

**HIGHER EDUCATION CAPITAL FACILITIES
MENTAL HEALTH CAPITAL FACILITIES
PARKS & RECREATION CAPITAL FACILITIES
AND
CULTURAL AND SPORTS FACILITIES
LEASE-RENTAL OBLIGATIONS**

(Chapter 154 O.R.C.)

**TREASURER OF STATE
ANNUAL REPORT
AND
ACCOUNTANTS' REPORT**

FISCAL YEAR 2006

(July 1, 2005 --- June 30, 2006)

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

**LEASE- RENTAL OBLIGATIONS
 ANNUAL REPORT**

For the period July 1, 2005 through June 30, 2006

The Treasurer of State (the Treasurer) makes this annual report for the Fiscal Year ending June 30, 2006 (FY 2006) 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agencies of state government (for which no specific authorization to issue obligations was ever granted and which was repealed in FY 2001).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 of State of Ohio, 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, \$1,340,000,000 for mental health, \$337,000,000 for parks and recreation, and \$420,000,000 for cultural and sports facilities. (There is currently no General Assembly authorization for additional lease-rental obligations for higher education projects; however, bonds may be issued to refund outstanding bonds). Within these authorizations, the Treasurer issued the following Obligations in FY 2006:

Category & Series No.	Amount	Dated Date	Final Maturity Date
Mental Health – II-2005A	\$30,000,000	Aug. 31, 2005	June 1, 2016
Cultural Facilities – II-2005A	\$30,000,000	Aug. 31, 2005	Apr. 1, 2020

The principal and interest requirements on the Obligations sold and delivered in FY 2006 are set forth in the attached Schedules No. 1 through 2. The Obligations issued in FY 2006 were sold at private sale pursuant to Section 154.08 of the Revised Code. No bond anticipation notes were issued.

As of June 30, 2006, the Obligations issued by the Treasurer were rated Aa2 by Moody's, and AA by both Standard & Poor's and Fitch.

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 (Regents), the Department of Mental Health (DMH) and the Department of Mental Retardation and Developmental Disabilities (DMRDD), the Department of Natural Resources (DNR), and the Cultural and Sports Facilities (Cultural Facilities), under which the Commission undertakes to finance capital facilities designated by or pursuant to acts of the General Assembly. In turn, the Regents make those higher education facilities available to the state, and DMH, DMRDD, DNR, and Cultural Facilities (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 expenses, such as bond issuance expenses.

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.

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, 2007, the General Assembly, by Acts passed prior to July 1, 2005 appropriated from the general revenue fund the following amounts for rental payments under the lease agreements relating to the respective categories of Obligations:

<u>Appropriation to:</u>	<u>Biennial Amount</u>	<u>FY 2006</u>	<u>FY2007</u>
Regents	\$401,414,500	\$200,619,200	\$200,795,300
DMH	47,129,800	23,296,200	23,833,600
DMRDD	47,129,800	23,296,200	23,833,600
DNR	39,661,900	18,699,100	20,962,800
Cultural Facilities	76,373,100	38,126,600	38,246,500

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 expenses (primarily issuance expenses) 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, 2006)**

	Higher Education Facilities	MH and MRDD Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities
Authorized by General Assembly	\$4,817,590,000(d)	\$1,340,000,000	\$337,000,000	\$420,000,000
Issued in Prior Fiscal Years(a)	\$4,817,590,000	\$1,262,085,000	\$313,000,000	\$343,690,000
Issued in FY 2006(b)	-0-	\$30,000,000	-0-	\$30,000,000
Authorized by the General Assembly but not yet issued	0(d)	\$47,915,000	\$24,000,000	\$46,310,000
Interest Paid FY 2006	\$45,254,103	\$11,583,611	\$5,136,808	\$8,969,806
Principal Retired FY 2006	\$155,315,000(e)	\$33,650,000(f)	\$11,855,000(g)	\$28,525,000
Outstanding Principal(c)	\$798,940,000	\$246,835,000	\$119,765,000	\$185,625,000

- (a) Includes Bonds advance refunded; excludes advance refunding Bonds. Includes portions of Bond anticipation notes retired from rental payments (\$3,000,000 mental health, \$900,000 parks and recreation, \$5,000,000 cultural and sports facilities).
- (b) Excludes advance refunding bonds.
- (c) Includes advance refunding Bonds; excludes Bonds advance refunded
- (d) Reflects anticipated future issuances for higher education facilities to be by general obligation bonds.
- (e) Includes \$3,025,000 principal reduced by refunding.
- (f) Includes \$380,000 principal reduced by refunding.
- (g) Include \$1,100,000 principal increased by refunding.

The primary source of moneys for payment of principal of and interest on outstanding Obligations in FY 2006, as in prior years, was funds appropriated by the General Assembly for the purpose. Original issue premium and accrued interest paid by original purchasers of bonds were applied to bond service charges.

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 expenses, including issuing expenses), during FY 2006, and the balances in those funds on June 30, 2006, 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 2007 of principal of and interest on the Bonds outstanding on June 30, 2006 (which excludes Bonds advance refunded) are as follows:

	Higher Education	Mental Health	Parks and Recreation	Cultural Facilities
August 1, 2006	\$4,224,375	3,083,131	653,389	-0-
October 1, 2006	-0-	-0-	-0-	28,678,246
November 1, 2006	\$25,908,500	-0-	-0-	-0-
December 1, 2006	\$125,325,564	28,658,476	12,842,928	-0-
February 1, 2007	\$4,224,375	1,286,581	1,878,389	-0-
April 1, 2007		-0-	-0-	9,082,971
May 1, 2007	\$10,430,750	-0-	-0-	-0-
June 1, 2007	\$30,631,720	16,521,770	3,129,153	-0-
Total for Fiscal Year	\$200,745,284	49,549,958	18,503,859	37,761,217

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 2007 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 126th General Assembly for the fiscal biennium ending June 30, 2007 (as shown on page 2). 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, 2006, principal and interest on additional obligations that are projected to be issued in the biennium, and related applicable administrative and issuance expenses.

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

Jennette B. Bradley
Treasurer of State

SCHEDULE NO. 1
\$30,000,000 MENTAL HEALTH CAPITAL FACILITIES BONDS,
SERIES II-2005A
DATED AUGUST 31, 2005

<u>DATE</u>	<u>PRINCIPAL</u>	<u>COUPON</u>	<u>INTEREST</u>	<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
02/01/06			512,817.50	512,817.50	512,817.50
08/01/06	1,770,000.00	3.0000%	611,305.63	2,381,305.63	
02/01/07			584,755.63	584,755.63	2,966,061.26
08/01/07	1,725,000.00	3.1250%	584,755.63	2,309,755.63	
02/01/08			557,802.50	557,802.50	2,867,558.13
08/01/08	1,780,000.00	3.2500%	557,802.50	2,337,802.50	
02/01/09			528,877.50	528,877.50	2,866,680.00
08/01/09	1,835,000.00	3.3750%	528,877.50	2,363,877.50	
02/01/10			497,911.88	497,911.88	2,861,789.38
08/01/10	1,900,000.00	3.5000%	497,911.88	2,397,911.88	
02/01/11			464,661.88	464,661.88	2,862,573.76
08/01/11	1,965,000.00	3.6250%	464,661.88	2,429,661.88	
02/01/12			429,046.25	429,046.25	2,858,708.13
08/01/12	2,035,000.00	3.7500%	429,046.25	2,464,046.25	
02/01/13			390,890.00	390,890.00	2,854,936.25
08/01/13	2,115,000.00	4.8750%	390,890.00	2,505,890.00	
02/01/14			349,911.88	349,911.88	2,855,801.88
08/01/14	2,195,000.00	*	349,911.88	2,544,911.88	
02/01/15			296,011.88	296,011.88	2,840,923.76
08/01/15	2,300,000.00	*	296,011.88	2,596,011.88	
02/01/16			240,011.88	240,011.88	2,836,023.76
08/01/16	2,415,000.00	*	240,011.88	2,655,011.88	
02/01/17			181,711.88	181,711.88	2,836,723.76
08/01/17	2,530,000.00	*	181,711.88	2,711,711.88	
02/01/18			120,846.88	120,846.88	2,832,558.76
08/01/18	2,655,000.00	*	120,846.88	2,775,846.88	
02/01/19			57,337.50	57,337.50	2,833,184.38
08/01/19	2,780,000.00	4.1250%	57,337.50	2,837,337.50	2,837,337.50
	30,000,000.00		10,523,678.21	40,523,678.21	40,523,678.21

* bifurcated coupons

BOND YEARS	241,053.33
AVERAGE LIFE	8.035
GROSS INTEREST COST	10,523,678.21
- PREMIUM OR + DISCOUNT	(763,900.85)
NET INTEREST COST	9,759,777.36
NIC%	4.04880%
TIC%	3.99066%
ALL-IN TIC%	4.04647%

SCHEDULE NO. 2
\$30,000,000 CULTURAL & SPORTS FACILITIES BONDS,
SERIES II-2005A
DATED AUGUST 31, 2005

<u>DATE</u>	<u>PRINCIPAL</u>	<u>COUPON</u>	<u>CUSIP</u>	<u>INTEREST</u>	<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
			67755L			
04/01/06				765,882.38	765,882.38	765,882.38
10/01/06				653,359.38	653,359.38	
04/01/07	1,000,000.00	3.5000%	AA7	653,359.38	1,653,359.38	2,306,718.76
10/01/07				635,859.38	635,859.38	
04/01/08	1,750,000.00	3.5000%	AB5	635,859.38	2,385,859.38	3,021,718.76
10/01/08				605,234.38	605,234.38	
04/01/09	1,800,000.00	3.5000%	AC3	605,234.38	2,405,234.38	3,010,468.76
10/01/09				573,734.38	573,734.38	
04/01/10	1,875,000.00	3.5000%	AD1	573,734.38	2,448,734.38	3,022,468.76
10/01/10				540,921.88	540,921.88	
04/01/11	1,950,000.00	3.7500%	AE9	540,921.88	2,490,921.88	3,031,843.76
10/01/11				504,359.38	504,359.38	
04/01/12	2,025,000.00	3.7500%	AF6	504,359.38	2,529,359.38	3,033,718.76
10/01/12				466,390.63	466,390.63	
04/01/13	2,100,000.00	5.0000%	AG4	466,390.63	2,566,390.63	3,032,781.26
10/01/13				413,890.63	413,890.63	
04/01/14	2,175,000.00	3.8750%	AH2	413,890.63	2,588,890.63	3,002,781.26
10/01/14				371,750.00	371,750.00	
04/01/15	2,275,000.00	4.0000%	AJ8	371,750.00	2,646,750.00	3,018,500.00
10/01/15				326,250.00	326,250.00	
04/01/16	2,375,000.00	5.0000%	AK5	326,250.00	2,701,250.00	3,027,500.00
10/01/16				266,875.00	266,875.00	
04/01/17	2,475,000.00	5.0000%	AL3	266,875.00	2,741,875.00	3,008,750.00
10/01/17				205,000.00	205,000.00	
04/01/18	2,600,000.00	5.0000%	AM1	205,000.00	2,805,000.00	3,010,000.00
10/01/18				140,000.00	140,000.00	
04/01/19	2,725,000.00	5.0000%	AN9	140,000.00	2,865,000.00	3,005,000.00
10/01/19				71,875.00	71,875.00	
04/01/20	2,875,000.00	5.0000%	AP4	71,875.00	2,946,875.00	3,018,750.00
TOTAL	30,000,000.00			12,316,882.46	42,316,882.46	42,316,882.46

UNDERWRITERS: FIFTH THIRD SECURITIES, INC., KEYBANC CAPITAL MARKETS
BOND COUNSEL: PORTER, WRIGHT, MORRIS & ARTHUR
ISSUER'S COUNSEL: PECK, SHAFFER & WILLIAMS
UNDERWRITER'S COUNSEL: SQUIRE, SANDERS & DEMPSEY
FINANCIAL ADVISOR: PUBLIC FINANCIAL MANAGEMENT

BOND YEARS	267,308.33
AVERAGE LIFE	8.9103
GROSS INTEREST COST	12,316,882.46
MINUS PREMIUM	(1,305,017.50)
NET INTEREST COST	11,011,864.96
NIC%	4.119537%
TIC%	4.005279%

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, cultural and sports facilities Bonds.

