

Ohio Treasurer of State Jennette B. Bradley



Annual Report

Fiscal Year 2005
August 2005



Jennette B. Bradley Ohio Treasurer of State

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Ohio Treasurer of State

Jennette B. Bradley



Ohio Treasurer's Office Annual Report Fiscal Year 2005

August 2005

To the Citizens of Ohio:

We are pleased to present the Ohio Treasurer of State's Annual Report for Fiscal Year 2005. This report contains information regarding the operations of the Ohio Treasury from July 1, 2004 through June 30, 2005.

The State Treasurer's Office has worked to ensure the safety, liquidity and maximum yield from managing public funds under our authority.

An important part of our mission is to meet the needs of Ohio Treasury customers. We maintained programming that provides financial assistance to Ohio businesses and farmers. We offered professional development, training and certification opportunities, as required by state law, to more than 1,500 public funds managers through our Center for Public Investment Management Conferences. This training has been expanded and will provide more in-depth education about issues of importance to public funds managers. We also remain committed to public education and community outreach notably through our financial "Women & Money" workshops held annually throughout the state.

Information about these and other Treasury programs and operations during Fiscal Year 2005 is on our Web site www.ohiotreasurer.org.

Thank you for your continued interest in the Treasurer of State's Office.

Respectfully,

Jennette B. Bradley
Treasurer of State



Ohio Treasurer of State Jennette B. Bradley

Jennette B. Bradley **Ohio's 45th Treasurer of State**

Since being sworn in as Ohio's 45th Treasurer of State in January 2005, Jennette B. Bradley has focused on ensuring the safety, liquidity and yield of public funds under her authority.

The duties of the Treasurer's Office are to collect, manage and invest \$11 billion in assets for the State of Ohio – including the State Regular Account, STAROhio and the Ohio Lottery Commission Deferred Prizes Trust Fund. The Treasurer also serves as the statutory custodian for more than \$160 billion within the state's five public employee retirement systems, the Bureau of Workers' Compensation and the Tobacco Use Prevention and Control Endowment Fund

Treasurer Bradley has worked to expand the office's use of advanced technology, to implement modern and efficient banking practices and to maintain the integrity of the state's portfolio.

Treasurer Bradley brings extensive experience in public service and business to Ohio's State Treasury. In 2002 she was elected to the office of Lieutenant Governor as Ohio Governor Bob Taft's running mate. She is the first African-American woman to be elected as Lt. Governor in U.S. history. In addition to being Lt. Governor, she served as the director of the Ohio Department of Commerce, one of the state's chief regulatory agencies.

Prior to serving as Ohio's Lt. Governor, Treasurer Bradley was a member of Columbus City Council for 11 years. Her previous experience also includes employment in the private sector as a Senior Vice President and Public Funds Manager for a large bank headquartered in Ohio and as Senior Vice President and Public Finance Banker for a national securities firm. She has also been Executive Director of the Columbus Metropolitan Housing Authority.



Mission of the Ohio Treasurer's Office

The mission of the Ohio Treasurer's Office is to efficiently serve the citizens of Ohio by managing public funds, as established by the Ohio Revised Code, in a fiscally prudent manner to provide essential safety, necessary liquidity and maximum yield. Ohio Treasury employees are expected to maintain the highest ethical and professional standards in serving the needs of our citizens.



Ohio Treasurer of State Jennette B. Bradley

Duties and Responsibilities of the State Treasurer Ohio's Cash Manager and Chief Investment Officer

Serving as the state's cash manager and chief investment officer, the Treasurer of State is charged with the duty of managing and collecting public funds. A succinct definition of cash management is the "safe, measured movement of money." As the chair of the State Board of Deposit, Treasurer Bradley is responsible for designating eligible state depositories for the placement of public monies. Within the designation process, the Board and the Treasurer evaluate the banking services required by a state entity, determine which corresponding bank will provide that service, and negotiate any resulting contracts.

Additionally, the Treasurer's Office assists state agencies in procuring from financial institutions services such as lockbox processing and electronic payment and collection. By using the existing bank contracts awarded by the State Board of Deposit, state agencies can be assured not only of consistent standards in the care and protection of public funds, but also of competitively priced services.

Effective March 18, 1999, Section 113.40 of the Ohio Revised Code authorized the Treasurer's Office to allow state agencies to accept payments by financial transaction devices, such as credit cards. This innovative program provides greater convenience to Ohio's taxpayers when paying fees, fines, and taxes.

Chapter 113 of the Ohio Revised Code delineates the duties of the Treasurer of State's office. These duties are to collect, invest, and protect state financial assets. The following is a brief description of each duty:

Collect

The Treasurer's Office receipts all state revenues. State funds not collected by the Treasurer's Office are either collected by the state agency charged with administering each revenue source, or by the Department of Taxation, and are deposited by those agencies into the Treasury.

In Fiscal Year 2005, the total amount deposited into the Ohio Treasury was more than \$48 billion.

Invest

Ohio law charges the State Treasurer with managing the state's three multi-billion dollar investment portfolios, consisting of assets from the General Revenue Fund, the STAROhio investment pool, and the Lottery Fund. In Fiscal Year 2005, the combined investment portfolio managed by the Treasurer of State totaled approximately \$11.2 billion.

The Treasury's investment policy emphasizes three priorities – safety, liquidity, and yield – with safety considerations far outweighing the other two priorities. For a more detailed explanation of all aspects of Treasury investment operations, refer to Treasury Investment Policy.



Protect

State assets managed by the Treasurer and custodial assets held by the Treasurer for safekeeping totaled a combined \$170.78 billion as of June 30, 2005. Custodial assets include those of the Public Employees Retirement System, State Teachers Retirement System, School Employees Retirement System, Police and Fire Pension Fund, Highway Patrol Retirement System, the Bureau of Workers' Compensation, the Ohio Tuition Trust Authority, the Tobacco Use Prevention and Control Foundation, The Southern Ohio Agricultural and Community Development Foundation and the Ohio Lottery Commission. Underscoring the continual Treasury policy of emphasizing safety of assets, above all other considerations, Treasurer Bradley has reinforced the "safety-first" approach to the management of these assets. In addition to having stringent internal controls in place, the Treasurer's Office has focused on risk management by identifying, measuring, and mitigating external risk exposures.

Other Duties

Under Ohio law, the Treasurer of State also:

- Maintains various state accounts and processes payments of all state warrants (checks) issued for claims and expenses incurred in the operation of state government;
- Serves as a member of the Sinking Fund Commission, which administers the retirement of certain voter-authorized bonds;
- Serves as treasurer of the Ohio Public Facilities Commission, which issues certain voter-approved debt;
- Serves as a board member of various financial planning commissions; and
- Has served (through June 30, 2005) as the issuing authority for voter-approved (General Obligation) bonds for highways and public infrastructure and revenue-backed debt for park facilities.



Ohio Treasurer of State Jennette B. Bradley

History of the Ohio Treasury

The Ohio Treasury today maintains the tradition established during 206 years of existence and through 45 administrations as a firm, dependable symbol for the safe, efficient management of the state of Ohio's financial assets. The current Treasurer, Jennette B. Bradley, became Ohio's 45th Treasurer of State in January 2005.

In the years preceding Ohio's entry into the Union as its 17th state (1803), the Ohio Treasurer of State's Office established by Congress served the entire Northwest Territory. Ohio's first Treasurer, John Armstrong of Marietta, served in that post from 1796 until statehood in 1803, and its second Treasurer, William McFarland, served the longest term of any Treasurer, 13 years (1803-1816).

Between 1803 and 1851, the Ohio Treasurer of State was appointed by the General Assembly. However, for the past 154 years, the State Treasurer has been an elected position. The duties of the State Treasurer have remained basically unchanged, although the scope of the job has greatly expanded. As of the late 19th century, the office was responsible for handling approximately \$6 million in public funds annually; in Fiscal Year 2005, that number had grown to nearly \$160 billion.

Throughout most of its history, the office was housed in various locations inside the Ohio State House. In 1974, it moved to its current location – the 9th and 10th floors of the Rhodes Office Tower in downtown Columbus.

The Treasury also maintains a ceremonial office just inside the west entrance of the Ohio State House. That same office served as a cashiering station during the 1870's, when Treasury employees cashed payroll warrants for state government employees. A wooden replica of the original vault currently stands in the office today. Prior to the 1996 designation of the room as the ceremonial office of the State Treasurer the space was used by other state entities, for a variety of official purposes.

Ohio Treasurer of State

Jennette B. Bradley



Past State Treasurers	
Jennette B. Bradley Present-2005	
Joseph T. Deters 2004-1999	J. Kenneth Blackwell 1999-1994
Mary Ellen Withrow 1994-1983	Gertrude W. Donahey 1983-1971
John D. Herbert 1971-1963	Joseph T. Ferguson 1963-1959
Roger W. Tracy 1959-1951	Don H. Ebright 1951-1939
Clarence H. Knisley 1939-1937	Harry S. Day 1937-1931
Edwin A. Todd 1931-1930	H. Ross Ake 1930-1929
Bert B. Buckley 1929-1927	Harry S. Day 1927-1923
Rudolph W. Archer 1923-1919	Chester E. Bryan 1919-1917
Rudolph W. Archer 1917-1915	John P. Brennen 1915-1913
David S. Creamer 1913-1909	Charles C. Green 1909-1908
William S. McKinnon 1908-1904	Issac B. Cameron 1904-1900
Samuel B. Campbell 1900-1896	William T. Cope 1896-1892
John C. Brown 1892-1886	Peter Brady 1886-1884
Joseph Turney 1884-1880	Anthony Howells 1880-1878
John M. Millikin 1878-1876	Leroy Welsh 1876-1875
Issac Welsh 1875-1872	S.S. Warner 1872-1866
William Hooper 1866-1865	G.V. Dorsey 1865-1862
A.P. Stone 1862-1857	William H. Gibson 1857-1856
John G. Breslin 1856-1852	Albert A. Bliss 1852-1847
Joseph Whiteill 1847-1835	Henry Brown 1835-1823
Samuel Sullivan 1823-1820	Hiram M. Curry 1820-1816
William McFarland 1816-1803	John Armstrong 1803-1796



Ohio Treasurer of State Jennette B. Bradley

Overview of the Treasury by Department

There are 12 departments within the Ohio Treasury. Below is a brief description of the departments

Accounting

The Accounting Department consists of three divisions: General Ledger, Reconciliation, and Warrant Processing. Its clients are numerous state agencies, boards and commissions, including the Bureau of Workers' Compensation (BWC), the Public Employees Retirement System and the State Teachers Retirement System. The General Ledger Division posts all entries and maintains the financial books for state revenues and cash investments, as well as custodial cash and investment balances.

The Reconciliation Division is responsible for reconciling the bank accounts for the state and the various custodial agencies. Divisional personnel reconcile all of the accounts, research any exceptions and ensure that corrections are completed.

The Warrant Processing Division processes all state warrants and warrants for several custodial entities such as BWC, the state retirement systems and unemployment compensation. It is considered the check-processing center of state government.

Administration

The Administration Department manages all Treasurer of State (TOS) operations and directs all office-wide policies as they relate to Treasurer's Office staff. The department also provides administrative support for the Treasurer. In addition, the Operations Division works with department directors to implement policies as directed by the Treasurer and to enforce contract compliance with the various financial institutions that participate in Treasury operations.

Compliance and Risk Management Assessment

This new division within Administration, Compliance & Risk Management Assessment, was established to implement and manage the Operational Risk Management program. State Treasury Operational Risk Management evaluates continuously the effectiveness of procedures, encourages across-the-board staff participation in TOS problem solving, and works to increase the cross-departmental knowledge base. Operational risk is the risk of a direct or indirect loss that results from inadequate or failed internal processes, people, systems, or external events.

Communications

The Communications Department is responsible for coordinating internal and external communications involving TOS goals, services, initiatives, and accomplishments. The dissemination of this information is accomplished via: the news media; the Treasury Web site; TOS publications; coordination with the Treasury's regional representatives; and management of the Treasury's toll-free telephone lines. Departmental staff also coordinate public appearances by the Treasurer.



Center for Public Investment Management

As an educational outreach for the Treasurer of State's Office, the Center for Public Investment Management (CPIM) provides continuing education to Ohio's public funds managers and their oversight authorities. It is CPIM's mission to offer the highest standard of comprehensive education and instruction in the areas of cash management, investments, public finance, and compliance and reporting.

The 2005 program "Maximizing Impact & Minimizing Risk," focused on prudent investment strategies and risk management. CPIM offered two separate conference tracks to better meet the diverse educational needs of the state's local government finance officers. The basic level, "Mastering the Fundamentals of Public Finance Management," was designed to deliver the foundational building blocks of investments and cash management, while an advanced level conference, "Advanced Approaches to Public Finance Management," highlighted complex topics at a more in depth level and interactive level.

Community Education

The Community Education Department was created to provide financial education programs to Ohioans. The focus of the Community Education Department is to help Ohio citizens make more informed decisions about personal finances by sharing the financial expertise of the Treasurer's Office. The Women & Money Program, a free personal finance series tailored primarily for women, continues to be a popular program provided by the Community Education Department with the support of Treasurer Bradley. The program has served more than 14,000 women in the past six years. Seminars for this program have been held annually in various cities throughout the state.

Human Resources and Fiscal Services

The Human Resources and Fiscal Services Department is responsible for developing and monitoring the budget for the Office of the Treasurer and paying the day-to-day operating bills. It is also responsible for the purchasing of goods and services for the office.

The department administers all human resource activities including recruitment and selection, labor and employee relations, benefits, employee training and development, and payroll.

Information Technology Services

The Information Technology Services Department is responsible for supporting, developing and implementing technical solutions that promote efficiencies, align with business process, keep pace with emerging technologies, and ensure the safety and security of all digital assets.

The department has three divisions: Network Support, Desktop Support, and Applications Support

The Network Support Division is responsible for the implementation and support of all network architecture platforms. The Application Support Division is responsible for development and support of in-house business applications. The Desktop Support Division oversees all desktop/laptop systems, printers, software and components, the help desk and customer support services.



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Internal Audit

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The Internal Audit Department helps the Treasury accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Investments

The primary responsibility of the Investment Department is to actively manage the state's multi-billion dollar investment portfolios. These portfolios include the State of Ohio Regular Account (including the General Revenue Fund), the Ohio Lottery Deferred Prizes Trust Fund and STAR OHIO. The Investment Department staff is responsible for developing strategies designed to maintain target levels of safety, liquidity and return as directed by the Treasurer's Investment Policy.

Legislative

The Legislative Department serves as the liaison between the Office of the Treasurer and the members of the Ohio General Assembly. Its staff represents the interests of the Treasurer and Treasury before the Legislature. They provide public testimony on bills that impact the Treasurer's Office, its operation and programs. They also respond to constituent inquiries for legislators and provide members of the General Assembly with information on the Treasurer's programs.

Revenue Management

The Revenue Management Department is responsible for the collecting, processing and payment of state revenue, for expanding the state's use of electronic payments, and for providing cash management services to state agencies. The department includes three divisions:

- **Cashier Services** receives and receipts billions of dollars annually in state funds due from other state agencies. With the use of Automated Clearinghouse (ACH) payments or wires processed through the Federal Reserve Bank, the division controls the timely disbursement of state funds. The division also processes forgery claims on state and custodial warrants, and determines the daily cash position of the state used to invest state funds.
- **E-Payment Services** works closely with state agencies, payment processors and banks to utilize the latest cash management techniques to provide timely and accurate deposits. The division is working to expand the acceptance of ACH payments and credit cards as a method of payment to the state.
- **Lockbox Revenue Services** uses an automated check-remittance system to process payment data for state agencies. The system is also used to image and archive state checks. Millions of images are maintained for retrieval for research purposes. Each year this division encodes and deposits more than three million checks resulting in more than \$5 billion in receipts.



Trust

The Trust Department is comprised of two divisions: The Compliance Division and the Trust Operations Division. The Compliance Division oversees the safekeeping of investments for the following funds, all of which are in the custody of the Treasurer: Bureau of Workers' Compensation; Ohio Tuition Trust Authority; State Teachers Retirement System; Public Employees Retirement System; Police and Fire Pension Fund; State Highway Patrol Retirement Fund; School Employees Retirement System; Tobacco Use Prevention and Control Endowment Fund; and the Southern Ohio Agricultural and Community Development Fund. Trust compliance analysts also monitor whether custodial banks are in compliance with State Depository agreements as they relate to custody services and whether securities-lending agents appointed by the Treasurer are in compliance with the Treasurer's policies.

The Trust Operations section is responsible for posting and reporting investment income, ensuring custodial banks' records are in agreement with the Treasurer's Investment Accounting system, and reviewing trade confirmations and custody fee invoices to ensure accuracy. This division is also responsible for ensuring sufficient and eligible collateral is pledged by all state depositories and for safekeeping securities for various state agencies as required by the Ohio Revised Code.



Ohio Treasurer of State

Jennette B. Bradley

STATEMENT OF RECEIPTS AND DISBURSEMENTS OF STATE FUNDS*

For the Period July 1, 2004, through June 30, 2005

Balance as of July 1, 2004	\$6,508,874,208
Receipts	48,579,449,889
Disbursements	<u>(47,729,946,020)</u>
Balance as of June 30, 2005	<u>\$7,358,378,077</u>

Recapitulation as of June 30, 2005:

CASH AND MISCELLANEOUS ITEMS

Cash on Hand	\$104,260
Active Deposits	36,376,164
Due from Custodial Accounts	4,978,437
Miscellaneous Transactions	<u>381,322</u>
Total Cash and Miscellaneous	\$41,840,183

INVESTMENTS

Special Purpose Deposits	
Agri-Linked Deposits	\$119,212,622
Linked Deposits	10,094,029
Bid Ohio Deposits	<u>255,000,000</u>
Total Special Purpose Investments	\$384,306,651

NON-SPECIAL PURPOSE INVESTMENTS

Money Market Funds	\$195,745,968
Repurchase Agreements	0
Federal Government Securities	460,301,706
Federal Agency/Instrumentality Securities	4,893,033,312
Star Ohio-Cash Account	0
Commercial Paper	851,672,415
Structured Investments (Lottery)	508,430,574
STAR Ohio-Structured (Lottery)	2,047,268
Israeli Bonds	<u>21,000,000</u>
Total Non-Special Purpose Investments	<u>\$6,932,231,243</u>

Total Investment Items **\$7,316,537,894**

Total State Funds at June 30, 2005 **\$7,358,378,077**

* Unaudited.

The Notes to the Financial Statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Office of the Treasurer of State was established under Section 113, Ohio Revised Code, for the custodianship of state public monies. The duties of the Treasurer include receiving and processing payments to the state for taxes, fees, and licenses. The Treasurer also processes the payment of all state warrants, manages the state's investment portfolio, and acts as the custodian and safekeeping agent for the deposit and investment assets of the state and various custodial agencies.

In addition, the Treasurer of State has an administrative role to run its operation and make tax refunds. The office receives appropriations from the state legislature and maintains cash fund and investment balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

In accordance with GASB Statement 14, the Treasurer of State is not a stand-alone reporting entity, but is a part of the primary government of the State of Ohio. Therefore, the activity reported here will be included in the Ohio Comprehensive Annual Financial Report for June 30, 2005, which is prepared by the State Accounting Section of the Office of Budget and Management.

For purposes of this report, however, the reporting entity of the Treasurer of State includes the monies of all state agencies whose cash funds are maintained on the Central Accounting System (CAS). This activity will be reported on the Statement of Receipts and Disbursements for State Funds.

The Treasurer is also required by the Ohio Revised Code to be the custodian for various investments that are owned by certain other State agencies or government entities. These assets are not included in the Treasurer of State reporting entity, but will be shown on a supplemental schedule, Statement of Receipts & Disbursements of Custodial Funds.

B. Basis of Accounting

Revenues and expenditures of all funds are recorded on the basis of cash receipts and disbursements. The Treasurer's policy is to record receipts when pay-in documents evidencing receipts are received. Disbursements are recorded when warrants are presented for payment or when the auditor authorizes electronic fund transfers. This policy applies to the financial statement presented for the state funds. The State Accounting Office's policy is to record receipts and disbursements when state pay-in orders and expenditure vouchers are approved for processing.

Under the cash basis of accounting, receivables, payables, and accruals are not recorded; fixed asset purchases are recorded as expenditures and are not capitalized.



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C. Fund Accounting

In order to observe the restrictions placed on resources and expenditures of funds, the State of Ohio follows the principles of fund accounting. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Individual funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. State Funds

The funds of the State of Ohio, as listed in the Statement of Receipts and Disbursements for State Funds, are established under Section 131.32, Revised Code. State funds' are invested in compliance with Section 135, Revised Code (Refer to Note 4). These investments are valued at cost, which may include purchased accrued interest.

2. Custodial Accounts

The Custodial Accounts, as listed in the Schedule of Receipts and Disbursements for Custodial Funds, represent accounts established under various provisions of the Revised Code which designate the Treasurer of State as custodian. Custodial investments are valued at cost with the exception of real estate, Venture Capital and selected other investments that are recorded at cost initially, but are periodically revalued to market.

NOTE 2 – DUE FROM CUSTODIAL ACCOUNTS

The \$4,978,437 Due from Custodial Accounts reflects the amount of Custodial Warrants paid to the banks on June 30, 2005, but not reimbursed to the Treasurer until July 1, 2005.

NOTE 3 – MISCELLANEOUS TRANSACTIONS

The \$381,322 Miscellaneous Transactions reflect the amount of checks returned from banks and held by the Treasurer's Office for return to state agencies for collection.

NOTE 4 - DEPOSITS AND INVESTMENTS

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires that monies held by the State be maintained in one of the following three classifications:

Active Deposits - Those monies required to be kept in a cash or near-cash status to meet current demands. Such monies must be maintained either as cash in the state's treasury or in any of the following:

- A commercial account that is payable or withdrawable, in whole or in part, on demand;
- A negotiable order of withdrawal account;
- A money market deposit account; or
- A designated warrant clearance account.



Interim Deposits - Those monies not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- U.S. treasury bills, notes, bonds, or any other obligations or securities issued by the U.S. treasury or any other obligation guaranteed as to principal and interest by the U.S. ;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Building Authority, and the Ohio Housing Finance Agency;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank or any recognized United States government securities dealer;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank or any recognized United States government securities dealer;
- Various forms of commercial paper issued by any corporation that is incorporated under the laws of the United States or a state, which notes are rated at the time of purchase in the two highest categories by two nationally recognized rating agencies, provided that the total amount invested under this section in any commercial paper at any time shall not exceed 25 percent of the state's total average portfolio;
- Bankers acceptances, maturing in 270 days or less, which are eligible for purchase by the Federal Reserve System, provided that the total amount invested in bankers acceptances at any time shall not exceed 10 percent of the state's total average portfolio;
- Certificates of deposit in eligible institutions applying for interim moneys including linked deposits, agricultural linked deposits, and housing linked deposits;
- The State Treasurer's investment pool;
- Debt interests, other than commercial paper, rated at the time of purchase in the three highest categories by two nationally recognized rating agencies and issued by corporations that are incorporated under the laws of the United States or a state, or issued by foreign nations diplomatically recognized by the U.S. government, or any instrument based on, derived from, or related to such interests, provided that the total amount so invested shall not exceed in the aggregate 25 percent of the state's total average portfolio. The investments in debt interests issued by foreign nations shall not exceed in the aggregate 1 percent of the state's total average portfolio. The investments made in the debt interests of a single issuer shall not exceed in the aggregate .5 of 1 percent of the state's total average portfolio;
- No-load money market mutual funds consisting exclusively of obligations of the U.S., federal government agency or commercial paper as described above and repurchase agreements secured by such obligations;
- Obligations of a board of education issued under the authority of the Ohio Revised Code.



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The state's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. These institutions collateralize accounts for balances in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) as required by Section 135.18, Ohio Revised Code. The Treasurer of State requires each depository institution to pledge securities with value of at least 100 percent to 105 percent of the total value of the public monies that are on deposit at the institution.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be: obligations of or guaranteed by the United States government, or an instrumentality of the government or highly rated commercial paper.

Special Purpose Deposits: As of June 30, 2005, the carrying amount of the Treasurer's special purpose deposits was \$384,306,651. These represent Certificates of Deposits issued by insured depositories as part of a linked deposit programs, or the Bid Ohio program.

Non-Special Purpose Investments: Generally accepted accounting principles as promulgated by GASB Statement 40 require disclosure of Investment securities that are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. None of the Treasurer of State's investments require disclosure for custodial credit risk. Further investment disclosures can be located in their entirety in the State of Ohio Comprehensive Annual Financial Report.

The Treasurer of State's investment pool (STAR Ohio) accounts will be disclosed in their entirety in the State of Ohio Comprehensive Annual Financial Report.

The market values of the States non-special purpose investments as of June 30, 2005 are as follows.

	Carrying Value	Market Value
Money Market Funds	\$195,745,968	\$195,745,968
U.S. Government Securities	\$460,301,706	\$453,433,750
U.S. Agency Securities	\$4,893,033,312	\$4,899,043,705
Commercial Paper	\$851,672,415	\$851,668,123
Structured Investments (Lottery)	\$508,430,574	\$878,457,286
State of Israel Bonds	\$21,000,000	\$21,000,000
Total STAR Ohio (non-lottery)	\$6,930,183,975	\$7,299,348,835
STAR Ohio (Lottery)	\$2,047,268	\$2,047,268
TOTAL	\$6,932,231,243	\$7,301,396,103



The Treasurer of State participated in securities lending programs, pursuant to Section 135.143, Ohio Revised Code, for securities included in the above investments. Each lending program was administered by an agent bank, whereby certain securities are transferred to an independent broker/dealer (borrower) in exchange for collateral equal to no less than 102 percent of the market value of the loaned securities at the time of lending and at least equal to the market value of the loaned securities thereafter.

The Treasurer minimized the exposure to credit risk due to borrower default by requiring the custodial agent bank to determine daily that collateral requirements were met. During Fiscal Year 2005, the Treasurer of State did not experience any losses due to credit or market risk on securities lending activity.

NOTE 5 - STAR OHIO

On June 30, 2005, State Funds invested in STAR Ohio were \$2,047,268. Custodial funds invested in STAR Ohio on that date were \$174,047,057.

NOTE 6 - CIGARETTE STAMPS

As provided by Section 5743.05 of the Ohio Revised Code, the Treasurer of State retains custody of various cigarette stamps. These stamps are sold to vendors and are required to be affixed to each package of cigarettes sold in Ohio as a means of collecting the cigarette excise tax imposed by the state. As of June 30, 2005, the gross value of the cigarette stamps on hand with the Treasurer of State was \$154,822,959. The value of these stamps net of wholesale discount was \$152,036,146.



Statement of Receipts & Disbursements
of Custodial Funds
As of June 30, 2005

Agency/Account	Fiscal Year Starting Cash	Fiscal Year Starting Investments	Year-to-Date Receipts	Year-to-Date Disbursements	Year-to-Date Investment Net Changes	Year-to-Date Ending Cash	Year-to-Date Ending Investments
Ohio Bureau of Employment Services							
Auxiliary Services Personnel Emergency							
Unemployment+++	5,542,132.76	4,653,569.94	538,827.51	1,500,000.00	\$4,243,802.31	337,157.96	8,897,372.25
Benefits Account+++	94,473,789.31	1,000,000.00	1,064,540,068.04	1,143,277,296.41	\$14,501,304.30	1,235,256.64	15,501,304.30
Clearing Account	3,008,876.41	0.00	994,160,040.08	994,177,687.79	0.00	2,991,228.70	0.00
Federal Employees Benefits Account	0.00	0.00	411,884.50	400,396.50	\$0.00	11,488.00	0.00
North American Free Trade Account	29,918.05	0.00	655,969.00	685,887.05	\$0.00	0.00	0.00
Penalty Enforcement Fund	0.00	0.00	0.00	0.00	\$0.00	0.00	0.00
Prevailing Wage Trust Account	42,456.19	0.00	0.00	0.00	\$0.00	42,456.19	0.00
Special Administrative Fund	5,712.18	0.00	12,058,766.15	12,016,885.13	0.00	47,593.20	0.00
Trade Account	318,405.71	0.00	28,442,972.21	28,253,038.34	0.00	508,339.58	0.00
BES Unemploy Comp Auto Admin Fund+++	0.37	11,442,993.51	82,134.68	11,525,128.56	(11,442,993.51)	0.00	0.00
ODJFS IRS Payments	0.00	0.00	1,463,479.42	1,463,479.42	\$0.00	0.00	0.00
ODJFS Best RX	0.00	0.00	55,794.52	0.00	\$55,663.24	131.28	55,663.24
Ohio Board of Regents							
Academic Scholarship Program+++	45,128.00	2,932,048.57	7,936,023.27	8,900,437.63	(\$959,234.86)	39,948.50	1,972,813.71
Paul Douglas Teacher Scholarship Account	442,975.55	0.00	68,902.73	0.00	\$0.00	511,878.28	0.00
Ohio Bureau of Workers Compensation							
Coal Workers Pneumoconiosis Fund	658.09	199,147,225.37	15,460,053.87	1,104,230.62	\$14,294,400.23	62,081.11	213,441,625.60
Disabled Workers Relief Fund	135.77	1,030,953,154.51	40,636,363.37	9,303,386.35	\$31,331,225.46	1,887.33	1,062,284,379.97
Intentional Tort	0.00	0.00	0.00	0.00	\$0.00	0.00	0.00
Marine Industry	10,265.64	13,125,445.25	1,111,275.86	26,545.94	\$1,094,107.21	888.35	14,219,552.46
Occupational Safety Loan	0.00	0.00	0.00	0.00	\$0.00	0.00	0.00
Public Work Relief Employees Fund	140.03	18,196,414.34	1,343,556.86	234,363.59	\$1,108,925.01	408.29	19,305,339.35
State Insurance Fund	2,899,604.93	13,344,277,841.47	2,654,335,262.46	2,508,128,966.55	\$148,794,202.14	311,698.70	13,493,072,043.61
Self-Insuring Employers Guaranty Fund	326.52	186,141.70	11,159,994.75	4,622,935.18	\$6,536,526.13	859.96	6,722,667.83
Capital Improvement Bond Retirement							
Capitol Square Review & Advisory Board Escrow	678.00	0.00	0.00	0.00	\$0.00	678.00	0.00
Conservancy District Bond Clearing Account	100.00	0.00	0.00	0.00	\$0.00	100.00	0.00
	26,988.03	0.00	91,550.00	91,137.50	\$0.00	27,400.53	0.00



Ohio Treasurer of State Jennette B. Bradley

Statement of Receipts & Disbursements of Custodial Funds As of June 30, 2005 (continued)

Ohio Department of Development

Bond Retirement	267,515.00	0.00	0.00	0.00	\$0.00	267,515.00	0.00
Electronic Funds Payment Account	1.04	0.00	17,508,749.06	17,508,749.06	\$0.00	1.04	0.00
Enterprise Bond Fund 2A+++	183,937.31	21,188,895.23	43,274,946.32	45,702,145.83	(\$2,275,383.23)	32,121.03	18,913,512.00
Loan Guarantee Fund+++	500.00	738,495.78	15,209.24	0.00	\$15,209.24	500.00	753,705.02
Volume Cap Account+++	0.00	2,369,333.71	3,176,810.09	2,218,100.00	\$958,710.09	0.00	3,328,043.80
Economic Development Bond Service+++	0.00	7,539,979.58	76,155,671.76	74,145,938.08	\$2,009,733.68	0.00	9,549,713.26
Elementary & Secondary School Bond Service and Administrative Expense+++	50.00	371,557.30	31,704,995.06	31,711,175.00	(\$6,179.94)	50.00	365,377.36
Highway Improvement Bond Retirement	55,288.34	0.00	0.00	0.00	\$0.00	55,288.34	0.00
Highway Obligations Bond Retirement	419,997.08	0.00	10,450,000.00	10,450,000.00	\$0.00	419,997.08	0.00
Revitalization Proj Bond Serv. Fund	10,000.00	2,681,191.95	4,897,629.54	4,711,100.00	\$186,529.54	10,000.00	2,867,721.49

Ohio Housing Finance Agency

Assistant Payment Program+++	1,556.50	8,740,711.01	48,913,534.01	49,275,010.74	(\$361,458.99)	1,538.76	8,379,252.02
Development Fund+++	1,000.15	40,123,252.43	98,019,036.25	97,769,196.33	\$249,840.03	1,000.04	40,373,092.46
Multi-Family Housing Program+++	1,021.12	4,366,080.82	6,300,165.16	2,079,190.06	\$4,209,272.93	12,723.29	8,575,353.75
Single Housing Family Program+++	1,012.52	3,031,261.44	45,483.50	2,187,370.06	(\$2,141,952.74)	1,078.70	889,308.70

Human Services

SETS Program+++	79,687,390.70	16,046,991.66	2,067,361,572.19	2,072,619,429.38	(\$5,709,244.03)	80,138,777.54	10,337,747.63
Improvement Bond Retirement	130,255.00	0.00	0.00	0.00	\$0.00	130,255.00	0.00
Korean Conflict Bond Retirement	435.00	0.00	0.00	0.00	\$0.00	435.00	0.00
Lottery Gross Revenue Fund	19,189,733.25	0.00	1,192,126,231.77	1,199,529,919.62	\$11,759,000.00	27,045.40	11,759,000.00
Major Thoroughfare Bond Retirement	7,700.75	0.00	0.00	0.00	\$0.00	7,700.75	0.00
Mine Subsidence Insurance Fund+++	50,000.00	11,998,213.01	960,530.07	599,657.95	\$360,872.12	50,000.00	12,359,085.13

Ohio Department of Natural Resources

Lake Katherine Management Fund+++	4,794.68	179,393.16	3,694.60	0.00	\$3,694.60	4,794.68	183,087.76
Reclamation Account+++	4,184.86	44,601.91	6,618.55	3,956.82	\$918.55	5,928.04	45,520.46
Wildlife Habitat Fund+++	38,241.81	113,942.49	2,346.67	38,241.81	\$2,346.67	0.00	116,289.16
Southern Ohio Agriculture & Comm Dev Foundation+++	242,299.47	17,477,434.55	15,752,150.50	10,954,187.01	\$4,632,535.52	407,727.44	22,109,970.07

Ohio Building Authority

Administrative Account	384,352.10	0.00	1,151,415.60	1,133,296.19	\$0.00	402,471.51	0.00
Ohio Exposition Commission	0.00	0.00	49,670.00	49,670.00	\$0.00	0.00	0.00
Ohio Retirement Study Commission	24,680.42	0.00	1,084,684.62	936,409.54	\$0.00	172,955.50	0.00
Ohio State School for the Blind+++	3,336.32	378,253.90	7,819.90	0.00	\$7,790.11	3,366.11	386,044.01



Statement of Receipts & Disbursements of Custodial Funds
As of June 30, 2005
(continued)

Ohio Tuition Trust Authority									
Suspense Account	150.00	0.00	3,303,592.46	3,210,499.99	\$0.00	93,242.47		0.00	
Trust Fund	0.00	696,365,693.66	69,124,018.91	54,648,414.73	\$14,475,604.18	0.00		710,841,297.84	
Trust Reserve	0.00	68,409,131.91	8,444,665.46	9,798,810.87	(\$1,354,145.41)	0.00		67,054,986.50	
Ohio Public Facilities Commission									
Higher Education Bond Service+++	30,551.68	1,666,141.45	406,245,585.92	406,204,743.48	\$71,394.12	0.00		1,737,535.57	
Mental Health Bond Service+++	90,254.03	516,186.16	102,953,331.60	102,938,361.19	\$105,224.44	(0.00)		621,410.60	
Parks and Recreation Bond Service+++	58,848.68	358,333.69	52,264,495.36	52,199,600.97	(\$21,290.23)	145,033.30		337,043.46	
Ohio Public Employees Deferred Compensation									
Board Employer Receiving	1,215,937.55	0.00	939,546,551.02	939,848,066.07	\$0.00	914,422.50		0.00	
Petroleum Underground Storage Tank									
Finance Assurance	2,100,768.37	25,109,267.83	13,218,024.63	23,305,222.18	(\$10,570,188.64)	2,583,759.46		14,539,079.19	
Retirement Systems									
Police and Firemen's Disability and Pension Fund	6,545,194.30	8,202,405,933.71	1,435,910,043.92	775,631,641.47	\$653,824,668.07	12,998,928.68		8,856,230,601.78	
Public Employees Retirement System	(27,816,729.55)	57,557,105,080.88	8,067,498,082.36	3,900,624,043.93	\$4,178,456,796.49	(39,399,487.61)		61,735,561,877.37	
Public Employees Retirement System Escrow	12,747.93	0.00	78,884.15	70,396.97	\$0.00	21,235.11		0.00	
School Employees Retirement System	2,828,910.23	6,837,540,382.66	2,355,567,648.45	1,680,872,453.30	\$675,700,021.54	1,824,083.84		7,513,240,404.20	
SERS Qualified Excess Benefit Arrangement	12,341.44	0.00	36,090.44	11,100.07	\$0.00	37,331.81		0.00	
State Highway Patrol Retirement System	1,523,243.31	556,806,185.98	90,071,232.21	51,268,298.12	\$22,063,756.77	18,262,420.63		578,869,942.75	
State Teachers Retirement System	30,006,261.76	48,656,526,131.42	6,208,019,633.09	3,955,166,753.26	\$2,265,754,109.95	17,105,031.64		50,922,280,241.37	
Sinking Fund Commission Bond Clearance	2,802.73	2,056.39	652,036,390.17	651,986,451.65	\$50,217.90	2,523.35		52,274.29	
Acct.+++									
Public Improvement Bond Retirement	148,807.50	0.00	0.00	0.00	\$0.00	148,807.50		0.00	
Student Tuition Recovery Fund+++									
	80,331.00	960,215.69	96,613.73	16,720.41	\$76,223.73	84,000.59		1,036,439.42	
Ohio Supreme Court									
Supreme Court Attorney Registration Account	\$292,478.92	\$0.00	\$3,006,568.26	\$3,250,525.24	\$0.00	48,521.94		0.00	
Torrens Law Assurance Fund+++	29,050.31	1,233,311.81	25,399.97	2,892.53	\$25,399.97	26,157.78		1,258,711.78	
Treasurer's Custodial Contingency Account	2,557,524.47	4,000,000.00	194,681,121.09	192,911,419.82	\$0.00	4,327,225.74		4,000,000.00	
Tobacco Use Prev. & Control End. Fund+++	3,968,691.96	295,075,141.43	35,815,216.41	34,783,867.66	\$4,748,648.43	251,392.28		299,823,789.86	
TOS Bond Clearance Account+++	163.18	384,910.63	1,212,386,059.38	1,212,027,206.35	\$359,016.21	0.00		743,926.84	
Vietnam Conflict Bond Retirement		0.00	0.00	0.00	\$0.00	28,353.38		0.00	
World War II Compensation Bond Retirement	240.00	0.00	0.00	0.00	\$0.00	240.00		0.00	
TOTAL	\$231,274,793.14	\$137,667,768,529.89				\$107,846,762.00		\$145,694,994,149.22	
*Unaudited									



Ohio Treasurer of State Jennette B. Bradley

Summary of Transaction Activity Fiscal Year 2005 Settlements During the Period 7/01/04 through 6/30/05

INVESTMENT - CATEGORY	BEGINNING PORTFOLIO - COST	PURCHASE - PRINCIPAL	AVG-PUR YIELD	SALE/PAYDOWN - PROCEEDS	MATURITY PROCEEDS	ENDING PORTFOLIO COST	REALIZED INCOME
OHIO LOTTERY COMM - MEGA MILLIONS							
US TREASURY STRIP		90,121,320.04	4.089	89,145,617.60			(975,702.44)
TOTAL FOR FUND		90,121,320.04	4.089	89,145,617.60			(975,702.44)
REGULAR INVEST- MENT ACCT - CORE							
FFCB MEDIUM TERM NOTE	5,000,000.00					5,000,000.00	137,500.00
FHLB DEBENTURE		50,000,000.00	3.750			50,000,000.00	937,500.00
FHLB MEDIUM TERM NOTE	19,981,250.00	50,000,000.00	3.375			69,981,250.00	500,000.00
FHLMC DEBENTURE	26,783,800.00					26,783,800.00	1,312,500.00
FHLMC MEDIUM TERM NOTE		50,000,000.00	4.100			50,000,000.00	
FNMA MEDIUM TERM NOTE		100,000,000.00	3.450			100,000,000.00	1,725,000.00
MONEY MARKET FUND - CASH ACCT							
STAR OHIO - CASH ACCT							
US TREASURY NOTE	11,083,593.75					11,083,593.75	587,500.00
TOTAL FOR FUND	62,848,643.75	250,000,000.00	3.625			312,848,643.75	5,200,000.00
REGULAR INVEST- MENT ACCT - REG							
COMMERCIAL PAPER	486,823,947.22	14,831,707,383.97	2.375		14,677,823,000.00	651,901,842.37	11,193,511.18
FFCB ADJUSTABLE RATE BOND	15,000,000.00	64,999,999.00	1.863	37,878,820.57	27,121,178.43	15,000,000.00	396,647.23
FFCB DISCOUNT NOTE	221,500,254.18	2,337,865,073.29	1.944		2,428,959,000.00	132,171,438.32	1,765,110.85



Summary of Transaction Activity
Fiscal Year 2005
Settlements During the Period 7/01/04 through 6/30/05
(Continued)

FHLB DEBENTURE	17,710,950.00	26,916,900.00	1.977		44,750,000.00	0.00	543,823.78
FHLB DISCOUNT NOTE	1,225,241,032.66	23,872,978,917.26	2.181		23,696,548,000.00	1,420,973,517.45	19,301,567.53
FHLMC DISCOUNT NOTE	1,050,262,828.36	8,806,400,929.86	2.289		8,540,097,000.00	1,336,409,744.08	19,842,985.86
FHLMC MEDIUM TERM NOTE	20,450,000.00				20,450,000.00	0.00	91,956.83
FNMA DISCOUNT NOTE	1,111,010,365.72	16,159,622,799.30	2.398		16,130,192,000.00	1,160,166,385.92	19,725,220.90
ISRAEL BONDS	30,000,000.00				9,000,000.00	21,000,000.00	1,733,250.00
MONEY MARKET FUND - CASH ACCT	207,186,036.30	1,320,061,168.73	2.263	1,389,359,593.13		140,936,601.83	3,048,989.93
REPURCHASE AGREEMENT	33,500,000.00	3,483,133,750.00	1.945		3,516,633,750.00	0.00	256,008.54
SPRJ-ADDITIONAL INCOME							
STAR OHIO - CASH ACCT							
TVA DISCOUNT NOTE		124,606,173.61	3.100		25,000,000.00	99,612,277.78	6,104.17
US TREASURY BILL		399,519,361.11	2.535	49,965,555.55	350,000,000.00	0.00	446,194.44
TOTAL FOR FUND	4,418,685,414.44	71,427,812,456.13	2.269	1,477,203,969.25	69,466,573,928.43	4,978,171,807.75	78,351,371.24
REGULAR INVESTMENT ACCT - TSY							
COMMERCIAL PAPER		2,229,317,235.23	3.027		2,030,300,000.00	199,770,572.23	753,337.00
FFCB DISCOUNT NOTE		920,754,036.71	2.333		920,911,000.00	0.00	156,963.29
FHLB DEBENTURE		108,858,329.60	3.774		108,858,329.60	0.00	0.00
FHLB DISCOUNT NOTE	306,880,049.03	13,803,108,527.20	2.274		14,088,713,000.00	24,962,875.00	3,687,298.77
FHLMC DEBENTURE		153,260,500.00	3.750		153,260,500.00	0.00	72,673.61
FHLMC DISCOUNT NOTE		1,418,207,769.68	2.304		1,353,739,000.00	65,002,787.72	534,018.04
FNMA DISCOUNT NOTE	21,539,045.95	10,899,955,363.66	2.297		10,849,657,000.00	73,775,180.58	1,937,770.97
MONEY MARKET FUND - CASH ACCT	197,308,303.13	374,641,571.30	2.077	518,384,801.71		54,809,366.39	1,244,293.67
REPURCHASE AGREEMENT		45,463,000.00	2.395		45,463,000.00	0.00	3,024.96
TVA DISCOUNT NOTE	39,787,562.50	108,658,150.00	2.180		148,495,000.00		49,287.50
US TREASURY BILL		3,156,178,745.32	1.768	99,973,333.34	3,060,000,000.00		3,794,588.02



Summary of Transaction Activity
Fiscal Year 2005
Settlements During the Period 7/01/04 through 6/30/05
(Continued)

US TREASURY NOTE	399,236,585.94	1,421,787,820.37	3.169	1,373,566,406.21	449,187,898.05	9,066,173.55
TOTAL FOR FUND	964,751,546.55	34,640,191,049.07	2.332	1,991,924,541.26	32,497,278,000.00	21,299,429.38
SPECIAL PROJECTS INVESTMENT ACCT						
FFCB ADJUSTABLE RATE BOND	50,000,000.00	107,878,820.57	1.116	64,999,999.00	37,878,821.57	205,176.95
SPRJ-ADDITIONAL INCOME				1,917.89		1,917.89
SPRJ-BIDOHIO	255,000,000.00	505,500,000.00	2.557		505,500,000.00	4,003,316.97
SPRJ-HOUSING LINK	370,017.84			10,701.44	359,316.40	32.22
SPRJ-LINKED DEPOSIT-AG	63,938,771.41	64,662,622.53	1.000	510,000.00	63,878,771.41	335,716.90
SPRJ-LINKED DEPOSIT-SM BUS	29,682,583.64	5,044,370.84	1.750	2,877,669.14	21,755,261.26	348,434.84
TOTAL FOR FUND	398,991,372.89	683,085,813.94	2.176	68,400,287.47	629,372,170.64	4,894,595.77
STRUCTURED INVESTMENT ACCT						
BCAL STRNT	22,643,775.00				22,643,775.00	
COMMERCIAL PAPER		2,325,522,083.10	2.594	14,969,012.50	2,232,967,000.00	1,003,832.97
FED JUDICIARY	3,640,902.13				1,254,000.00	368,901.72
FFCB MEDIUM TERM NOTE	11,929,029.00				9,000,000.00	(371,487.50)
FHLB DEBENTURE	13,283,555.00				13,283,555.00	753,325.00
FHLB DISCOUNT NOTE		55,144,816.81	2.237		55,150,000.00	5,183.19
FHLMC DEBENTURE	72,023,520.38			25,354,160.00	16,912,000.00	3,759,592.12
FHLMC DISCOUNT NOTE		27,094,637.77	1.679		27,104,000.00	9,362.23
FHLMC STRIP	19,413,182.83	4,103,610.54	5.140	4,215,458.52	19,383,587.83	82,252.98
FICO STRIP	10,044,919.72			8,620,834.95	2,028,470.82	604,386.05
FNMA DEBENTURE	35,710,298.63				10,000,000.00	1,901,859.37
FNMA DISCOUNT NOTE		216,374,979.83	1.833		216,439,000.00	64,020.17



Summary of Transaction Activity - Securities and Investment Accounts
Fiscal Year 2005
Settlements During the Period 7/01/04 through 6/30/05
(Continued)

FNMA MEDIUM TERM NOTE	12,522,776.30				4,000,000.00	8,494,026.30	621,274.00
FNMA STRIP	65,012,326.88	10,141,789.26	5.194	17,223,241.48		59,159,684.19	1,228,809.53
REF CORP STRIP	173,268,964.95			1,356,138.36	50,000,000.00	148,051,970.55	26,139,143.96
SLMA DEBENTURE	2,064,375.00			2,367,880.00		0.00	379,745.00
STAR OHIO - CASH ACCT	49,940,298.64	57,239,519.39	1.226	105,500,000.00		2,047,267.62	367,449.59
TVA DEBENTURE	6,195,312.50					6,195,312.50	390,625.00
TVA STRIP	48,552,203.07			1,568,577.95		47,704,911.95	721,286.83
US TREASURY BOND	27,529,687.50					27,529,687.50	2,037,500.00
US TREASURY STRIP	19,624,970.00			14,929,550.00		14,844,120.00	10,148,700.00
TOTAL FOR FUND	593,400,097.53	2,695,621,436.70	2.501	196,104,853.76	2,622,826,000.00	510,477,841.18	50,215,762.21
TOTAL FOR PORTFOLIO	6,438,677,075.16	109,786,832,075.88	2.299	3,822,779,269.34	105,216,050,099.07	7,315,432,453.86	158,985,456.16

*Unaudited



Summary of Realized Income
Fiscal Year 2005
Month Ended June, 2005
(Unaudited)

MONTH	AVG-PURCH YIELD	MONTH END COST BALANCE	REGULAR ACCOUNT	STRUCTURED ACCOUNT	TOTAL	BANK INITIATIVES	TOTAL	GRAND TOTAL
Jul-04	1.294%	\$6,378,101,097.59	\$5,860,870.51	\$8,140,042.08	\$14,000,912.59	\$275,737.71	\$275,737.71	\$14,276,650.30
Aug-04	1.520%	\$6,381,720,745.63	\$4,881,887.07	\$1,044,284.94	\$5,926,172.01	\$270,929.16	\$270,929.16	\$6,197,101.17
Sep-04	1.626%	\$6,436,337,820.84	\$8,041,230.54	\$230,540.41	\$8,271,770.95	\$270,068.89	\$270,068.89	\$8,541,839.84
Oct-04	1.766%	\$5,972,190,944.32	\$6,671,505.77	\$1,020,728.08	\$7,692,233.85	\$255,666.12	\$255,666.12	\$7,947,899.97
Nov-04	1.985%	\$5,509,793,192.74	\$7,483,843.92	\$1,532,414.52	\$9,016,258.44	\$290,490.18	\$290,490.18	\$9,306,748.62
Dec-04	2.163%	\$5,496,615,023.25	\$7,993,171.57	\$401,488.24	\$8,394,659.81	\$351,597.62	\$351,597.62	\$8,746,257.43
Jan-05	2.300%	\$6,245,302,027.58	\$7,539,151.17	\$11,634,399.72	\$19,173,550.89	\$371,204.84	\$371,204.84	\$19,544,755.73
Feb-05	2.499%	\$5,887,852,805.92	\$6,844,447.72	\$1,792,402.30	\$8,636,850.02	\$399,240.12	\$399,240.12	\$9,036,090.14
Mar-05	2.616%	\$6,065,080,591.65	\$10,466,978.54	\$10,768,805.91	\$21,235,784.45	\$413,362.31	\$413,362.31	\$21,649,146.76
Apr-05	2.758%	\$6,827,011,292.41	\$9,349,409.46	\$11,180,245.35	\$20,529,654.81	\$749,516.40	\$749,516.40	\$21,279,171.21
May-05	2.987%	\$7,456,083,750.21	\$15,955,365.01	\$1,527,143.26	\$17,482,508.27	\$697,320.16	\$697,320.16	\$18,179,828.43
Jun-05	3.084%	\$7,316,537,893.63	\$13,762,939.34	(\$32,435.04)	\$13,730,504.30	\$549,462.26	\$549,462.26	\$14,279,966.56
AVG/TOTAL	2.217%	\$6,331,052,265.48	\$104,850,800.62	\$49,240,059.77	\$154,090,860.39	\$4,894,595.77	\$4,894,595.77	\$158,985,456.16

* Unaudited



Ohio Treasurer of State

Jennette B. Bradley

Summary of Funds Collected by the Office of the Treasurer Fiscal Year 2005

TYPE OF TAX	COLLECTIONS
SALES/ USE TAX	\$5,516,940,954.78
IFTA	\$738,827.77
MOTOR VEHICLE SALES	\$1,306,912,119.15
WATERCRAFT SALES	\$17,546,021.89
CORP. FRANCHISE	\$782,322,601.39
MUNICIPAL	\$38,024,056.00
CHILD ABUSE	\$3,867,529.44
CHILD RESTRAINT	\$162,336.58
CIGARETTE	\$553,210,294.28
CIGARETTE ENFORCEMENT	\$55,479.97
CONSCIENCE FUND	\$69,318.69
ESTATE TAX	\$60,381,209.51
EXPUNGEMENTS	\$366,970.62
GASOLINE	\$1,613,033,916.56
HIGHWAY PATROL	\$10,904,722.69
IOLTA	\$7,813,006.04
INSURANCE COMPANIES	\$440,272,518.84
LEGAL AID	\$7,336,388.74
LIQUOR CONTROL	\$716,971.04
DEALERS IN INTANGIBLES	\$37,158,952.39
PUBLIC UTILITIES	\$155,370,084.88
REPARATIONS ROTARY	\$37,708,269.47
SEAT BELTS	\$3,812,316.83
SURPLUS LINES	\$12,062,235.56
HOUSING TRUST FUND	\$73,049,668.11
KILOWATT	\$486,925,771.78
MCF	\$7,532,583.18
WITHHOLDING	\$5,755,114,097.51
TOTAL	\$16,929,409,223.69

* Unaudited

Note: Funds collected by the Treasurer of State represent a portion of the state's total receipts.



Ohio Treasurer of State Jennette B. Bradley

Statement of Additional Securities Held in Trust As of June 30, 2005

Under the provisions of the citations stated below, the Treasurer of State is the trustee for securities pledged for various purposes. This statement reports the amount held in trust as of June 30, 2005. These deposits are not reported in either the Statement of Receipts and Disbursements of State Funds or Custodial Funds

Abandoned Service Stations (Sec. 3791.11(D) O.R.C.)	\$	1,050,000.00
Bureau of Workers' Compensation- Self Insured (Sec. 4123.35 O.R.C.)		10,975,500.00
Department of Commerce- Superintendent of Financial Institutions (Sec. 1111.04 O.R.C.)		10,257,000.00
Department of Insurance - Insurance Company Legal Reserve (Sec. 3903.73 O.R.C.)		14,000,160.62
Department of Jobs and Family Services- Bureau of Employment Services (Sec. 4141.241 O.R.C.)		7,201,997.00
Department of Taxation- Motor Vehicle Liquid Fuel (Sec. 5735.03 O.R. C.)		0.00
Mental Retardation & Developmental Disabilities - Office of Support (Sec. 5121.04 O.R.C.)		277,745.50
Ohio Department of Natural Resources:		
Division of Forestry (Sec. 1503.05 O.R.C.)		334,200.00
Division of Water (Sec. 1521.061 O.R.C.)		114,400.00
Division of Parks and Recreation (Sec. 1501.10 O.R.C.)		13,000.00
Mineral Resources (Sec. 1509.07, 1513.08, 1514.04 O.R.C.)		12,978,135.48
Public Safety Bureau of Motor Vehicles- Safety Responsibility (Sec. 4509.62 O.R.C.)		190,000.00
Title Guaranty and Trust Company (Sec. 3903.73 O.R.C.)		1,037,231.82
Total	\$	58,429,370.42

*Unaudited



Ohio Treasurer of State
Jennette B. Bradley

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APPENDIX A LINKED DEPOSIT PROGRAMS BY COUNTY



Ohio Treasurer of State

Jennette B. Bradley

2005 Fiscal Year End - Linked Deposit Activity- Approved

	Access for Individuals (outstanding)	Aglink	Link (rolling 2 yr)	Total per County
Adams		\$511,595.00	\$25,000.00	\$536,595.00
Allen		\$2,467,000.00	\$175,000.00	\$2,642,000.00
Ashland		\$400,000.00		\$400,000.00
Ashtabula		\$200,000.00		
Athens		\$135,000.00		\$135,000.00
Auglaize		\$2,244,150.00		\$2,244,150.00
Belmont				\$0.00
Brown		\$1,133,530.00		\$1,133,530.00
Butler		\$40,800.00	\$125,000.00	\$165,800.00
Carroll				
Champaign	\$4,180.00	\$1,210,000.00		\$1,214,180.00
Clark	\$1,140.00	\$2,651,761.00	\$202,360.96	\$2,855,261.96
Clermont		\$855,392.00	\$165,753.00	\$1,021,145.00
Clinton	\$3,790.00	\$1,872,520.00	\$60,000.00	\$1,936,310.00
Columbiana		\$100,000.00		\$100,000.00
Coshocton		\$300,000.00	\$100,000.00	\$400,000.00
Crawford		\$3,385,000.00		\$3,385,000.00
Cuyahoga	\$52,500.00		\$253,333.25	\$305,833.25
Darke		\$2,559,200.00	\$87,870.45	\$2,647,070.45
Defiance		\$5,637,300.00	\$112,222.78	\$5,749,522.78
Delaware		\$1,381,000.00		\$1,381,000.00
Erie		\$540,925.00	\$250,000.00	\$790,925.00
Fairfield		\$1,893,400.00		\$1,893,400.00
Fayette		\$1,625,000.00		\$1,625,000.00
Franklin	\$41,000.00	\$690,000.00	\$319,515.84	\$1,050,515.84
Fulton		\$4,739,000.00	\$112,000.00	\$4,851,000.00
Gallia		\$50,000.00		\$50,000.00
Geauga		\$0.00		\$0.00
Greene		\$1,130,000.00	\$375,000.00	\$1,505,000.00
Guernsey		\$75,000.00		\$75,000.00
Hamilton		\$100,000.00	\$962,019.58	\$1,062,019.58
Hancock		\$6,934,300.00	\$195,000.00	\$7,129,300.00
Hardin		\$5,660,699.00	\$100,648.08	\$5,761,347.08
Harrison				
Henry		\$2,397,500.00	\$200,000.00	\$2,597,500.00
Highland		\$1,145,000.00	\$0.00	\$1,145,000.00
Hocking		\$41,150.00	\$0.00	\$41,150.00
Holmes		\$355,000.00	\$0.00	\$355,000.00
Huron		\$960,000.00	\$33,953.00	\$993,953.00
Jackson		\$40,000.00	\$0.00	\$40,000.00
Jefferson		\$0.00	\$0.00	\$0.00



**2005 Fiscal Year End - Linked Deposit Activity - Approved
(continued)**

Knox		\$741,600.00	\$0.00	\$741,600.00
Lake		\$100,000.00	\$75,000.00	\$175,000.00
Lawrence			\$0.00	
Licking		\$845,000.00	\$0.00	\$845,000.00
Logan		\$1,304,335.00	\$250,000.00	\$1,554,335.00
Lorain		\$595,000.00	\$76,497.28	\$671,497.28
Lucas		\$765,000.00	\$531,688.13	\$1,296,688.13
Madison		\$2,338,000.00	\$0.00	\$2,338,000.00
Mahoning			\$340,000.00	\$340,000.00
Marion		\$4,001,675.00	\$0.00	\$4,001,675.00
Medina		\$350,000.00	\$85,197.19	\$435,197.19
Meigs		\$82,000.00	\$363,595.44	\$445,595.44
Mercer		\$4,477,215.00	\$270,052.10	\$4,747,267.10
Miami	\$3,901.83	\$1,454,100.00	\$147,600.00	\$1,605,601.83
Monroe			\$0.00	
Montgomery	\$25,672.19	\$445,000.00	\$94,228.84	\$564,901.03
Morgan			\$0.00	\$0.00
Morrow		\$4,016,000.00	\$0.00	\$4,016,000.00
Muskingum			\$0.00	\$0.00
Noble		\$40,000.00	\$0.00	
Ottawa		\$2,258,700.00	\$417,835.02	\$2,676,535.02
Paulding		\$4,267,715.00	\$0.00	\$4,267,715.00
Perry		\$215,000.00	\$0.00	\$215,000.00
Pickaway		\$5,598,456.00	\$0.00	\$5,598,456.00
Pike		\$100,000.00	\$333,721.00	\$433,721.00
Portage			\$0.00	
Preble		\$1,231,200.00	\$0.00	\$1,231,200.00
Putnam		\$5,047,332.00	\$0.00	\$5,047,332.00
Richland		\$175,000.00	\$157,890.53	\$332,890.53
Ross		\$2,407,000.00	\$100,000.00	\$2,507,000.00
Sandusky		\$3,699,000.00	\$851,891.13	\$4,550,891.13
Scioto		\$0.00	\$183,000.00	\$183,000.00
Seneca		\$6,127,400.00	\$128,121.56	\$6,255,521.56
Shelby		\$711,200.00	\$743,921.00	\$1,455,121.00
Stark		\$65,000.00	\$0.00	\$65,000.00
Summit		\$51,050.00	\$0.00	\$51,050.00
Trumbull		\$100,000.00	\$0.00	\$100,000.00
Tuscarawas		\$0.00	\$250,000.00	\$250,000.00
Union	\$9,500.00	\$2,143,000.00	\$0.00	\$2,152,500.00
Van Wert		\$2,032,900.00	\$190,927.90	\$2,223,827.90
Vinton		\$0.00	\$0.00	\$0.00
Warren	\$6,000.00	\$230,000.00	\$238,599.87	\$474,599.87
Washington		\$100,000.00	\$112,000.00	\$212,000.00



Ohio Treasurer of State
Jennette B. Bradley

**2005 Fiscal Year End - Linked Deposit Activity - Approved
(continued)**

Wayne		\$2,271,200.00	\$0.00	\$2,271,200.00
Williams		\$2,599,500.00	\$509,000.00	\$3,108,500.00
Wood		\$3,036,200.00	\$796,262.60	\$3,832,462.60
Wyandot		\$3,517,000.00	\$450,000.00	\$3,967,000.00
Total Per Program	\$147,684.02	\$125,000,000.00	\$11,551,706.53	\$136,459,390.55
Number of participants	20	1664	102	1786
Number of counties	9	75	44	81



APPENDIX B

TREASURER OF STATE'S INVESTMENT POLICY



Ohio Treasurer of State
Jennette B. Bradley

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Statement of Investment Policy

Treasurer of State of Ohio State Treasury

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Treasurer of State of Ohio
State Treasury
Statement of Investment Policy

Purpose

The purpose of this document is to identify the policies that will govern the investment activities of the Office of the Ohio Treasurer of State (“Treasurer”) with regard to the management of the State Treasury. These policies have been adopted by, and can be changed only by the Treasurer.

These policies are designed to ensure the prudent management of public funds, conformance to the Ohio Revised Code, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

Scope of the Investment Policy

This policy applies to the investment of all moneys of the State Treasury. Any practice not clearly authorized under these policies is prohibited. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the management or administration of these funds.

The State Treasury may be segregated into one or more distinct portfolios. Any reference to “Portfolio” in this policy shall be interpreted as meaning each Portfolio individually, and not the aggregate of the State Treasury. Total Average Portfolio, as defined in this policy, shall mean the average of the month-end market values for the prior twelve (12) month period of an individual Portfolio.

Investment Objectives

All Portfolios shall be managed to accomplish the following hierarchy of objectives:

1. *Preservation of Principal* - The single most important objective of the State investment program is the preservation of principal of those funds within the Portfolio.
2. *Maintenance of Liquidity* - The Portfolio shall be managed in such a manner that assures that funds are available as needed to meet those immediate and/or future operating requirements of the State.

3. Maximize Return - The Portfolio shall be managed in such a fashion as to attain a market-average rate of return throughout budgetary and economic cycles, within the context and parameters set forth by objectives 1 and 2 above.

Delegation of Authority

The Treasurer is responsible for the prudent investment of the State Treasury. The Director of Investments is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Investments. The Director of Investments shall be responsible for all trades undertaken, and shall establish a system of controls to regulate the activities of subordinate officials and shall exercise control over that staff. Investment staff shall be bonded in amounts appropriate to levels of responsibility and portfolio characteristics.

The Director of the Trust Department shall be responsible for the collection and reporting of all income, for reconciling all transactions with the records of brokers and custodians, and for monitoring compliance with statute and this policy.

The Internal Auditor will periodically review the internal controls in place. The audit will be designed to measure compliance with this policy and established procedures.

Standard of Prudence

The standard of prudence to be applied to the investment of the State Treasury shall be the industry standard "Prudent Investor Rule", which states:

"Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Investment staff acting in accordance with this policy or any other written procedures pertaining to the administration and management of the State Treasury and who exercise the proper due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that these deviations are reported immediately to the Treasurer and that appropriate action is taken to control and prevent any further adverse developments.

Ethics and Conflict of Interest

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Further, no employee involved in the investment process shall use the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the public official or employee with respect to that person's duties.

Employees and investment officials shall comply fully with the reporting and disclosure requirements of Chapter 102 of the Ohio Revised Code.

Authorized Instruments

The Treasurer of State is authorized to place the State Treasury in instruments as described in Ohio Revised Code Sections 135.13 and 135.143, as summarized and restricted below:

- A. U.S. Treasury Obligations.** United States Treasury bills, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
- B. Federal Agency Obligations.** Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality.
- C. Repurchase Agreements.** Investments in repurchase agreements if the following conditions are met:
 - 1. the contract is fully secured by deliverable obligations set forth in Ohio Revised Code Section 135.143 A (4) maturing in no more than 10 years from the date of purchase and having a market value of at least one hundred two percent (102%) of the amount of the contract;
 - 2. a master repurchase agreement or specific written, repurchase agreement governs the transaction;
 - 3. the repurchase agreement has a term to maturity of no greater than ninety (90) days;
 - 4. the repurchase agreement is transacted on a delivery versus payment basis;
 - 5. the securities are held free and clear of any lien and by an independent third party custodian acting solely as agent for the State and is:
 - a. a Federal Reserve Bank, or
 - b. a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million;
 - 6. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. in such securities is created for the benefit of the State;
 - 7. for repurchase agreements with terms to maturity of greater than one (1) day, the Director of Investments or his designee will value the collateral securities daily unless market conditions warrant more frequent valuation and require that if

additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated.);

8. substitutions of collateral will be permitted only with advance written approval of an authorized Treasury employee;
9. the State will enter into repurchase agreements only with reputable firms that are:
 - a. primary government securities dealers who are members of the National Association of Securities Dealers, report daily to the Federal Reserve Bank of New York and have \$25 billion in assets and \$350 million in capital, or
 - b. a financial institution meeting the requirements of O.R.C. Section 135.03 having \$5 billion in assets and \$500 million in capital and regulated by the Superintendent of Financial Institutions, or through an institution regulated by the Comptroller of the Currency, Federal Deposit Insurance Corporation, or Board of Governors of the Federal Reserve System,

D. Commercial paper. Unsecured short-term debt of corporations incorporated under the laws of the United States or a state if the following conditions are met:

1. the maturity is no greater than one hundred-eighty days (180) days;
2. the total amount invested in commercial paper at any time does not exceed twenty-five percent (25%) of the Total Average Portfolio;
3. the total holdings of an issuer's paper does not represent more than five percent (5%) of the issuing corporation's total outstanding commercial paper; and
4. the short-term debt rating, at the time of purchase, is at least "A1" or equivalent by all NRSROs that rate the issuer. Under all circumstances, a minimum of two short-term debt ratings must be available.

E. Bankers' acceptances of any domestic bank or federally chartered domestic branch office of a foreign bank if the following requirements are met:

1. the maturity is no greater than two hundred-seventy (270) days;
2. the securities are eligible for purchase by the Federal Reserve System;
3. the total amount invested in bankers acceptances at any time does not exceed ten percent (10%) of the Total Average Portfolio;
4. the amount invested in any single issuer will not exceed five percent (5%) of the Total Average Portfolio on the date of acquisition; and
5. the issuer, at the time of purchase, has a minimum "AA" long-term debt rating ("AAA" for foreign banks) by a majority of the NRSROs that have rated the issuer. The short-term debt rating, at the time of the purchase, must be at least "A1" or equivalent by all of the NRSROs that rate the issuer (minimum of two ratings must be available).

F. Corporate Notes. Investment grade debt obligations issued by corporations that are incorporated and operating under the laws of the United States or a state, which meet the following requirements:

1. the maturity is no greater than two (2) years at the time of purchase;
2. the total amount invested in corporate notes at any time does not exceed five percent (5%) of the Total Average Portfolio;
3. has a minimum "Aa" long term debt rating by Moody's Investors Service and a minimum "AA" long term debt rating by Standard & Poor's at the time of purchase; and
4. the amount invested in any single issuer does not exceed one-half of one percent (0.5%) of the Total Average Portfolio on the date of acquisition.

- G. Foreign Debt.** Investment grade debt obligations issued by foreign nations diplomatically recognized by the United States government, which meet the following requirements:
1. the maturity is no greater than five (5) years at the time of purchase;
 2. the interest and principal is denominated and payable in United States funds;
 3. the total amount invested in foreign notes at any time does not exceed one percent (1%) of the Total Average Portfolio;
 4. is backed by the full faith and credit of that foreign nation;
 5. is guaranteed as to principal and interest by the United States, or has a minimum “Aa” long term debt rating by Moody’s Investors Service and a minimum “AA” long term debt rating by Standard & Poor’s at the time of purchase; and
 6. the amount invested in any single issuer does not exceed one-half of one percent (0.5%) of the Total Average Portfolio on the date of acquisition.
- H. Obligations of the State of Ohio.** Bonds and other direct obligations of the sinking fund of the State of Ohio issued by the Treasurer and of the Ohio Public Facilities Commission, the Ohio Building Authority and the Ohio Housing Finance Agency.
- I. Bank Deposits.** Time certificates of deposit or savings or deposit accounts in an eligible institution as defined in Section 135.04 of the Ohio Revised Code. Collateralization is required on all deposits of State funds by Sections 135.18 and 135.181 of the Ohio Revised Code. Any time certificate of deposit, with the exception of those related to a linked deposit program, shall mature not more than one year from the date of deposit, as required by Ohio Revised Code Section 135.13. Any certificate of deposit placed as part of a linked deposit program shall meet the applicable statutory maturity requirements.
- J. State Pool.** State of Ohio Local Agency Investment Pool (STAR Ohio) authorized under section 135.45 of the Ohio Revised Code.
- K. Registered Investment Companies (Mutual Funds.)** Shares in open-end, no-load money market mutual funds provided such funds are registered under the Federal Investment Company Act of 1940 and invest exclusively in U.S. Treasury Obligations, Federal Agency Obligations, commercial paper and repurchase agreements secured by such obligations. The fund must be rated “AAm” or “AAm-G” or better by Standard & Poor’s Corporation, or the equivalent by another NRSRO. The fund must also be properly registered for sale in the State of Ohio.

Securities Lending

Pursuant to Ohio Revised Code Section 135.143 and 135.47, the State may engage in securities lending, subject to policies adopted by the Treasurer. The Securities Lending Policy is included as an Appendix to this policy.

Diversification

Each Portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The maximum percentage of the Total Average Portfolio permitted in each eligible security is as follows:

A.	U.S. Treasury	100% maximum
B.	Federal Agency (Fixed Rate)	100% maximum
C.	Federal Agency (Callable)	55% maximum
D.	Federal Agency (Variable Rate)	10% maximum
E.	Repurchase Agreements	25% maximum
F.	Bankers' Acceptances	10% maximum
G.	Commercial Paper	25% maximum
H.	Corporate Notes	5% maximum
I.	Foreign Notes	1% maximum
J.	Certificates of Deposit	20% maximum
K.	Municipal Obligations	10% maximum
L.	STAR Ohio	25% maximum
M.	Mutual Funds	25% maximum

Each Portfolio will be further diversified to limit the exposure to any one issuer. No more than 2% of the Total Average Portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Government Obligations	100% maximum
Repurchase Agreements Counterparties	5% or \$250 million, whichever is less
Mutual Funds	10% maximum

Maximum Maturity

Maintenance of adequate liquidity to meet the cash flow needs of the State is essential. Accordingly, each Portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements in order to avoid the forced sale of securities prior to maturity.

For purposes of this investment policy, assets of the General Revenue Portfolio shall be segregated into two categories based on expected liquidity needs and purposes - short-term funds and long-term funds.. Assets categorized as short-term funds will be invested in permitted investments maturing in twelve (12) months or less. The average weighted maturity of the short-term assets will not exceed 90 days. Assets categorized as long-term funds will be invested in permitted investments with a stated maturity of no more than 5 years from the date of purchase unless the security is matched to a specific obligation or debt of the State. The purchase of any security with a maturity of greater than five (5) years must be approved in advance by the Treasurer of State. To control the volatility of the assets categorized as long-term funds, the Treasurer of State will determine a duration target, not to exceed three years.

The Ohio Lottery Commission Portfolio (the deferred prizes trust fund as defined in Ohio Revised Code Section 3770.06) will be invested in permitted investments with a stated maturity of no more than thirty (30) years from the date of purchase.

Notwithstanding these limitations, in no case will the assets in either Portfolio be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds.

Variable Rate and Structure Notes

The use of variable rate notes (VRNs) issued by U. S. Federal Agencies is considered to be prudent in the management of the Portfolio provided that the following criteria are met:

1. the ultimate maturity of the VRN is less than three years at the time of purchase;
2. the rate on the VRN resets with a frequency that produces a close tracking with money market rates;
3. the VRN is indexed to a money market rate such as Federal Funds, the 3-month Treasury Bill or LIBOR, that correlates very highly (95% or greater) with overall changes in money market rates even under wide swings in interest rates;
4. any cap on the interest rate is at least 15.00% (1500 basis points) higher than the coupon at time of purchase;
5. no more than ten percent (10%) of the Total Average Portfolio will be invested in variable rate notes;
6. for each VRN held in the Portfolio, the Director of Investments will prepare a written analysis establishing a justification for purchasing and holding the VRN addressing particularly the actual correlation of the VRN rate to money market rates such as LIBOR, Federal Funds and/or short-term Treasury Bills over a historic period that encompasses both rising and falling interest rates. This written analysis will also include a projection of yield and price volatility for interest rate movements of up 300 basis points and down 300 basis points and will be presented to the Treasurer; and
7. The Director of Investments will use pricing services, pricing matrices and "theoretical" pricing models to calculate the market value of all VRNs held in the Portfolio and will regularly receive and record actual bids on all VRNs. Any material variances between standard pricing and actual bids will be reported immediately to the Treasurer. (A material difference is one in which the actual bid falls below .99 of the standard pricing or book value of the VRN.) Further, the value of actual bids received will be used to value the portfolio holding.

Prohibited Investments and Investment Practices

The Treasurer is expressly prohibited from the following investments and investment practices. This is not an exclusive list.

1. Short sales (selling a specific security before it has been legally purchased);
2. Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices.
3. Collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICS).
4. Investing in any security not specifically permitted by this Policy.

Monitoring and Adjusting the Portfolio

Those responsible for the day-to-day management of the Portfolios will routinely monitor the contents of each Portfolio, the available markets and the relative values of competing instruments, and will adjust each Portfolio as necessary to meet the investment objectives listed above. It is recognized and understood that this non-speculative active management of Portfolio holdings may cause a loss on the sale of an owned investment. It is the policy of the State to charge any such loss against the interest income account during the month in which the loss was realized.

The State of Ohio Office of Budget and Management, on a quarterly basis, allocates the net income/losses earned on investments of the General Revenue Account to various funds based each fund's cash balance in proportion to the State Treasury as a whole..

Internal Controls

The Director of Investments shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the Portfolio, and these controls shall be documented in writing. Such controls shall be designed to prevent and control losses of the State funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel. The internal controls will address: control of collusion, separation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, written confirmation of telephone transactions, minimizing the number of authorized investment officials and documentation of investment transactions.

As part of the annual audit, the Treasurer shall have the investment program reviewed by the Auditor of the State of Ohio or his/her designee. This audit will be designed to establish asset and liability valuations and measure compliance with the State investment policies and procedures. The Treasurer, at his or her discretion, may contract with an independent firm to audit the State investment program.

Eligible Banks and Broker/Dealers

The Treasurer will establish and maintain a list of eligible brokers, dealers, and banks with which investment transactions can be made. Qualified firms will be limited to "primary" dealers and other dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) that are registered with the Ohio Department of Commerce to do business in the

State of Ohio. All financial institutions and broker dealers must provide the following information, on an annual basis:

1. Annual financial statements
2. Regulatory history, through either the Office of the Comptroller of the Currency for dealer banks, or the NASD for securities firms.
3. Statement of any pending lawsuits materially affecting the firm's business.
4. A completed "Broker/Dealer Request for Information" as detailed in the Appendix to this policy

Financial institutions and broker/dealers will be required to comply with this policy and to pledge to offer for sale only appropriate securities.

Selection of Investment Instruments

It will be the policy of the Treasurer to transact all securities purchase/sales only with approved financial institutions through a competitive process. The State will accept the offer which (a) has the highest rate of return within the maturity required; and (b) optimizes the investment objective of the overall portfolio. When selling a security, the Treasurer will select the bid that generates the highest sale price.

Primary fixed price Federal Agency offerings may be purchased from the list of qualified broker/dealers without competitive solicitation.

In making investment decisions, all other things being equal and subject to compliance with any applicable Internal Revenue Code requirements for bond proceeds, investment in corporations and financial institutions doing business in the State of Ohio will be given preference over other investment options.

Investment of Bond Proceeds

It shall be the duty of the Treasury's debt manager, with the assistance of financial advisors, to ensure that the Treasurer complies with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations and bond covenants with regard to the investment of bond proceeds.

Safekeeping and Custody

All investment securities purchased by the Treasurer or held as collateral on deposits or investments shall be held in third-party safekeeping at the Federal Reserve Bank of Cleveland or at a secured and insured depository as required by section 113.05 of the Ohio Revised Code.

All securities in the Portfolio shall be held in the name of the Treasurer of State of Ohio and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery-vs.-payment basis. s. The depository shall issue a safekeeping receipt to the Treasurer listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the depository will also provide reports which list all securities held for the Treasurer, the book value of holdings and the market value as of month-end.

Appropriate Treasury officials and representatives of the depository responsible for, or in any manner involved with, the safekeeping and custody process of the State shall be bonded in such a fashion as to protect the State from losses from malfeasance and misfeasance.

Performance Standards

The investment Portfolios shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the State. Short-term funds will be compared to the return on the three-month U. S. Treasury Bill and an institutional money market mutual fund with comparable investment restrictions. The long-term portfolio will be compared to an index of U.S. Treasury securities having a similar duration or other appropriate benchmark. Linked deposit investments will be excluded for purposes of computing investment performance.

Reporting

The Investment and Trust departments shall maintain accurate, complete, and timely records of all investment activities. Within five (5) business days of the end of the month, the Director of Investments shall submit an investment report to the Treasurer. This report shall include: (i.) a listing of the existing portfolios in terms of investment securities, amortized book value, maturity date, return, market value and other features deemed relevant, (ii.) a listing of all transactions executed during the month, (iii.) the total return of the portfolios, and (iv.) a summary of linked deposit investments. The market values presented in these reports will be consistent with accounting guidelines in GASB Statement 31 pertaining to the valuation of investments and the treatment of unrealized gains/losses. The report will also include a statement that the investment of the State Treasury is in compliance with this investment policy. The Director of Investments will also prepare annual reports in sufficient detail to provide full disclosure of all investment activities to the Treasurer and the general public.

Conflict of Law

In the event that any portion of this policy is in conflict with any State or federal law, that law will prevail.

Investment Policy Adoption

This policy is adopted this day 12th of May 2005.

Treasurer of State

Ohio Treasurer of State
Jennette B. Bradley
Annual Report for Fiscal Year 2005