authority issues bonds and notes to finance the costs of capital facilities for State departments and agencies and, in some cases, related facilities for local governments. Bonds issued for State agencies are reflected in the financial statements as special obligation bonds and bonds issued for local government facilities are shown as revenue bonds. There are currently no revenue bonds outstanding.

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 fiscal year 2012 were as follows (in thousands):

	Rent	Operations
Ohio Department of Administrative Services— Office/Administrative Facilities	$ 53,260	$ 21,000
Ohio Department of Rehabilitation and Correction— Correctional Facilities	42,863	
Ohio Department of Youth Services— Juvenile Facilities	10,222	
Ohio Department of Public Safety— Highway Safety	9,978	
Bureau of Workers' Compensation	18,291	
Total	$ 134,614	$ 21,000

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

Principal of bonds outstanding—June 30, 2011	$ 1,558,085
Debt issued on behalf of other agencies under legislation enacted by the Ohio General Assembly	149,340
Principal retired	(32,690)
Bonds defeased	(159,815)
Principal of bonds outstanding—December 31, 2011	1,514,920
Unamortized bond premium and discounts, net	89,279
Deferred amounts on refundings	(32,319)
Total bonds outstanding	$ 1,571,880
Bonds outstanding - due in one year	$ 123,708
Bonds outstanding - due in more than one year	1,448,172
Total bonds outstanding - December 31, 2011	$ 1,571,880

Bonds outstanding (in thousands) at December 31, 2011 are as follows:

	Amount of Obligation Issued	Bond Issue Date	Final Maturity Date	Interest Rates	2011 Balance
2001A (Administrative Building)	120,000	April 1, 2001	October 1, 2020	5.00%	$ 18,790
2002B (Administrative Building)	58,670	June 25, 2002	October 1, 2012	4.00%	4,505
2002B (Adult Correctional)	90,560	October 8, 2002	April 1, 2017	5.0%-5.25%	75,430
2003A (Juvenile Correctional)	30,000	March 14, 2003	April 1, 2013	3.75%-3.875%	4,095
2003A (Administrative Building)	100,000	July 22, 2003	April 1, 2023	5.00%	4,830
2004A (Adult Correctional)	57,400	March 23, 2004	April 1, 2024	3.125%-5.25%	28,550
2004A (Highway Safety)	10,400	March 23, 2004	April 1, 2019	2.75%-4.0%	6,055
2004A (Administrative Building)	75,000	May 11, 2004	April 1, 2024	4.0%-5.0%	36,945
2004B (Administrative Building)	130,750	October 21, 2004	October 1, 2018	3.65%-5.25%	79,045
2004C (Adult Correctional)	225,350	October 21, 2004	October 1, 2018	5.0%-5.25%	141,815
2005A (Administrative Building)	85,000	March 30, 2005	April 1, 2025	5.00%	64,080
2005A (Adult Correctional)	75,000	June 1, 2005	April 1, 2025	5.00%	56,800
2005A (Juvenile Correctional)	15,000	October 6, 2005	October 1, 2015	3.50%-4.0%	6,635
2005B (Juvenile Correctional)	27,445	October 6, 2005	October 1, 2018	4.0%-5.0%	22,360
2006A (Administrative Building)	40,000	October 3, 2006	April 1, 2016	4.0%-5.0%	16,665
2006B (Administrative Building)	70,335	October 3, 2006	April 1, 2018	5.00%	70,335
2007A (Juvenile Correctional)	20,000	May 2, 2007	April 1, 2017	5.00%	12,990
2007B (Juvenile Correctional)	16,410	May 2, 2007	April 1, 2016	5.0%-5.5%	16,410
2008A (Administrative Building)	25,000	March 6, 2008	April 1, 2023	3.75%-5.5%	19,790
2008A (Adult Correctional)	25,000	March 6, 2008	April 1, 2023	3.75%-5.25%	19,790
2009A (Administrative Building)	60,000	January 22, 2009	October 1, 2028	2.5%-5.0%	55,645
2009A (Adult Correctional)	40,000	January 22, 2009	October 1, 2028	3.0%-5.0%	36,900
2009A (Highway Safety)	1,685	January 22, 2009	October 1, 2012	3.00%	580
2009A (Juvenile Correctional)	37,825	January 22, 2009	October 1, 2014	3.0%-5.0%	14,765
2009B (Administrative Building)	86,590	September 17, 2009	October 1, 2024	4.0%-5.0%	85,880
2009B (Adult Correctional)	75,790	September 17, 2009	October 1, 2024	3.0%-5.0%	75,790
2009B (Juvenile Correctional)	16,820	September 17, 2009	October 1, 2024	3.0%-4.0%	16,820
2010A (Administrative Building)	9,005	April 1, 2010	October 1, 2016	3.0%-5.0%	7,635
2010B (Administrative Building)	30,995	April 1, 2010	October 1, 2029	4.026%-6.103%	30,995
2010A (Highway Safety)	10,860	April 1, 2010	October 1, 2020	3.0%-5.0%	10,860
2010A (Juvenile Correctional)	5,445	April 1, 2010	October 1, 2016	2.0%-3.0%	4,595
2010B (Juvenile Correctional)	11,450	April 1, 2010	October 1, 2017	5.00%	11,450
2010C (Juvenile Correctional)	9,555	April 1, 2010	October 1, 2024	4.026%-5.38%	9,555
2010C (Administrative Building)	148,865	August 31, 2010	October 1, 2024	3.00%-5.00%	148,865
2010A (Adult Correctional)	79,325	August 31, 2010	October 1, 2024	2.00%-5.00%	79,325
2010D (Juvenile Correctional)	15,005	August 31, 2010	October 1, 2024	2.50%-5.00%	15,005
2011A (Adult Correctional)	40,000	February 1, 2011	April 1, 2031	2.00%-5.25%	40,000
2011A (Juvenile Correctional)	15,000	May 3, 2011	April 1, 2025	3.00%-5.00%	15,000
2011A (Administrative Building)	38,595	September 15, 2011	October 1, 2024	4.00%-5.00%	38,595
2011B (Adult Correctional)	101,530	September 15, 2011	October 1, 2024	1.50%-5.00%	101,530
2011B (Juvenile Correctional)	9,215	September 15, 2011	October 1, 2024	3.00%-4.00%	9,215
Total bonds principal outstanding					1,514,920
Unamortized bond discount					89,279
Deferred amounts on refundings					(32,319)
Total bonds outstanding					$ 1,571,880

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 101% 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 years ending December 31, are as follows:

	Principal	Interest
2012	$ 115,165	$ 71,075
2013	154,390	65,665
2014	159,735	58,572
2015	138,360	51,614
2016	143,145	45,062
2017-2021	500,840	140,224
2022-2026	264,995	37,922
2027-2031	38,290	4,156
Unamortized bond premium and discounts, net	89,279	
Deferred amounts on refundings	(32,319)	
Total	$ 1,571,880	$ 474,290

During the six month period ended December 31, 2011, the Authority issued three series of bonds totaling $149,340 on behalf of other agencies, under legislation enacted by the Ohio General Assembly.

On September 15, 2011, the Authority refunded portions of 19 series of previously issued bonds in order to restructure the debt service on bonds coming due October 1, 2011 and April 1, 2012 in the amount of $110,045 and refunded $49,770 of bonds due on October 1, 2012 through 2014 by issuing $149,340 of refunding bonds (2011A Administrative Building Bonds, 2011B Adult Correctional Bonds and 2011B Juvenile Correctional Bonds). The overall transaction resulted in an economic gain of $3,111 and issuance cost of $1,017. The refunding resulted in the Authority increasing its total debt service payments over the life of the bonds by $24,267.

The 2011A Administrative Building Bonds, with an average interest rate of 3.00%, refunded $41,950 in principal, plus interest of the 2001A Administrative Building Bonds due on October 1, 2011; 2002A Administrative Building Bonds due on April 1, 2012; 2003A Administrative Building Bonds due on April 1, 2012; 2004A Administrative Building Bonds due on April 1, 2012; 2004B Administrative Building Bonds due on October 1, 2011; 2005A Administrative Building Bonds due on April 1, 2012; 2006A Administrative Building Bonds due on April 1, 2012; 2008A Administrative Building Bonds due on April 1, 2012; 2009A Administrative Building Bonds due on October 1, 2011; and 2010A Administrative Building Bonds due on October 1, 2011. The refunded bonds had an average interest rate of 4.72%.

The 2011B Adult Correctional Bonds, with an average interest rate of 2.65%, refunded $108,530 in principal, plus interest of the 2001A Adult Correctional Bonds due on October 1, 2011 through 2014; 2002A Adult Correctional Bonds due on April 1, 2012; 2004C Adult Correctional Bonds due on October 1, 2011; 2005A Adult Correctional Bonds due on April 1, 2012; 2008A Adult Correctional Bonds due on April 1, 2012; and 2009A Adult Correctional Bonds due on October 1, 2011. The refunded bonds had an average interest rate of 5.45%.

The 2011B Juvenile Correctional Bonds, with an average interest rate of 2.90%, refunded $9,335 in principal, plus interest of the 2009A Juvenile Correctional Bonds due on October 1, 2011: and 2010A Juvenile Correctional Bonds due on October 1, 2011. The refunded bonds had an average interest rate of 4.36%.

The proceeds of the refunding bonds were used to purchase U.S. Government securities in amounts sufficient, without further investment, to pay, when due, the principal, interest and redemption premium on the bonds being refunded. The U.S. Government securities referred to above were placed with an escrow agent pursuant to the terms of related escrow agreement. The escrow agent was responsible for future debt service on the refunded bonds.

The bond issues refunded in prior years and the remaining principal outstanding at December 31, 2011 are as follows (in thousands):

Issue Refunded Issue Refunded		Balance Outstanding
2002 Series A	Adult Correctional	21,175
2002 Series A	Administrative Buildings	29,775
2003 Series A	Juvenile Correctional	11,890
2002 Series A	Administrative Buildings	14,065
2003 Series A	Administrative Buildings	63,720
2004 Series A	Administrative Buildings	15,695
2002 Series A	Adult Correctional	9,980
2004 Series A	Adult Correctional	12,100
2002 Series A	Administrative Buildings	3,240
2003 Series A	Administrative Buildings	4,605
2004 Series A	Administrative Buildings	3,175
2005 Series A	Administrative Buildings	3,445
2006 Series A	Administrative Buildings	3,745
2008 Series A	Administrative Buildings	1,395
2002 Series A	Adult Correctional	2,360
2004 Series A	Adult Correctional	2,415
2005 Series A	Adult Correctional	3,055
2008 Series A	Adult Correctional	1,395
Total		$ 207,230

Certain bonds defeased as of June 30, 2011, were called or retired during the six month period ended December 31, 2011 (in thousands):

Defeased Bonds Called		Amount Called
2001 Series A	Administrative Buildings	$ 51,915
2001 Series A	Highway Safety	$ 11,235

Defeased Bonds Retired

None

6. SEGMENT INFORMATION

The Authority issued bonds to finance the construction of the five buildings to which it has title, as well as to finance capital construction for various Departments and Agencies of the State of Ohio. Investors in these bonds rely solely on revenues generated by individual activities for repayment. Summary financial at December 31, 2011 information for individual activities is presented below (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
ASSETS:						
Current assets	$ 6,239	$ 3,220	$ 7,587	$ 3,436	$ 8,481	$ 75,086
Other assets						614,827
Total assets	6,239	3,220	7,587	3,436	8,481	689,913
LIABILITIES:						
Current liabilities	36		417	74	32	74,927
Noncurrent liabilities						614,826
Total liabilities	36		417	74	32	689,753
Total net assets—(restricted)	$ 6,203	$ 3,220	$ 7,170	$ 3,362	$ 8,449	$ 160

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Custodial Account	Total
ASSETS:					
Current assets	$ 43,827	$ 21,864	$ 1,882	$ 321	$ 171,943
Other assets	674,922	142,242	16,181		1,448,172
Total assets	718,749	164,106	18,063	321	1,620,115
LIABILITIES:					
Current liabilities	43,623	21,771	1,831	321	143,032
Noncurrent liabilities	674,923	142,242	16,181		1,448,172
Total liabilities	718,546	164,013	18,012	321	1,591,204
Total net assets—(restricted)	$ 203	$ 93	$ 51	$ -	$ 28,911

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
Rents	$ 4,650	$ 2,250	$ 2,775	$ 1,207	$ 4,868	$ 100
Lease interest						11,852
Other	147	9	182	5	251	
Operating expenses	(2,934)	(2,045)	(2,619)	(1,599)	(3,655)	(92)
Operating gain (loss)	1,863	214	338	(387)	1,464	11,860
Non-operating revenues (expenses):						
Earnings on investments			1		1	
Interest expense and other						(11,852)
Change in net assets	1,863	214	339	(387)	1,465	8
Beginning net assets	4,340	3,006	6,831	3,747	6,984	154
Ending net assets	$ 6,203	$ 3,220	$ 7,170	$ 3,360	$ 8,449	$ 162

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Custodial Account	Total
Rents	$ 100	$	$ 30	$	$ 15,980
Lease interest	12,768	3,034	422		28,076
Other					594
Operating expenses	(39)	(26)	(2)		(13,011)
Operating gain (loss)	12,829	3,008	450		31,639
Non-operating revenues (expenses):					
Earnings on investments					2
Interest expense and other	(14,248)	(3,034)	(422)		(29,556)
Change in net assets	(1,419)	(26)	28	-	2,085
Beginning net assets	1,622	119	23	-	26,826
Ending net assets	$ 203	$ 93	$ 51	$ -	$ 28,911

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
Net cash flows provided by (used in):						
Operating activities	$ 1,325	$ (445)	$ (877)	$ (829)	$ 408	$ 12,855
Capital and related financing activities						(13,738)
Investing activities	(1,325)	445	877	829	(408)	883
Net increase (decrease) in cash and cash equivalents	-	-	-	-	-	-
Beginning cash and cash equivalents	-	-	-	-	-	-
Ending cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Custodial Account	Total
Net cash flows provided by (used in):					
Operating activities	$ 15,978	$ 2,946	$ 583	$ (234)	$ 31,710
Capital and related financing activities	(17,518)	(3,300)	(557)		(35,113)
Investing activities	1,540	354	(26)		3,169
Net increase (decrease) in cash and cash equivalents	-	-	-	(234)	(234)
Beginning cash and cash equivalents	-	-	-	555	555
Ending cash and cash equivalents	$ -	$ -	$ -	$ 321	$ 321

7. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

Employee and employer contributions to PERS are established under the Ohio Revised Code and are based upon percentages of covered employee's gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. At the end of fiscal year 2011, the employee and the employer contributions were 10.0% and 14.0% respectively, for all Authority employees. The Authority's required contributions to PERS for the sixth month period ended December 31, 2011 was $86,307. The required contribution for the years ended June 30, 2011 and 2010, were $165,466 and $165,130, respectively. These contributions represent 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B Premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, state employers contributed 14.00 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions, which was allocated to fund post-employment health care, was 5.00 percent of covered payroll from July 1, 2011 through December 31, 2011.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Authority's contributions allocated to fund post-employment health care benefits for the six month period ended December 31, 2011 was approximately $30,824.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan, which was effective January 1, 2007. Members and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

9. RISK MANAGEMENT

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

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SUPPLEMENTAL SCHEDULES

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF NET ASSETS
December 31, 2011
(Dollars in thousands)

ASSETS	**Rhodes State Office Tower**	**Lausche State Office Building**	**DiSalle Government Office Building**	**Ocasek Government Office Building**	**Riffe Government Center**	**State Correctional Facilities**
CURRENT ASSETS:						
Cash—unrestricted	$ -	$ -	$ -	$ -	$ -	$ -
Investments—restricted	6,137	3,193	7,141	3,394	8,425	162
Receivables:						
Leases—current portion						66,964
Lease interest receivable						7,960
Accounts receivable	44	1	419	30	9	
Other Assets	58	26	27	12	47	
Total current assets	6,239	3,220	7,587	3,436	8,481	75,086
NONCURRENT ASSETS:						
Leases receivable						612,196
Deferred debt issuance and other expense						2,631
TOTAL ASSETS	6,239	3,220	7,587	3,436	8,481	689,913
LIABILITIES:						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities:						
Restricted	36		417	74	32	
Unrestricted						
Bonds payable—current portion						66,964
Other liabilities						3
Accrued interest						7,960
Total current liabilities	36		417	74	32	74,927
NONCURRENT LIABILITIES—Bonds payable (net of unamortized premiums and discounts)						614,826
Total liabilities	36		417	74	32	689,753
TOTAL NET ASSETS - RESTRICTED	$ 6,203	$3,220	$ 7,170	$ 3,362	$ 8,449	$ 160

(Continued)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF NET ASSETS
December 31, 2011
(Dollars in thousands)

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Custodial Account	Total
ASSETS					
CURRENT ASSETS:					
Cash—unrestricted	$ -	$ -	$ -	$ 321	$ 321
Investments—restricted	221	322	51		29,046
Receivables:					
Leases—current portion	35,271	19,820	1,653		123,708
Lease interest receivable	8,335	1,722	178		18,195
Accounts receivable					503
Other Assets					170
Total current assets	43,827	21,864	1,882	321	171,943
NONCURRENT ASSETS:					
Leases receivable	672,133	141,640	16,111		1,442,080
Deferred debt issuance and other expense	2,789	602	70		6,092
TOTAL ASSETS	718,749	164,106	18,063	321	1,620,115
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities:					
Restricted					559
Unrestricted				114	114
Bonds payable—current portion	35,271	19,820	1,653		123,708
Other liabilities	17	229		207	456
Accrued interest	8,335	1,722	178		18,195
Total current liabilities	43,623	21,771	1,831	321	143,032
NONCURRENT LIABILITIES—Bonds payable (net of unamortized premiums and discounts)	674,923	142,242	16,181		1,448,172
Total liabilities	718,546	164,013	18,012	321	1,591,204
TOTAL NET ASSETS - RESTRICTED	$ 203	$ 93	$ 51	$ -	$ 28,911

See notes to financial statements.

(Concluded)

OHIO BUILDING AUTHORITY
SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the period July 1, 2011 through December 31, 2011
(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
OPERATING REVENUES:						
Rents	$ 4,650	$ 2,250	$ 2,775	$ 1,207	$ 4,868	$ 100
Lease interest						11,852
Other	147	9	182	5	251	
Total operating revenues	4,797	2,259	2,957	1,212	5,119	11,952
OPERATING EXPENSES:						
Building maintenance and operations	1,523	1,511	1,936	1,167	2,226	
Utilities	637	183	321	106	598	
General administration	709	322	332	313	779	92
Other	65	29	30	13	52	
Total operating expenses	2,934	2,045	2,619	1,599	3,655	92
OPERATING GAIN (LOSS)	1,863	214	338	(387)	1,464	11,860
NONOPERATING REVENUES (EXPENSES):						
Earnings on investments			1		1	
Interest expense and other						(11,852)
Total nonoperating expenses			1		1	(11,852)
NET GAIN (LOSS)	1,863	214	339	(387)	1,465	8
NET ASSETS—Beginning of year	4,340	3,006	6,831	3,747	6,984	154
NET ASSETS—End of year	$ 6,203	$ 3,220	$ 7,170	$ 3,360	$ 8,449	$ 162

(Continued)

OHIO BUILDING AUTHORITY

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

For the period July 1, 2011 through December 31, 2011

(Dollars in thousands)

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Total
OPERATING REVENUES:				
Rents	$ 100	$	$ 30	$ 15,980
Lease interest	12,768	3,034	422	28,076
Other				594
Total operating revenues	12,868	3,034	452	44,650
OPERATING EXPENSES:				
Building maintenance and operations				8,363
Utilities				1,845
General administration	39	26	2	2,614
Other				189
Total operating expenses	39	26	2	13,011
OPERATING GAIN (LOSS)	12,829	3,008	450	31,639
NONOPERATING REVENUES (EXPENSES):				
Earnings on investments				2
Interest expense and other	(14,248)	(3,034)	(422)	(29,556)
Total nonoperating expenses	(14,248)	(3,034)	(422)	(29,554)
NET GAIN (LOSS)	(1,419)	(26)	28	2,085
NET ASSETS—Beginning of year	1,622	119	23	26,826
NET ASSETS—End of year	$ 203	$ 93	$ 51	$ 28,911

See notes to financial statements. (Concluded)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS
For the period July 1, 2011 through December 31, 2011
(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
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers:						
State operating rent	$ 4,650	$ 2,010	$ 641	$ 649	$ 4,201	$ 100
Local operating rent			1,228	275		
Lease interest income receipts						12,812
Total cash received from customers	4,650	2,010	1,869	924	4,201	12,912
Cash received from quasi-external operating transactions with other funds						
Cash payments to suppliers for goods and services	(3,210)	(2,463)	(2,934)	(1,758)	(3,830)	(57)
Cash payments to employees for services	(226)				(206)	
Miscellaneous fees and commissions	111	8	188	5	243	
Net cash flows provided by operating activities	1,325	(445)	(877)	(829)	408	12,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal payments on bonds						
Interest paid						(13,740)
Principal receipts on capital leases						
Refunding bond proceeds						234
Payment of debt issue costs						(234)
Premium on sale of bonds, net						2
Net cash flows provided by (used) in capital and related financing activities						(13,738)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments	3,398	2,448	2,823	2,560	4,478	14,034
Purchase of investments	(4,723)	(2,003)	(1,947)	(1,731)	(4,886)	(13,151)
Investment income received			1			
Net cash flows provided by (used in) investing activities	(1,325)	445	877	829	(408)	883
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
RESTRICTED AND UNRESTRICTED—Beginning of year	-	-	-	-	-	-
RESTRICTED AND UNRESTRICTED—End of year	$ -	$ -	$ -	$ -	$ -	$ -

(Continued)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS
For the period July 1, 2011 through December 31, 2011
(Dollars in thousands)

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Custodial Acount	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers:					
State operating rent	$ 100	$	$ 30	$	$ 12,381
Local operating rent					1,503
Lease interest income receipts	15,925	3,051	557		32,345
Total cash received from customers	16,025	3,051	587		46,229
Cash received from quasi-external operating transactions with other funds				567	567
Cash payments to suppliers for goods and services	(47)	(105)	(4)	(544)	(14,952)
Cash payments to employees for services				(257)	(689)
Miscellaneous fees and commissions					555
Net cash flows provided by operating activities	15,978	2,946	583	(234)	31,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal payments on bonds	(20,210)	(4,120)	(8,360)		(32,690)
Interest paid	(16,085)	(3,300)	(557)		(33,682)
Principal receipts on capital leases	18,773	4,120	8,360		31,253
Refunding bond proceeds	91	26			351
Payment of debt issue costs	(91)	(26)			(351)
Premium on sale of bonds, net	4				6
Net cash flows provided by (used) in capital and related financing activities	(17,518)	(3,300)	(557)		(35,113)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	36,448	7,551	8,921		82,661
Purchase of investments	(34,908)	(7,197)	(8,947)		(79,493)
Investment income received					1
Net cash flows provided by (used in) investing activities	1,540	354	(26)		3,169
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				(234)	(234)
RESTRICTED AND UNRESTRICTED—Beginning of year	-	-	-	555	555
RESTRICTED AND UNRESTRICTED—End of year	$ -	$ -	$ -	$ 321	$ 321

See notes to financial statements. (Concluded)

OHIO BUILDING AUTHORITY

SCHEDULE OF PROJECTS IN THE ENTERPRISE FUND—STATEMENT OF CASH FLOWS

For the period July 1, 2011 through December 31, 2011

(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
OPERATING GAIN (LOSS)	$ 1,863	$ 214	$ 338	$ (387)	$ 1,464	$ 11,860
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Amortization of lease premium (discount)						1,380
Changes in assets and liabilities:						
(Increase) decrease in lease interest receivable						507
(Increase) decrease in account receivable—other	(36)		253	96	(9)	
(Increase) decrease in other assets	17	41	51	16	101	36
Increase (decrease) in accounts payable and other liabilities	(519)	(700)	(1,519)	(554)	(1,148)	(928)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 1,325	$ (445)	$ (877)	$ (829)	$ 408	$ 12,855

	Administrative Fund Projects	Juvenile Correctional Facilities	Highway Safety	Custodial Account	Total
OPERATING GAIN (LOSS)	$ 12,829	$ 3,008	$ 450	$	$ 31,639
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Amortization of lease premium (discount)	2,988	14	35		4,417
Changes in assets and liabilities:					
(Increase) decrease in lease interest receivable	168	3	100		778
(Increase) decrease in account receivable—other					304
(Increase) decrease in other assets	(5)	1	(2)	(65)	191
Increase (decrease) in accounts payable and other liabilities	(2)	(80)		(169)	(5,619)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 15,978	$ 2,946	$ 583	$ (234)	$ 31,710

See notes to financial statements.

(Concluded)

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

To the Members of the Ohio Building Authority and
The Honorable Dave Yost, Auditor of the State of Ohio
Columbus, Ohio

We have audited the financial statements of the enterprise fund and the remaining fund information of the Ohio Building Authority (the "Authority"), a component unit of the State of Ohio, as of and for the six month period ended December 31, 2011, and have issued our report thereon dated January 27, 2012, wherein we noted, as described in Note 1 to the financial statements, that Amended Substitute House Bill No. 153, as enacted by the General Assembly, provides that, effective January 1, 2012, the Treasurer of the State of Ohio and the Department of Administrative Services of the State of Ohio supersedes and replaces the Authority in all matters. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*

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

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
January 27, 2012

Dave Yost • Auditor of State

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
APRIL 19, 2012