



DATE: September 24, 2010

TO: Ted Strickland, Governor
Ohio General Assembly

FROM: Kevin L. Boyce, Treasurer of State

**TREASURER OF STATE LEASE-RENTAL OBLIGATIONS
(Chapter 154 & 152 O.R.C.)
ANNUAL REPORT**

AND

ACCOUNTANTS' REPORT

**FISCAL YEAR 2010
(July 1, 2009 --- June 30, 2010)**

**HIGHER EDUCATION CAPITAL FACILITIES
MENTAL HEALTH CAPITAL FACILITIES
PARKS & RECREATION CAPITAL FACILITIES
AND
CULTURAL & SPORTS FACILITIES**

LEASE - RENTAL OBLIGATIONS
ANNUAL REPORT
For the period July 1, 2009 through June 30, 2010

The Treasurer of State (the Treasurer) makes this annual report for the Fiscal Year ending June 30, 2010 (FY 2010) in accordance with Section 154.05(B) of the Revised Code and its lease-rental bond proceedings.

Chapter 154 of the Revised Code (the Act), was enacted pursuant to the power granted to the General Assembly by the Ohio Constitution, and particularly Section 2i of Article VIII which authorizes the issuance for stated purposes of revenue obligations 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 Act originally authorized the Ohio Public Facilities Commission to issue obligations of the State to pay costs of capital facilities for (a) mental hygiene and retardation, (b) state supported and state assisted institutions of higher education, (c) parks and recreation, and (d) housing of branches and agencies of state government (for which no specific authorization to issue obligations was ever granted and which was repealed in FY 2001). Am. Sub. H.B. 640, 123rd General Assembly, effective September 14, 2000, however, reassigned to the Treasurer the issuing authority and functions of the Commission with respect to these special obligations (lease-rental) bonds (the Obligations). The Treasurer succeeded the Commission as issuer and with all responsibilities and obligations under the bond proceedings relating to previously issued Obligations.

Pursuant to House Bill 16 of the 126th General Assembly, effective July 1, 2005, all matters relating to the issuance of obligations for financing of Cultural and Sports Facilities, including all Arts and Sports obligations previously issued by the Ohio Building Authority, under Ohio Revised Code Chapter 152, were transferred to the Treasurer, as Issuing Authority. The transaction represented thirteen bond issuances with combined outstanding principal as of that date in the amount of \$184,150,000. Subsequent to July 1, 2005, all new issuances of Cultural and Sports Facilities bonds will be governed by Chapter 154 of the Ohio Revised Code, and the provisions thereof, as described above.

The Treasurer may issue Obligations only as authorized by the General Assembly, which has authorized lease-rental obligations for capital facilities projects in aggregate principal amounts of up to \$4,817,590,000 for higher education, \$1,517,000,000 for mental health, \$418,000,000 for parks and recreation, and \$512,000,000 for cultural and sports facilities. (There is currently no General Assembly authorization for additional lease-rental obligations for higher education projects).

Within these authorizations, the Treasurer issued the following Obligations in FY 2010:

Category & Series No.	Amount	Dated Date	Final Maturity Date
Mental Health Series II – 2009A	\$40,000,000	12/17/2009	12/1/2019
Cultural Facilities – 2010A	\$30,000,000	2/10/2010	10/1/2020

The principal and interest requirements on the Obligations sold and delivered in FY 2010 are set forth in the attached Schedule Nos. 1 & 2. The Obligations issued in FY 2010 were sold at either public or private sale pursuant to Section 154.08 of the Revised Code. No bond anticipation notes were issued.

As of June 30, 2010, the Obligations issued by the Treasurer in FY 2010 were rated as follows:

	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

As contemplated by the Act, the financing arrangements for the four categories of capital facilities -- higher education, mental health, parks and recreation, and cultural and sports facilities -- involve separate proceedings and separate leasing arrangements between the Commission (its only remaining responsibility with regard to the Obligations) and the Using Agencies, being respectively the Ohio Board of Regents (OBOR), the Ohio Department of Mental Health (ODMH), the Ohio Department of Developmental Disabilities (DODD), the Ohio Department of Natural Resources (ODNR), and the Cultural Facilities Commission (OCFC), under which the Commission undertakes to finance capital facilities designated by or pursuant to acts of the General Assembly. In turn, OBOR makes those higher education facilities available to the state, and ODMH, DODD, ODNR, and OCFC (and in certain cases, the Department of Alcohol and Drug Addiction Services) assume the management of those facilities intended for the particular department's use. Each Using Agency agrees, in accordance with the applicable lease and the supplements to it entered into in connection with each bond or note issuance, to pay rent in amounts sufficient to pay principal of and interest on the obligations issued, to establish and maintain any applicable required reserve, and to pay incidental expenditures, such as bond issuance costs.

As provided in each lease, the agreement of the Using Agency to pay rent during any period for which appropriations may lawfully be made by the General Assembly is effective and binding only when and to the extent that funds have been appropriated and are available for that purpose

and that period. Bondholders have no right to have excises or taxes levied by the General Assembly for the payment of principal, interest or any call premium.

Trust agreements provide for additional security for the Obligations, each in form and content appropriate to the type of financing. The trustee for the higher education and parks and recreation Obligations is US Bank (successor to National City Bank). The trustee for the mental health Obligations is Huntington National Bank. The trustee for the cultural and sports facilities Obligations is The Bank of New York Mellon.

The bond proceedings pursuant to which Obligations have been issued beginning in FY 1991 (the Series II Bonds) impose no requirement of a bond service reserve. Instead, they permit, but do not require, provision for a bond service reserve applicable to particular issues. The proceedings for each series of Series II Bonds issued in FY 1991 and FY 1992 variously required a funded or insured bond service reserve applicable only to the particular series in the amount of one-half the highest future annual principal and interest payments on that series. For Series II Bonds issued after FY 1992, including those issued in FY 2001, no reserve fund of any kind has been established. All Series II Bonds for which a funded bond service reserve fund was established have either matured or been refunded or redeemed. Thus, there are currently no funded bond service reserve funds securing any of the outstanding Bonds.

For the biennium ending June 30, 2011, the General Assembly, by Acts passed prior to July 1, 2009 appropriated from the general revenue fund the following amounts for rental payments under the lease agreements relating to the respective categories of Obligations:

Appropriation to:	Biennial Amount	FY2010	FY2011
Ohio Board of Regents	\$232,358,200	\$124,461,100	\$107,897,100
Ohio Department of Mental Health	43,285,300	21,333,500	21,951,800
Ohio Department of Developmental Disabilities	43,285,300	21,333,500	21,951,800
Ohio Department of Natural Resources	42,317,100	20,760,600	21,556,500
Ohio Cultural Facilities Commission	54,756,500	26,454,900	28,301,600
Total Appropriation	\$416,002,400	\$214,343,600	\$201,658,800

These appropriations have been, and in the Office of Budget and Management's judgment will be, sufficient to pay amounts needed during the current biennium for bond service charges and expenditures (primarily issuance costs) payable from the respective administrative service funds.

The following table sets forth certain information with respect to the Obligations as required by Section 154.05 of the Revised Code.

**OBLIGATIONS AUTHORIZED -- ISSUED
(AS OF JUNE 30, 2010)**

	Higher Education Facilities	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities
Authorized by General Assembly	\$4,817,590,000(d)	\$1,517,000,000	\$418,000,000	\$512,000,000
Issued in Prior Fiscal Years (a)	4,817,590,000	1,352,085,000	378,000,000	428,690,000
Issued in FY2010 (b)	-	40,000,000	-	30,000,000
Authorized by the General Assembly but not yet issued	-	124,915,000	40,000,000	53,310,000
Interest Paid FY2010	15,046,098	9,222,734	6,025,554	7,198,836
Principal Paid FY2010	109,370,000	32,725,000	14,700,000	18,555,000
Outstanding Principal (c)	\$237,730,000	\$209,360,000	\$129,180,000	\$169,865,000

- (a) Includes Bonds advance refunded; excludes advance refunding Bonds. Includes portions of Bond anticipation notes retired from rental payments (\$3,000,000 mental health and \$900,000 parks and recreation).
- (b) Excludes advance refunding bonds.
- (c) Includes advance refunding Bonds; excludes Bonds advance refunded.
- (d) Includes transfers of subsequent issuing authority from special obligation (lease rental) to general obligations for higher education capital facilities.

The primary sources of moneys for payment of principal of and interest on outstanding Obligations in FY 2010, as in prior years, were funds appropriated by the General Assembly for the purpose. Original issue premium and accrued interest paid by original purchasers of bonds were applied to either bond service charges or the applicable improvement funds.

The amounts credited, in accordance with the leases and supplements, to the higher education, mental health, parks and recreation, and cultural and sports facilities bond service funds, and to the administrative service funds (to pay expenditures, including issuing costs), during FY 2010, and the balances in those funds on June 30, 2010, are shown in the financial statements that follow. Except for moneys held for obligations not yet presented for payment, amounts in those bond service funds are not restricted to payments of bond service charges on particular issues of

Bonds. Amounts held in escrow for Bonds advance refunded are restricted to payment of debt service and any redemption premium on those advance refunded bonds.

The amounts, and the dates by which funds must be made available, to make payment during FY 2011 of principal of and interest on the Bonds outstanding on June 30, 2010 (which excludes Bonds advance refunded) are as follows:

	Higher Education Facilities	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities
August 1, 2010	\$42,411,500	\$9,668,537	\$1,515,520	-
October 1, 2010	-	-	-	14,894,886
December 1, 2010	61,872,601	12,016,431	10,230,548	-
February 1, 2011	2,262,250	872,912	1,926,195	-
April 1, 2011	-	-	-	12,055,261
June 1, 2011	1,305,651	18,764,079	5,280,066	-
Fiscal Year Total	\$107,852,002	\$41,321,959	\$18,952,329	\$26,950,147

The anticipated sources of payment of amounts for outstanding Bonds and for additional mental health, parks and recreation, and cultural and sports facilities Bonds that may be issued during FY 2011 will be, pursuant to the respective leases and supplements, moneys available for the purpose in the respective bond service accounts and the moneys appropriated by the 128th General Assembly for the fiscal biennium ending June 30, 2011 (as shown on page 4). These respective amounts have been and will be sufficient to pay during the biennium all principal and interest requirements on the Bonds outstanding as of June 30, 2010, principal and interest on additional obligations that are projected to be issued in the biennium, and related applicable administrative and issuance expenditures.

The Accountants' Report and Financial Statements that follow are incorporated as part of this Annual Report.

SCHEDULE NO. 1

\$40,000,000

State of Ohio
Mental Health Capital Facilities Bonds
Series II-2009 A

Dated: 12/17/2009

Date	Principal	Coupon	Interest	Total P+I
06/01/2010			614,157.22	614,157.22
12/01/2010	3,420,000.00	2.000%	674,075.00	4,094,075.00
06/01/2011			639,875.00	639,875.00
12/01/2011	3,510,000.00	3.000%	639,875.00	4,149,875.00
06/01/2012			587,225.00	587,225.00
12/01/2012	3,625,000.00	3.500%	587,225.00	4,212,225.00
06/01/2013			523,787.50	523,787.50
12/01/2013	3,765,000.00	4.000%	523,787.50	4,288,787.50
06/01/2014			448,487.50	448,487.50
12/01/2014	3,880,000.00	2.000%	448,487.50	4,328,487.50
06/01/2015			409,687.50	409,687.50
12/01/2015	4,015,000.00	5.000%	409,687.50	4,424,687.50
06/01/2016			309,312.50	309,312.50
12/01/2016	4,220,000.00	5.000%	309,312.50	4,529,312.50
06/01/2017			203,812.50	203,812.50
12/01/2017	4,390,000.00	2.750%	203,812.50	4,593,812.50
06/01/2018			143,450.00	143,450.00
12/01/2018	4,515,000.00	3.000%	143,450.00	4,658,450.00
06/01/2019			75,725.00	75,725.00
12/01/2019	4,660,000.00	3.250%	75,725.00	4,735,725.00

Total	\$40,000,000.00		\$7,970,957.22	\$47,970,957.22
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Average Life	5.750 Years
Average Coupon	3.4659010%

Net Interest Cost (NIC)	2.6420380%
True Interest Cost (TIC)	2.5620930%
Bond Yield for Arbitrage Purposes	2.4775340%
All Inclusive Cost (AIC)	2.6088650%

Bond Counsel: Climaco, Lefkowitz, Peca, Wilcox, Garofoli Co., LPA
Underwriters Counsel: Bricker & Eckler
Financial Advisor: PRISM Municipal Advisors

SCHEDULE NO. 2

\$30,000,000

State of Ohio
Cultural & Sports Capital Facilities Bonds
Series 2010 A

Dated: 02/10/2010

Date	Principal	Coupon	Interest	Total P+I
10/01/2010			633,212.71	633,212.71
04/01/2011			493,412.50	493,412.50
10/01/2011	1,000,000.00	2.000%	493,412.50	1,493,412.50
04/01/2012			483,412.50	483,412.50
10/01/2012	2,885,000.00	2.000%	483,412.50	3,368,412.50
04/01/2013			454,562.50	454,562.50
10/01/2013	2,940,000.00	2.000%	454,562.50	3,394,562.50
04/01/2014			425,162.50	425,162.50
10/01/2014	3,000,000.00	2.000%	425,162.50	3,425,162.50
04/01/2015			395,162.50	395,162.50
10/01/2015	3,075,000.00	**	395,162.50	3,470,162.50
04/01/2016			349,225.00	349,225.00
10/01/2016	3,175,000.00	3.250%	349,225.00	3,524,225.00
04/01/2017			297,631.25	297,631.25
10/01/2017	3,275,000.00	**	297,631.25	3,572,631.25
04/01/2018			246,006.25	246,006.25
10/01/2018	3,390,000.00	**	246,006.25	3,636,006.25
04/01/2019			186,156.25	186,156.25
10/01/2019	3,535,000.00	5.000%	186,156.25	3,721,156.25
04/01/2020			97,781.25	97,781.25
10/01/2020	3,725,000.00	5.250%	97,781.25	3,822,781.25

Total	\$30,000,000.00		\$7,490,237.71	\$37,490,237.71
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Average Life	6.679 Years
Average Coupon	3.7381100%

Net Interest Cost (NIC)	3.0463210%
True Interest Cost (TIC)	2.9225530%
Bond Yield for Arbitrage Purposes	2.8442670%
All Inclusive Cost (AIC)	2.9630340%

Bond Counsel: Carlisle Patchen & Murphy LLP
Underwriters Counsel: Porter, Wright, Morris & Arthur
Financial Advisor: PRISM Municipal Advisors

The following accountants' report by Schneider Downs and Company, Inc. is provided in accordance with the respective general bond resolutions adopted with regard to the State of Ohio higher education facilities, mental health facilities, parks and recreation facilities and cultural and sports facilities bonds.

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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, 2010
and
Independent Auditors' Report Thereon

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Financial Report
As of and for the Year Ended June 30, 2010

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited).....	3
Debt Service Funds Financial Statements	7
Balance Sheet.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances.....	9
Notes to the Financial Statements	10
Supplementary Information	15
Schedule of Net Assets - Accrual Basis	16
Schedule of Activities - Accrual Basis	17
Reconciliation Schedule Between the Balance Sheet and the Schedule of Net Assets.....	18
Reconciliation Schedule Between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Schedule of Activities.....	19
Schedule of Future Payments Under Lease Agreements with State Agencies	20
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding	21
Schedule of Changes in Bonds Payable Balance.....	26
Schedule of Future Debt Service Funding Requirements.....	27
Schedule of Current and Advance Refunding Issues and Prior Years' Defeasances	28
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29



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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, 2010, 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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010 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

Schneider Downs & Co., Inc.
www.schneiderdowns.com



1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL 412.261.3644
FAX 412.261.4876

41 S. High Street
Suite 2100
Columbus, OH 43215-6102
TEL 614.621.4060
FAX 614.621.4062

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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Fund's basic financial statements. The supplemental schedules on pages 15 through 28, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schneider, Downs & Co., Inc.

Columbus, Ohio
September 20, 2010

**STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2010
(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, 2010. 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, 2010, total debt service fund assets exceeded liabilities by \$52.8 million. The total combined ending fund balance, which is reserved for debt service, increased by \$8 million during fiscal year 2010.
- For fiscal year 2010, other financing sources from lease principal payments from state agency-lessees totaled \$184.4 million, and lease interest revenue was reported at \$34.8 million.
- During fiscal year 2010, the Treasurer of State issued \$70 million in new bonds with a total premium of \$3.6 million. In addition, \$175.3 million in bond principal and \$37.5 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.

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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, 2010
(UNAUDITED)

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

A comparative balance sheet analysis follows:

Balance Sheet Comparative Analysis (Dollars in 000s)			
	As of 06/30/10	As of 06/30/09	Percentage Change
ASSETS:			
Cash and Investments.....	\$ 111	\$ 164	(32.3%)
Receivable from State Agencies:			
Lease Principal.....	746,135	851,485	(12.4%)
Lease Interest.....	7,392	8,978	(17.7%)
Total Assets.....	\$753,638	\$860,627	
LIABILITIES:			
Accounts Payable & Other Liabilities	—	49	(100%)
Deferred Revenue.....	700,799	815,964	(14.1%)
Total Liabilities.....	700,799	816,013	
FUND BALANCE:			
Reserved for Debt Service	52,839	44,614	18.4%
Total Liabilities and Fund Balance	\$753,638	\$860,627	

The significant decrease in lease principal receivable and deferred revenue at June 30, 2010 compared to June 30, 2009 is the result of the continued payoff of outstanding bond principal and bond service principal payments exceeding new debt issuances bond proceeds. The significant reduction in cash and investments at June 30, 2010 is primarily the result of cash held for accounts payable and matured bond interest payable outstanding at June 30, 2009 that was paid off in fiscal year 2010.

The following tables compare debt service fund revenues, expenditures and other financing sources/(uses) reported for fiscal year 2010 with fiscal year 2009 results.

Revenue Comparative Analysis (Dollars in 000s)				
	Fiscal Year 2010	Percent of Total 2010 Revenue	Fiscal Year 2009	Percentage Change
Lease Interest from State Agencies	\$34,834	97.99%	\$40,074	(13.08%)
Administrative Fees	709	1.99%	745	(4.83%)
Other Interest Income	7	0.02%	51	(86.27%)
Total Revenue	\$35,550	100%	\$40,870	

As the above table indicates, 97.99 percent of debt service fund revenues for fiscal year 2010 were composed of lease interest. Lease interest from state agencies decreased for fiscal year 2010 primarily due to the corresponding decrease in debt service expenditures for bond interest paid. The significant decrease in other interest income during fiscal year 2010 is attributable to excess arbitrage funding receipts received in 2009 but not received in 2010.

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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, 2010
(UNAUDITED)

Expenditures
Comparative Analysis
(Dollars in 000s)

	Fiscal Year 2010	Percent of Total 2010 Expenditures	Fiscal Year 2009	Percentage Change
Administrative Costs	\$ 645	0.30%	\$ 768	(16.01%)
Debt Service:				
Principal	175,350	81.94%	182,920	(4.14%)
Interest	37,494	17.52%	42,243	(11.24%)
Arbitrage Rebate	—	0.00%	226	(100.00%)
Bond Issue Costs	505	0.24%	786	(35.75%)
Total Expenditures	\$213,994	100.00%	\$226,943	

As the table above shows, 99.46 percent of total reported expenditures for fiscal year 2010 were for debt service payments (principal and interest). Bond issue costs decreased significantly in 2010 because four bond sales occurred during fiscal year 2009 compared to two bond issuances in fiscal year 2010. Interest expenditures for fiscal year 2010 were less than fiscal year 2009 by 11.24 percent, primarily due to the declining balance of outstanding bond principal.

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

	Fiscal Year 2010	Fiscal Year 2009	Percentage Change
Lease Principal Payments from State Agencies	\$184,370	\$220,480	(16.38%)
Bond Proceeds:			
Principal	70,000	101,880	(31.29%)
Premium	3,610	3,410	5.87%
Refunding Bond Proceeds:			
Principal	—	6,880	(100.00%)
Premium	—	57	(100.00%)
Payment to Refunding Escrow Agent	—	(6,899)	(100.00%)
Financing Provided to State Agencies Under Leases	(71,311)	(95,500)	25.33%
Total Other Financing Sources/(Uses)	\$186,669	\$230,309	

The decrease in Bond Principal Proceeds, Premium and Financing Provided to State Agencies Under Leases are all the result of two debt issuances during 2010 compared to four in 2009. Lease principal payments from State agencies decreased due to a reduction in corresponding debt service requirements. The decrease in Payment to Refunding Escrow Agent is the result of no refunding bond issuances in fiscal year 2010.

(Continued)

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2010
(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%.
- During fiscal year 2010, two major bond ratings agencies, Fitch and Moody's, changed their credit ratings for the Chapter 154 Lease Revenue Bonds, as follows:

	<u>Fitch</u>		<u>Moody's</u>	
	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Higher Education Facilities	AA-	AA+	Aa3	Aa1
Mental Health Facilities	AA-	AA	Aa3	Aa2
Parks & Recreation Facilities	AA-	AA	Aa3	Aa2
Cultural & Sports Facilities	AA-	AA	Aa3	Aa2

- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2010, were as follows:

<u>Bond Type</u>	<u>Bonds Authorized, but Unissued (Dollars in 000s)</u>
Higher Education Facilities Bonds	\$ —
Mental Health Facilities Bonds	124,915
Parks and Recreation Facilities Bonds	40,000
Cultural and Sports Facilities Bonds	53,310
	<u>\$218,225</u>

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 Jake Wozniak, Director of Debt Management, Ohio Treasurer of State's Office, 30 East Broad Street, 9th 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, 2010
(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
ASSETS:					
Cash.....	\$ -	\$ 1	\$ 3	\$ 55	\$ 59
Investments.....	21	25	5	1	52
Receivable from State Agencies:					
Lease Principal.....	237,730	209,360	129,180	169,865	746,135
Lease Interest.....	3,152	1,436	812	1,992	7,392
TOTAL ASSETS.....	240,903	210,822	130,000	171,913	753,638
LIABILITIES:					
Deferred Revenue.....	199,032	201,332	128,578	171,857	700,799
TOTAL LIABILITIES.....	199,032	201,332	128,578	171,857	700,799
FUND BALANCES:					
Reserved for Debt Service.....	41,871	9,490	1,422	56	52,839
TOTAL FUND BALANCES.....	41,871	9,490	1,422	56	52,839
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 240,903	\$ 210,822	\$ 130,000	\$ 171,913	\$ 753,638

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, 2010
 (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
REVENUES:					
Lease Interest from State Agencies.....	\$ 14,396	\$ 7,291	\$ 5,972	\$ 7,175	\$ 34,834
Administrative Fees.....	34	40	35	600	709
Other Income.....	-	7	-	-	7
TOTAL REVENUES.....	14,430	7,338	6,007	7,775	35,550
EXPENDITURES:					
Administrative Costs.....	22	40	32	551	645
Debt Service:					
Principal.....	109,370	32,725	14,700	18,555	175,350
Interest.....	15,046	9,223	6,026	7,199	37,494
Bond Issue Costs.....	-	284	-	221	505
TOTAL EXPENDITURES.....	124,438	42,272	20,758	26,526	213,994
DEFICIENCY OF REVENUES UNDER EXPENDITURES.....	(110,008)	(34,934)	(14,751)	(18,751)	(178,444)
OTHER FINANCING SOURCES/(USES):					
Lease Principal Payments from State Agencies.....	117,950	33,175	14,690	18,555	184,370
Bond Proceeds:					
Principal.....	-	40,000	-	30,000	70,000
Premium.....	-	2,078	-	1,532	3,610
Financing Provided to State Agencies Under Leases:					
Mental Health Capital Facilities.....	-	(40,000)	-	-	(40,000)
Cultural and Sports Capital Facilities.....	-	-	-	(31,311)	(31,311)
TOTAL OTHER FINANCING SOURCES/(USES).....	117,950	35,253	14,690	18,776	186,669
NET CHANGE IN FUND BALANCES.....	7,942	319	(61)	25	8,225
FUND BALANCE, JULY 1.....	33,929	9,171	1,483	31	44,614
FUND BALANCE, JUNE 30.....	\$ 41,871	\$ 9,490	\$ 1,422	\$ 56	\$ 52,839

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

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.

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 are 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
(Dollars in thousands)

As of and for the Year Ended June 30, 2010

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, 2010, the total carrying amount of deposits was \$59; the bank balance of \$59 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.

During fiscal year 2010, investments were placed with STAR Ohio and the Fifth Third U.S. Treasury Money Market Fund.

STAR Ohio is an investment pool managed by the Treasurer of State, which allows Ohio governments to pool funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are held in the State's name and are valued at the pool's share price, which is the price the investment could be sold for on June 30, 2010.

The Fifth Third U.S. Treasury Money Market Fund is a mutual fund. The fund invests all of its assets in high-quality, short-term obligations issued by the U.S. Treasury, which are guaranteed as to principal and interest by the U.S. Government, repurchase

agreements collateralized by U.S. Treasury securities, and shares of money market investment companies that invest exclusively in these securities. Shares in the fund are not purchased in the State's name, but in the nominee name for Bank of New York Mellon, the trustee bank.

Investment balances held as of June 30, 2010 are as follows:

	Carrying Amount	Market Value
STAR Ohio	\$51	\$51
Fifth Third U.S. Treasury Money Market Fund	1	1
Total	\$52	\$52

As of June 30, 2010, both the STAR Ohio and the Fifth Third U.S. Treasury Money Market Fund were rated AAAM by Standard and Poor's. Both investments had a maturity of less than 3 months.

As of June 30, 2010, the extent of concentration of investment balances held for each debt service fund and in total by investment is detailed below.

Debt Service Fund	STAR Ohio	Fifth Third U.S. Treasury Money Market Fund	Total Investments
Higher Education	100%	—	100%
Mental Health	100%	—	100%
Parks and Recreation	100%	—	100%
Cultural Facilities	3.83%	96.17%	100%
Total Debt Service	98.75%	1.25%	100%

STATE OF OHIO
 CHAPTER 154 LEASE REVENUE OBLIGATIONS
 Debt Service Funds
 Notes to the Financial Statements
 (Dollars in thousands)

As of and for the Year Ended June 30, 2010

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: \$124,436 with respect to higher education, \$40,171 with respect to mental health facilities, \$20,746 with respect to parks and recreational facilities, and \$26,330 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, 2010, 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, 2010**

Year Ending June 30,	Higher Education Facilities Bond Service	Mental Health Facilities Bond Service	Parks & Recreation Facilities Bond Service	Cultural & Sports Facilities Bond Service	Total Debt Service Funds
2011.....	\$ 107,852	\$ 41,322	\$ 18,952	\$ 26,950	\$ 195,076
2012.....	83,117	35,915	19,951	27,524	166,507
2013.....	57,600	33,611	17,637	25,901	134,749
2014.....	5,771	28,603	18,675	25,871	78,920
2015.....	-	28,603	18,666	22,244	69,513
2016-2020.....	-	78,685	57,877	72,263	208,825
2021-2025.....	-	-	4,095	3,823	7,918
	254,340	246,739	155,853	204,576	861,508
Amount Representing Interest.....	(16,610)	(37,379)	(26,673)	(34,711)	(115,373)
Total.....	\$ 237,730	\$ 209,360	\$ 129,180	\$ 169,865	\$ 746,135

STATE OF OHIO
 CHAPTER 154 LEASE REVENUE OBLIGATIONS
 Debt Service Funds
 Notes to the Financial Statements
 (Dollars in thousands)

As of and for the Year Ended June 30, 2010

NOTE 3 — LEASES (Continued)

A summary of the deferred portion of leases receivable by debt service fund as of June 30, 2010 is presented in the table below:

	Higher Education Facilities Bond Service	Mental Health Facilities Bond Service	Parks & Recreation Facilities Bond Service	Cultural & Sports Facilities Bond Service	Total Debt Service Funds
Lease Principal	\$ 198,560	\$ 200,765	\$ 128,225	\$ 169,865	\$ 697,415
Lease Interest	472	567	353	1,992	3,384
Total Deferred Revenue, as of June 30, 2010	<u>\$ 199,032</u>	<u>\$ 201,332</u>	<u>\$ 128,578</u>	<u>\$ 171,857</u>	<u>\$ 700,799</u>

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, 2010.

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*.

SUPPLEMENTARY INFORMATION

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Net Assets - Accrual Basis
As of June 30, 2010
(Dollars in 000s)

ASSETS:	
Cash.....	\$ 59
Investments.....	52
Receivables from State Agencies:	
Leases.....	746,135
Unamortized Lease Premium/Discount, Net.....	9,118
Interest.....	7,392
Unamortized Bond Issue Costs.....	3,408
TOTAL ASSETS.....	<u>766,164</u>
LIABILITIES:	
Bond Interest Payable.....	7,503
Bonds Payable, net of deferred refunding amounts, premiums and discount:	
Due in One Year.....	162,789
Due in More Than One Year.....	595,872
TOTAL LIABILITIES.....	<u>766,164</u>
NET ASSETS:	
Restricted for Debt Service.....	<u>-</u>
TOTAL NET ASSETS.....	<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, 2010
(Dollars in 000s)

	Total Debt Service Funds	Higher Education Facilities	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities
EXPENSES:					
Administrative.....	\$ 645	\$ 22	\$ 40	\$ 32	\$ 551
Amortization of Bond Issue Costs.....	961	294	282	167	218
Interest on Debt.....	31,105	12,937	6,377	5,380	6,411
TOTAL EXPENSES.....	32,711	13,253	6,699	5,579	7,180
PROGRAM REVENUES:					
Charges for Services (1).....	32,704	13,253	6,692	5,579	7,180
Restricted Investment Income.....	7	-	7	-	-
TOTAL PROGRAM REVENUES....	32,711	13,253	6,699	5,579	7,180
NET EXPENSE AND CHANGES IN NET ASSETS.....	-	-	-	-	-
NET ASSETS, JULY 1.....	-				
NET ASSETS, JUNE 30.....	\$ -				

⁽¹⁾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, 2010**

(Dollars in 000s)

Fund Balance per Debt Service Funds' Balance Sheet	\$ 52,839
---	------------------

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	697,415
Interest.....	3,384
	700,799

The following are not financial resources, and therefore are not reported in the fund.

Unamortized Lease Premium/Discount, Net.....	9,118
Unamortized Bond Issue Costs	3,408
	12,526

The following liabilities are not due and payable in the current period, and therefore, are not reported in the debt service funds.

Bonds Payable.....	(758,661)
Bond Interest Payable	(7,503)
	(766,164)

Net Assets per Schedule of Net Assets	\$ —
--	-------------

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, 2010

(Dollars in 000s)

Net Change in Fund Balance per Debt Service Funds'

Statement of Revenues, Expenditures and Changes in Fund Balances **\$ 8,225**

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 2010, deferred revenue changed by the following amounts.

Lease Principal	(114,370)
Lease Interest	(796)
	(115,166)

Increases and decreases in unamortized lease premiums/discounts are not reported in the debt service funds	1,063
--	-------

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	(70,000)
Premiums	(3,610)
	(73,610)

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 2010, these amounts consisted of:

Scheduled Debt Principal Retirements	175,350
	175,350

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	(457)
Decrease in Bond Interest Payable	1,591
Amortization of Bond Premiums/Accretion of Bond Discounts, Net	6,787
Amortization of Deferred Refunding Amount	(3,783)
	4,138

Change in Net Assets per Schedule of Activities	\$ —
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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, 2010
(Dollars in 000s)

Year Ending June 30,	Higher Education Facilities	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities	Total
2011.....	\$107,852	\$41,322	\$18,952	\$26,950	\$ 195,076
2012.....	83,117	35,915	19,951	27,524	166,507
2013.....	57,600	33,611	17,637	25,901	134,749
2014.....	5,771	28,603	18,675	25,871	78,920
2015.....	-	28,603	18,666	22,244	69,513
2016-2020.....	-	78,685	57,877	72,263	208,825
2021-2025.....	-	-	4,095	3,823	7,918
	254,340	246,739	155,853	204,576	861,508
Amount Representing Interest.....	(16,610)	(37,379)	(26,673)	(34,711)	(115,373)
	237,730	209,360	129,180	169,865	746,135
Premium/(Discount), Net.....	991	3,668	1,119	3,340	9,118
Leases Receivable, as of June 30, 2010.....	\$ 238,721	\$ 213,028	\$ 130,299	\$ 173,205	\$ 755,253

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, 2010
(Dollars in 000s)

Outstanding Chapter 154 Lease Rental Obligations as of June 30, 2010 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 percent to 102 percent, dependent upon the terms of the particular series of the bonds and the redemption date.

As of June 30, 2010, 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, 2010, 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.

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

* 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, 2010 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, 2010 (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, 2010
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%	35,360
II-2002A	—	253,275	8/1/2002	12/1/2012	3.54%	72,710
II-2003A	—	36,065	2/1/2003	6/1/2009	3.23%	—
II-2004A	—	173,975	10/5/2004	8/1/2013	3.50%	129,660
Total	\$4,817,590	\$1,746,385				\$237,730

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, 2010 (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, 2010
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%	2,605
II-2001B	30,000	—	8/1/2001	6/1/2016	4.54%	4,445
II-2002A	30,000	—	8/1/2002	6/1/2017	4.19%	4,775
II-2002B	—	38,065	8/1/2002	12/1/2010	3.11%	2,590
II-2003A	—	8,215	2/1/2003	6/1/2011	3.45%	2,060
II-2003B	30,000	—	6/1/2003	6/1/2018	3.54%	18,970
II-2004A	—	30,035	10/5/2004	8/1/2012	3.54%	23,025
II-2004B	25,000	—	12/29/2004	6/1/2019	3.54%	16,075
II-2005A	30,000	—	8/31/2005	8/1/2019	4.37%	22,890
II-2006A	30,000	—	8/10/2006	6/1/2016	4.09%	20,445
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%	24,705
II-2009A	40,000	—	12/17/2009	12/1/2019	2.56%	40,000
	<u>1,389,085</u>	<u>413,240</u>				<u>209,360</u>
Bond Anticipation Notes	3,000	—				—
Total	\$1,392,085	\$413,240				\$209,360

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, 2010 (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, 2010
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%	3,625
II-2001B	—	20,935	4/1/2001	12/1/2009	4.02%	—
II-2002A	25,000	—	5/1/2002	6/1/2017	4.46%	3,425
II-2002B	—	9,675	8/1/2002	12/1/2007	2.52%	—
II-2003A	—	6,425	2/1/2003	6/1/2012	3.58%	3,610
II-2004A	25,000	—	3/11/2004	12/1/2018	4.11%	15,945
II-2004B	—	11,740	10/5/2004	8/1/2014	4.11%	10,350
II-2005A	23,100	—	3/9/2005	2/1/2020	4.11%	16,700
II-2006A	—	15,410	12/14/2006	12/1/2016	4.32%	15,195
II-2007A	30,000	—	11/13/2007	12/1/2017	3.82%	25,330
II-2009A	35,000	—	3/12/2009	12/1/2020	3.95%	35,000
	<u>377,500</u>	<u>99,535</u>				<u>129,180</u>
Bond Anticipation Notes	500	—				—
Total	<u>\$378,000</u>	<u>\$99,535</u>				<u>\$129,180</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, 2010 (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, 2010
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%	3,010
2001A	29,000	—	2/1/2001	4/1/2016	4.82%	4,265
2001A	23,690	—	2/1/2001	4/1/2016	4.42%	3,420
2003A	20,000	—	3/14/2003	4/1/2018	3.53%	11,920
2004A	20,000	—	10/21/2004	10/1/2014	3.57%	10,915
2005A	30,000	—	8/31/2005	4/1/2020	4.61%	23,575
2006A	25,000	—	12/14/2006	4/1/2020	4.45%	20,245
2006B	—	28,295	12/14/2006	10/1/2015	4.83%	27,825
2008A	—	6,880	8/1/2008	10/1/2011	2.85%	6,815
2008B	30,000	—	12/3/2008	10/1/2018	3.68%	27,875
2010A	30,000	—	2/10/2010	10/1/2020	3.73%	30,000
Total	\$458,690	\$35,175				\$169,865

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, 2010

(Dollars in 000s)

	Higher Education Facilities Bonds	Mental Health Facilities Bonds	Parks and Recreation Facilities Bonds	Cultural and Sports Facilities Bonds	Total
Outstanding Balance, July 1, 2009	\$ 349,591	\$ 205,828	\$ 146,017	\$ 161,968	\$ 863,404
Additions:					
New Issuances:					
Bond Principal	-	40,000	-	30,000	70,000
Bond Premium	-	2,078	-	1,532	3,610
Accretion of Discount	-	-	6	-	6
Amortization of Deferred Refunding Amount	2,660	546	289	288	3,783
Total Additions	2,660	42,624	295	31,820	77,399
Deductions:					
Bond Principal Repayments	109,370	32,725	14,700	18,555	175,350
Amortization of Premium	3,776	1,491	564	961	6,792
Total Deductions	113,146	34,216	15,264	19,516	182,142
Outstanding Balance, June 30, 2010	\$ 239,105	\$ 214,236	\$ 131,048	\$ 174,272	\$ 758,661
Amount Due in One Year	\$ 98,390	\$ 30,756	\$ 13,771	\$ 19,872	\$ 162,789
Amount Due in More Than One Year	140,715	183,480	117,277	154,400	595,872
Outstanding Balance, June 30, 2010	\$ 239,105	\$ 214,236	\$ 131,048	\$ 174,272	\$ 758,661

See Independent Auditors' Report.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Debt Service Funding Requirements
As of June 30, 2010
(Dollars in 000s)

	Higher Education Bonds			Mental Health Bonds			Parks & Recreation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011.....	\$ 98,210	\$ 9,642	\$107,852	\$ 32,725	\$ 8,597	\$ 41,322	\$ 13,770	\$ 5,182	\$ 18,952
2012.....	77,990	5,127	83,117	28,700	7,215	35,915	15,310	4,641	19,951
2013.....	55,900	1,700	57,600	27,550	6,061	33,611	13,600	4,037	17,637
2014.....	5,630	141	5,771	23,660	4,943	28,603	15,165	3,510	18,675
2015.....	-	-	-	24,650	3,953	28,603	15,745	2,921	18,666
2016-2020.....	-	-	-	72,075	6,610	78,685	51,595	6,282	57,877
2021-2025.....	-	-	-	-	-	-	3,995	99	4,094
	237,730	16,610	254,340	209,360	37,379	246,739	129,180	26,672	155,852
Premium/Discount, Net	4,758	-	4,758	6,111	-	6,111	2,820	-	2,820
Deferred Refunding Amount	(3,383)	-	(3,383)	(1,235)	-	(1,235)	(952)	-	(952)
Total, as of June 30, 2010	\$239,105	\$16,610	\$255,715	\$ 214,236	\$ 37,379	\$ 251,615	\$131,048	\$26,672	\$157,720

	Cultural Facilities Bonds			Total - Chapter 154 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011.....	\$ 19,835	\$ 7,115	\$ 26,950	\$ 164,540	\$ 30,536	\$ 195,076
2012.....	21,355	6,169	27,524	143,355	23,152	166,507
2013.....	20,665	5,236	25,901	117,715	17,034	134,749
2014.....	21,515	4,356	25,871	65,970	12,950	78,920
2015.....	18,690	3,554	22,244	59,085	10,428	69,513
2016-2020.....	64,080	8,183	72,263	187,750	21,075	208,825
2021-2025.....	3,725	98	3,823	7,720	197	7,917
	169,865	34,711	204,576	746,135	115,372	861,507
Premium/Discount, Net	5,186	-	5,186	18,875	-	18,875
Deferred Refunding Amount	(779)	-	(779)	(6,349)	-	(6,349)
Total, as of June 30, 2010	\$174,272	\$34,711	\$208,983	\$ 758,661	\$ 115,372	\$ 874,033

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, 2010
(Dollars in 000s)

Current and Advance Refunding Issues

There were no current or advance refunding issues during the year ended June 30, 2010.

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, 2010 that were refunded in fiscal year 2010 and prior.

<u>Refunded Issue</u>	<u>Principal Yet to be Paid as of June 30, 2010</u>	<u>Scheduled Redemption Date</u>
Mental Health:		
Series II-2001B	\$ 9,930	December 1, 2016
Series II-2002A	11,445	June 1, 2017
	<u>21,375</u>	
Parks & Recreation:		
Series II-2001A	8,325	December 1, 2010
Series II-2002A	10,205	June 1, 2017
	<u>18,530</u>	
Cultural & Sports:		
Sports Series-1999A	10,030	October 1, 2010
Art Series-2001A	10,025	April 1, 2011
Sports Series-2001A	8,005	April 1, 2011
	<u>28,060</u>	
Total	<u>\$ 67,965</u>	

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, 2010, and have issued our report thereon dated September 20, 2010. 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.

Schneider Downs & Co., Inc.
www.schneiderdowns.com



1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL 412.261.3644
FAX 412.261.4876

41 S. High Street
Suite 2100
Columbus, OH 43215-6102
TEL 614.621.4060
FAX 614.621.4062

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 its 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 20, 2010