

Ohio Treasurer of State Jennette Bradley
Annual Report
Fiscal Year 2006
August 2006



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**Ohio Treasurer's Office Annual Report
Fiscal Year 2006**

August 2006

To the Citizens of Ohio:

It is my pleasure to present the Ohio Treasurer of State's Annual Report for Fiscal Year 2006. The information in this report highlights the activities of the Ohio Treasury from July 1, 2005 through June 30, 2006.

During the past year our considerable accomplishments included increasing interest earnings while maintaining the integrity of the state's portfolio, expanding the office's use of advanced technology and implementing modern and efficient banking practices. Additionally, we earned a national award from Association for Financial Planners for our Risk Management Program. We also successfully maintained Standard & Poors top rating of AAAm for our State Treasury Asset Reserve of Ohio (STAR Ohio) program.

We also continued to meet the needs of Ohio Treasury customers. We expanded the legislatively mandated financial training provided to Ohio public fund managers through our Center for Public Investment Management. We also increased the personal finance training provided by the Community Education Department to provide Ohioans with additional opportunities to improve individual financial skills.

And once again our funding for linked deposit loans provided financial assistance to small business owners and farmers.

During the past year, the State Treasurer's Office economic programs, financial education activities and public outreach efforts had a positive impact in communities in literally every county of our state. They strengthened the state's economy and helped Ohioans grow and prosper.

Additional information regarding the programs and operations of the State Treasurer's Office is available via our Web site www.tos.ohio.gov.

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

Respectfully,

Jennette Bradley
Treasurer of State



Mission of the Ohio Treasurer's Office

The mission of the Ohio Treasurer of State's Office is to fulfill its constitutional and statutory responsibilities in ways that assure the safety of all public funds under the control, management and investment authority of the Treasury.

All Treasury funds will then be managed so as to provide necessary liquidity and, within the context of safety and liquidity, maximum yield.

This mission will be secured through the employment of technology, modern and efficient banking practices, and a commitment to the risk-averse management of public funds.

All Treasury staff members will provide the citizens of Ohio with the highest level of customer service and will be held to the highest levels of ethical and professional accountability.

Jennette Bradley Ohio's 45th Treasurer of State

The duties of the State Treasurer's Office are to collect, manage and invest more than \$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 State Treasurer is also the chief statutory custodian for more than \$170 billion for several state agencies.

Since becoming Ohio's 45th Treasurer of State in January 2005, Treasurer Bradley has continued her focus of responsibility and dependability through successfully ensuring the safety, liquidity and yield of the public funds under her authority. State Treasurer Bradley has expanded the office's use of advanced technology, implemented modern and efficient banking practices, and maintained the integrity of the state's portfolio.

State Treasurer Bradley brings extensive experience in public service and business to Ohio's State Treasury. In 2002, she made U.S. history by being the first African-American woman in the nation to be elected to the Office of Lieutenant Governor. 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, State Treasurer Bradley was a member of Columbus City Council for 11 years. Her banking background includes serving as 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.

State Treasurer Bradley holds a bachelor's degree from Wittenberg University and an Honorary Doctorate of Humane Letters from Heidelberg College.



Duties and Responsibilities of Ohio's Treasurer of State

The Ohio Treasurer of State is responsible for managing and collecting a variety of Ohio's public funds. Additionally, State Treasurer Bradley chairs the State Board of Deposit, which is responsible for selecting eligible state depositories and negotiating the required contracts for the placement of Ohio's public monies. As a result of this selection process, the State Treasurer's Office also helps various state agencies obtain services such as lockbox processing and electronic payment and collection from financial institutions. This assures consistent standards and competitively priced services.

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

Chapter 113 of the Ohio Revised Code outlines the duties of the State Treasurer's Office, specifically, to collect, invest, and protect state financial assets, as described below.

Collect

The State Treasurer's Office receipts all state revenues. State funds not collected by the State Treasurer's Office are either collected by the state agency charged with administering each revenue source, or by the Department of Taxation, and are then deposited into Ohio's Treasury. In Fiscal Year 2006, the total amount deposited into the State Treasury was more than \$51 billion.

Invest

The State Treasurer is responsible for managing the state's three investment portfolios, consisting of assets from the General Revenue Fund, the STAR Ohio (State Treasury Asset Reserve of Ohio) investment pool, and the Ohio Lottery Deferred Prizes Trust Fund. In Fiscal Year 2006, the combined investment portfolio managed by the Treasurer of State totaled approximately \$12 billion.

The market is evaluated daily to ensure the state's investment portfolios are properly positioned to meet three important objectives – safety, liquidity, and return, with safety being the first priority.

Protect

State assets managed by the State Treasurer and custodial assets held by the Ohio Treasury totaled a combined \$192 billion as of June 30, 2006. 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, and several state agencies. Underscoring the continual State Treasury policy of emphasizing safety of assets above all other considerations, State Treasurer Bradley continued to reinforce the "safety-first" approach to asset management. In addition to having stringent internal controls in place, the State Treasurer's Office focused on risk management by identifying, measuring, and mitigating internal and external risk exposures.

Other Duties

Under Ohio law, the Treasurer of State also:

- Maintains a variety of 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
- Serves as the issuing authority for voter-approved general obligation highway improvement bonds, federally backed bonds for highway infrastructure projects, and bonds for economic development, and park, mental health and cultural arts facilities. The Treasurer of State also issues bonds for the Ohio Enterprise and Ohio Centric Student Loan programs and the State Infrastructure Bank.



History of the Ohio Treasury

The Ohio Treasury today maintains the tradition established during 210 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 in 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, since then, 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 protecting approximately \$6 million in public funds annually; in Fiscal Year 2006, that number had grown to nearly \$192 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 on 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 cashier station during the 1870s, when Ohio 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.

Past State Treasurers

Jennette B. Bradley 2005 to Present	
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



Overview of the Treasury by Department

There are 15 departments within the Ohio Treasurer of State's Office. The following information provides a brief description of the departments.

Accounting

The Accounting Department consists of three divisions: General Ledger, Reconciliation and Warrant Processing. Its clients are various state and custodial agencies, boards, commissions and the five retirement systems.

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** reconciles the bank accounts for the state and the various custodial agencies, and researches and corrects exceptions. The **Warrant Processing Division** processes all state warrants and warrants for custodial agencies.

Administration

The Administration Department is responsible for managing the day-to-day operations of the office to ensure the efficient collection, management and protection of state funds. The department oversees 140 employees and the operations of seven administrative departments as well as five operational departments. Directed by the State Treasurer, the department develops and implements agency policies and objectives as they relate to the business of the office.

Administration Services

The Administration Services Department is responsible for developing and monitoring the budget for the Office of the State 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, payroll, and mail and printing services.

Compliance and Risk Management Assessment

The Compliance & Risk Management Assessment (CARMA) section manages the State Treasurer's Office Operational Risk Management program. The CARMA Section continuously evaluates the effectiveness of office procedures, and works to increase the cross-departmental knowledge base.



In October 2005, State Treasurer Jennette Bradley accepted the Association of Financial Professionals Pinnacle Award for the Ohio Treasury's operational risk program.

Communications

The Communications Department is responsible for coordinating internal and external communications involving goals, services, initiatives, and accomplishments. The dissemination of this information is accomplished via: the news media; the Treasury Web site; 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 State 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





CPIM Director Victoria Gaiten, left, and conference presenter Stuart Crickmer, Cincinnati, participate in one of the 10 conferences and eight training workshops sponsored by the Ohio Treasurer's Office throughout Ohio in 2005.

education to Ohio's public fund 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.

State Treasurer Bradley expanded the 2006 CPIM training to consist of three tracks with a more up to date relevant curriculum on issues vital in public fund managers successfully fulfilling their responsibility of managing and investing public money.

The **Integration Strategies for Best Practices** conference features a broad range of sessions on public finance topics for the beginner or advanced public funds managers.

Insight in the Core Knowledge is a two-day seminar that offers a practical and comprehensive introduction to information for all public funds managers involved with public finance and investing.

Innovation Through the Use of Technology is a one-day seminar where participants, working at computer stations, are guided through the creation of practical spreadsheet applications that

can be used to enhance public funds managers' cash management and investing activities.

Community Education

The Community Education Department provides free 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 State Treasurer's Office.

The Women & Money Program, a free personal finance series tailored primarily for women, includes training on budgeting, debt management, investing, retirement planning and identity theft. More than 2,500 women attended this training last year. Additionally, last year the Community Education Department partnered with the Ohio State University in providing three Women & Money conferences to members of the University's Alumni Association.

Also State Treasurer Bradley expanded the training activities of the Community Education Department in FY 2006 by adding a new personal financial planning workshop series. The new "Consumer Money Matters" workshops were for men, women and other family members involved with making financial decisions.



Nearly 2,500 Ohioans attended the 11 Women & Money conferences held throughout Ohio last year. The Ohio Treasurer's Office also launched its Consumer Money Matters workshops last year.



Debt Management

The Office of Debt Management is responsible for issuing capital improvement bonds for the construction of public and private facilities and state highways. In Fiscal Year 2006 the Office of Debt Management issued nearly \$560 million in bonds. The Office of Debt Management is also responsible for making debt payments each month for the bonds issued by the Treasurer of State's Office and the Ohio Public Facilities Commission.

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.

Internal Audit

Internal auditing is an independent and objective activity designed to add value and improve operations by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal controls 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 State Treasurer's Investment Policy.



Ohio Treasury employee Seth Porter presents information about the popular Ag-Linked Deposit Program to attendees of the State Fair Managers Association.

Legislative

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

Revenue Management

The Revenue Management Department provides efficient management of state revenue, ensures effective banking services and provides cash management services to state agencies. It is responsible for the accurate and timely deposit of all state monies into state bank accounts. The department is the Treasury's processing center for state payments, taxes,



professional license fees and court-related fees. Millions of transactions are processed each year for the various tax- and fee-categories, including billions of dollars in electronic revenue transactions. The department includes three divisions:

- **Cashier Services** receives billions of dollars annually via currency, check and electronically. Every dollar of revenue paid to state or custodial agencies is accepted through this division. The division approves and ensures funds are made available for all state agencies. The division is responsible for collecting on bad checks on behalf of all state agencies.
- **Treasury Management Services** provides efficient collection and protection of state revenue and ensures effective banking services are provided to state agencies by working 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 Automated Clearinghouse (ACH) payments and credit cards as a method of payment to the state. With the use of ACH payments or wires processed through the Federal Reserve Bank, the division controls the timely receipt and disbursement of state funds. The division also determines the daily cash position of the state used to invest state funds.
- **Payment Processing Services - Check Processing Section:** Payments made via check to state agencies are imaged, balanced and encoded for deposit into the state's bank account. The number of checks processed daily averages anywhere from 7,000 to 11,000 checks. **Reparations Rotary Section:** Collections include court fees, seatbelt fines, highway patrol fines, domestic relations filings, etc. **Cigarette Excise Tax Section:** Every pack of cigarettes sold in Ohio must have a cigarette tax stamp. They are stored and sold to cigarette wholesalers. **Public Utilities/Miscellaneous Taxes Section:** Collections include Insurance Tax, Dealers in Intangibles Tax, Public Utilities Tax, Surplus Lines Tax, Motor Vehicle/Watercraft Sales Tax, Estate Tax, Housing Trust Fund and the Conscience Fund.

Trust

The Trust Department is comprised of two divisions: The Compliance Division and the Trust Operations Division:

- **Compliance Division** oversees the safekeeping of investments for the Ohio's five pension funds and several state agencies under the custody of the State Treasurer. Trust compliance analysts also monitor whether custodial banks are in compliance with agreements as they relate to custody services and whether securities-lending agents and investment managers appointed by the State Treasurer are in compliance with the policies of the Ohio Treasurer's Office.
- **Trust Operations Division** is responsible for posting and reporting investment income, ensuring custodial banks' records are in agreement with the State 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 to the state by all state depositories, and for safekeeping securities for various state agencies as required by the Ohio Revised Code.



State Treasurer Bradley and members of the Ohio Treasury's Operational Risk Management staff accept the \$10,000 donation as part a result of winning the Association of Financial Professionals 2005 grand prize. The donation to the American Red Cross aided Hurricane

Katrina clean up efforts. Pictured with State Treasurer Bradley are (L to R) Chris Burzminski, Terry Hampton, Nick Johnson, Kevin Talty, Helga Schwab and E.M. Gershtater.



Statement of Receipts and Disbursements of State Funds*

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

Balance as of July 1, 2005	\$7,358,378,076
Receipts	51,160,890,234
Disbursements	(50,152,354,051)
Balance as of June 30, 2006	<u>\$8,366,914,259</u>

Recapitulation as of June 30, 2006:

CASH AND MISCELLANEOUS ITEMS

Cash on Hand	\$79,312
Active Deposits	23,438,365
Due from Custodial Accounts	9,135,754
Miscellaneous Transactions	204,852
Total Cash and Miscellaneous	<u>\$32,858,283</u>

INVESTMENTS

Special Purpose Deposits	
Agri-Linked Deposits	\$118,553,904
Linked Deposits	16,083,121
Bid Ohio Deposits	292,500,000
Total Special Purpose Investments	<u>\$427,137,025</u>

NON-SPECIAL PURPOSE INVESTMENTS

Money Market Funds	\$68,909,764
Repurchase Agreements	11,574,000
Federal Government Securities	1,221,838,538
Federal Agency/Instrumentality Securities	4,457,968,155
Star Ohio-Cash Account	2,346,265
Commercial Paper	1,684,530,500
Structured Investments (Lottery)	441,619,544
STAR Ohio-Structured (Lottery)	2,132,186
Israeli Bonds	16,000,000
Total Non-Special Purpose Investments	<u>\$7,906,918,952</u>

Total Investment Items **\$8,334,055,976****Total State Funds at June 30, 2006** **\$8,366,914,259**

* 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, 2006, 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.

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 \$9,135,754 Due from Custodial Accounts reflects the amount of Custodial Warrants paid to the banks on June 30, 2006, but not reimbursed to the Treasurer until July 3, 2006.

NOTE 3 - MISCELLANEOUS TRANSACTIONS

The 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:

- United States treasury bills, notes, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 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 United States 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 .05 percent of the state's total average portfolio;
- No-load money market mutual funds consisting exclusively of obligations of the United States, 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 Revised Code.

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 a market 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 and mature or be redeemable within 10 years of the date of the related repurchase agreement.



Special Purpose Deposits: As of June 30, 2006, the carrying amount of the Treasurer's special purpose deposits was \$427,137,025. 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 state's non-special purpose investments as of June 30, 2006 are as follows.

	Carrying Value	Market Value
Money Market Funds	\$68,909,764	\$68,909,764
U.S. Gov't Securities	1,221,838,538	1,208,690,250
U.S. Agency Securities	4,457,968,155	4,462,148,85
Commercial Paper	1,684,530,500	1,684,495,195
Structured Investments (Lottery)	441,619,544	750,877,941
Repurchase Agreements	11,574,000	11,574,000
Israeli Bonds	16,000,000	16,000,000
Total	7,902,440,501	8,202,696,001
STAR Ohio (non-Lottery)	2,346,265	2,346,265
STAR Ohio (Lottery)	2,132,186	2,132,186
TOTAL	\$7,906,918,952	8,207,174,452

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 lent securities at the time of lending and at least equal to the market value of the lent 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 2006, 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, 2006, state Funds invested in STAR Ohio were \$2,132,186. Custodial funds invested in STAR Ohio on that date were \$171,935,785.

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, 2006, the gross value of the cigarette stamps on hand with the Treasurer of State was \$370,692,754.13. The value of these stamps net of wholesale discount was \$357,347,814.98.



Statement of Receipts and Disbursements of Custodial Funds*
As of June 30, 2006

Agency/Account	Fiscal Year Starting Cash	Fiscal Year Starting Investments	Year-to-Date (YTD) Receipts	Year-to-Date Disbursements	YTD Investment Net Changes	Year-to-Date Ending Cash	YTD Ending Investments
Attorney General Education Fund	6.56	0.00	0.00	6.56	0.00	0.00	0.00
Attorney General Revenue Recovery	49,143.26	0.00	7,204,280.66	7,391,799.55	0.00	(138,375.63)	0.00
Taxation Enforcement	9,636.94	0.00	1,682.61	2,790.00	0.00	8,529.55	0.00
Ohio Bureau of Employment Services							
Auxiliary Services Personnel Emergency							
Unemployment+++	337,157.96	8,897,372.25	1,699,565.12	1,641,312.57	429,168.13	(33,757.62)	9,326,540.38
Benefits Account+++	1,235,256.64	15,501,304.30	1,076,141,129.60	1,089,972,225.00	(10,419,690.78)	(2,176,147.98)	5,081,613.52
Clearing Account	2,991,228.70	0.00	1,098,313,898.53	1,098,736,368.74	0.00	2,568,758.49	0.00
Federal Employees Benefits Account	11,488.00	0.00	14,538.00	861.00	0.00	25,165.00	0.00
Prevailing Wage Trust Account	42,456.19	0.00	0.00	42,456.19	0.00	0.00	0.00
Special Administrative Fund	47,593.20	0.00	10,132,746.59	9,968,706.35	0.00	211,633.44	0.00
Trade Account	508,339.58	0.00	21,263,957.10	21,392,721.02	0.00	379,575.66	0.00
ODJFS IRS Payments	0.00	0.00	654,862.77	654,862.77	0.00	0.00	0.00
ODJFS Best RX	131.28	55,663.24	1,690,410.45	1,042,024.77	648,415.96	101.00	704,079.20
Ohio Board of Regents							
Academic Scholarship Program+++	39,948.50	1,972,813.71	8,490,922.72	7,974,506.87	509,926.35	46,438.00	2,482,740.06
Paul Douglas Teacher Scholarship Account	511,878.28	0.00	17,370.29	519,546.40	0.00	9,702.17	0.00
Ohio Bureau of Workers Compensation							
Coal Workers Pneumoconiosis Fund	62,081.11	213,441,625.60	11,404,234.98	972,537.63	10,492,555.81	1,222.65	223,934,181.41
Disabled Workers Relief Fund	1,887.33	1,062,284,379.97	15,302,854.60	11,300,007.97	3,993,075.43	11,658.53	1,066,277,455.40
Marine Industry	888.35	14,219,552.46	470,637.25	42,729.79	426,802.80	1,993.01	14,646,355.26
Public Work Relief Employees Fund	408.29	19,305,339.35	1,170,322.40	92,558.52	1,075,930.72	2,241.45	20,381,270.07
State Insurance Fund	311,698.70	13,493,072,043.61	3,877,869,747.90	2,356,472,350.99	1,517,857,283.36	3,851,812.25	15,010,929,326.97
Self-Insuring Employers Guaranty Fund	859.96	6,722,667.83	33,821,027.57	7,725,615.54	26,094,239.19	2,032.80	32,816,907.02
Capital Improvement Bond Retirement	678.00	0.00	0.00	0.00	0.00	678.00	0.00
Capitol Square Review & Advisory Board Escrow	100.00	0.00	0.00	0.00	0.00	100.00	0.00
Conservancy District Bond Clearing Account	27,400.53	0.00	87,150.00	87,150.00	0.00	27,400.53	0.00
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	19,526,268.80	19,526,268.80	0.00	1.04	0.00
Enterprise Bond Fund 2A+++	32,121.03	18,913,512.00	52,767,082.05	45,850,925.96	6,877,327.83	70,949.29	25,790,839.83
Loan Guarantee Fund+++	500.00	753,705.02	31,262.86	0.00	31,262.86	500.00	784,967.88



Statement of Receipts and Disbursements of Custodial Funds*
As of June 30, 2006 (Continued)

Agency/Account	Fiscal Year Starting Cash	Starting Investments	Year-to-Date Receipts	Year-to-Date Disbursements	Investment Net Changes	Year-to-Date Ending Cash	Ending Investments
Volume Cap Account+++	0.00	3,328,043.80	6,842,134.87	1,763,785.60	5,078,349.27	0.00	8,406,393.07
Economic Development Bond Service+++	0.00	9,549,713.26	78,692,983.44	76,562,727.89	2,124,980.97	5,274.58	11,674,694.23
Elementary & Secondary School Bond Service and Administrative Expense+++	50.00	365,377.36	31,699,478.03	31,698,150.00	1,378.03	0.00	366,755.39
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	0.00	250,000.00	0.00	169,997.08	0.00
Revitalization Proj Bond Serv. Fund	10,000.00	2,867,721.49	56,356,301.83	54,864,925.00	1,491,376.83	10,000.00	4,359,098.32
Ohio Housing Finance Agency							
Assistant Payment Program+++	1,538.76	8,379,252.02	13,123,629.22	21,504,420.00	(8,379,252.02)	0.00	0.00
Development Fund+++	1,000.04	40,373,092.46	71,756,136.39	75,882,984.70	(4,632,705.42)	506,857.15	35,740,387.04
Multi-Family Housing Program+++	12,723.29	8,575,353.75	310,428.03	3,841,850.00	(3,519,371.97)	673.29	5,055,981.78
Single Housing Family Program+++	1,078.70	889,308.70	1,354.82	891,742.22	(889,308.70)	0.00	0.00
Human Services							
SETS Program+++	80,138,777.54	10,337,747.63	2,087,756,770.36	2,107,563,250.28	(1,477,986.53)	61,810,284.15	8,859,761.10
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	27,045.40	11,759,000.00	1,508,789,395.66	1,509,294,468.31	(1,689,726.72)	1,211,699.47	10,069,273.28
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	12,359,085.13	1,284,374.84	614,028.85	670,345.99	50,000.00	13,029,431.12
Ohio Department of Natural Resources							
Lake Katherine Management Fund+++	4,794.68	183,087.76	6,582.00	72,284.00	(65,702.00)	4,794.68	117,385.76
Reclamation Account+++	5,928.04	45,520.46	39,368.18	3,648.43	1,888.18	39,759.61	47,408.64
Wildlife Habitat Fund+++	0.00	116,289.16	4,823.58	0.00	4,823.58	0.00	121,112.74
Southern Ohio Agriculture & Comm Dev Foundation+++	407,727.44	22,109,970.07	16,929,675.85	12,120,771.94	4,616,062.52	600,568.83	26,726,032.59
Ohio Building Authority							
Administrative Account	402,471.51	0.00	1,326,727.98	1,282,019.10	32,415.15	414,765.24	32,415.15
Ohio Exposition Commission	0.00	0.00	33,260.40	33,260.40	0.00	0.00	0.00
Ohio Retirement Study Commission	172,955.50	0.00	923,624.34	885,037.53	0.00	211,542.31	0.00
Ohio State School for the Blind+++	3,366.11	386,044.01	17,312.30	371.07	16,012.72	4,294.62	402,056.73
Ohio State School for the Deaf Allowance	0.00	0.00	5,509.25	4,748.25	0.00	761.00	0.00



Statement of Receipts and Disbursements of Custodial Funds*
As of June 30, 2006 (Continued)

Agency/Account	Fiscal Year Starting Cash	Starting Investments	Year-to-Date Receipts	Year-to-Date Disbursements	Investment Net Changes	Year-to-Date Ending Cash	Ending Investments
Ohio Tuition Trust Authority							
Suspense Account	93,242.47	0.00	75,771,146.48	75,910,079.18	0.00	(45,690.23)	0.00
Trust Fund	0.00	710,841,297.84	68,557,643.99	74,123,068.51	(5,695,055.52)	129,631.00	705,146,242.32
Trust Reserve	0.00	67,054,986.50	3,196,994.69	1,078,912.75	2,118,041.35	40.59	69,173,027.85
Ohio Public Facilities Commission							
Higher Education Bond Service+++	0.00	1,737,535.57	200,676,851.71	200,662,565.55	14,286.16	(0.00)	1,751,821.73
Mental Health Bond Service+++	0.00	621,410.60	75,411,934.45	75,376,931.41	35,003.04	0.00	656,413.64
Parks and Recreation Bond Service+++	145,033.30	337,043.46	18,536,100.98	18,507,561.77	173,572.51	0.00	510,615.97
PUCO Wireless 911 Gov't Assistance	0.00	0.00	16,528,756.12	5,295,303.99	9,058,492.07	2,174,960.06	9,058,492.07
Ohio Public Employees Deferred Compensation							
Board Employer Receiving	914,422.50	0.00	815,578,542.50	815,272,196.82	0.00	1,220,768.18	0.00
Petroleum Underground Storage Tank Finance Assurance	2,583,759.46	14,539,079.19	16,103,184.20	17,023,223.30	(6,430,853.71)	8,094,574.07	8,108,225.48
Retirement Systems							
Police and Firemen's Disability and Pension Fund	12,998,928.68	8,856,230,601.78	1,908,205,998.18	809,889,898.89	1,102,392,775.93	8,922,252.04	9,958,623,377.71
Public Employees Retirement System	(39,399,487.61)	61,735,561,877.37	6,155,870,059.48	4,449,087,764.60	1,697,773,964.45	(30,391,157.18)	63,433,335,841.82
Public Employees Retirement System Escrow	21,235.11	0.00	85,342.33	85,978.11	0.00	20,599.33	0.00
School Employees Retirement System	1,824,083.84	7,513,240,404.20	2,117,739,905.27	958,453,837.26	1,154,545,025.88	6,565,125.97	8,667,785,430.08
SERS Qualified Excess Benefit Arrangement	37,331.81	0.00	42,034.79	71,938.01	0.00	7,428.59	0.00
State Highway Patrol Retirement System	18,262,420.63	578,869,942.75	101,471,705.42	70,153,500.27	48,532,735.42	1,047,890.36	627,402,678.17
State Teachers Retirement System	17,105,031.64	50,922,280,241.37	9,284,328,311.86	4,646,878,722.60	4,650,103,945.72	4,450,675.18	55,572,384,187.09
Sinking Fund Commission Bond Clearance Acct.+++							
Public Improvement Bond Retirement	2,523.35	52,274.29	710,590,551.24	710,546,178.11	2,168.32	44,728.16	54,442.61
Cultural Facilities Bond Account	148,807.50	0.00	0.00	0.00	0.00	148,807.50	0.00
	0.00	0.00	68,885,600.46	68,874,358.34	3,383.34	7,858.78	3,383.34
Student Tuition Recovery Fund+++	84,000.59	1,036,439.42	121,380.13	21,050.25	102,422.06	81,908.41	1,138,861.48
Ohio Supreme Court							
Supreme Court Attorney Registration Account	48,521.94	0.00	3,451,358.40	3,171,183.72	0.00	328,696.62	0.00

Statement of Receipts and Disbursements of Custodial Funds*
As of June 30, 2006 (Continued)

Agency/Account	Fiscal Year Starting Cash	Starting Investments	Year-to-Date Receipts	Year-to-Date Disbursements	Investment Net Changes	Year-to-Date Ending Cash	Ending Investments
Torrens Law Assurance Fund+++ Treasurer's Custodial	26,157.78	1,258,711.78	52,210.03	0.00	52,210.03	26,157.78	1,310,921.81
Contingency Account	4,327,225.74	4,000,000.00	274,990,565.94	271,200,019.90	0.00	8,117,771.78	4,000,000.00
Tobacco Use Prev. & Control End. Fund+++	251,392.28	299,823,789.86	23,612,377.02	34,212,955.76	(10,349,546.40)	359.94	289,474,243.46
TOS Bond Clearance Account+++	0.00	743,926.84	1,603,730,756.61	1,604,423,479.16	(738,179.55)	45,457.00	5,747.29
Vietnam Conflict Bond Retirement	28,353.38	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	107,846,762.00	145,694,994,149.22	33,657,515,136.50	23,490,865,514.82	10,193,094,268.64	81,402,115.04	155,888,088,417.86

*Unaudited

+++ Includes Star Ohio



Summary of Transaction Activity for Fiscal Year 2006
Settlement During the Period 7/01/05 through 6/30/06 (Continued)

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		394,050,734.79	4.770	391,818,732.90			(2,232,001.89)
TOTAL FOR FUND		394,050,734.79	4.770	391,818,732.90			(2,232,001.89)
REGULAR INVESTMENT ACCT - CORE							
FFCB MEDIUM TERM NOTE	5,000,000.00					5,000,000.00	137,500.00
FHLB DEBENTURE	50,000,000.00					50,000,000.00	1,875,000.00
FHLB MEDIUM TERM NOTE	69,981,250.00					69,981,250.00	2,187,500.00
FHLMC DEBENTURE	26,783,800.00				25,000,000.00		(471,300.00)
FHLMC MEDIUM TERM NOTE	50,000,000.00					50,000,000.00	2,050,000.00
FNMA MEDIUM TERM NOTE	100,000,000.00					100,000,000.00	3,450,000.00
MONEY MARKET FUND - CASH ACCT							
STAR OHIO - CASH ACCT							
US TREASURY NOTE	11,083,593.75				10,000,000.00		(789,843.75)
TOTAL FOR FUND	312,848,643.75	0.00	0.000		35,000,000.00	274,981,250.00	8,438,856.25
REGULAR INVESTMENT ACCT - REG							
COMMERCIAL PAPER	651,901,842.37	24,163,159,875.22	4.332		23,211,552,000.00	1,657,266,433.12	53,756,715.53
FFCB ADJUSTABLE RATE BOND	15,000,000.00	109,999,999.00	4.307	90,007,385.35	29,992,613.65	5,000,000.00	1,179,459.53
FFCB DISCOUNT NOTE	132,171,438.32	659,036,685.17	4.292		793,277,000.00		2,068,876.51
FHLB DEBENTURE							
FHLB DISCOUNT NOTE	1,420,973,517.45	14,356,080,406.21	4.043		14,566,892,000.00	1,247,180,132.16	37,018,208.50
FHLMC DISCOUNT NOTE	1,336,409,744.08	8,502,740,393.06	4.215		8,703,600,000.00	1,170,964,506.41	35,414,369.27
FHLMC MEDIUM TERM NOTE							
FNMA DISCOUNT NOTE	1,160,166,385.92	16,058,602,921.45	4.147		16,480,958,000.00	776,971,009.21	39,159,701.84
ISRAEL BONDS	21,000,000.00				10,000,000.00	11,000,000.00	1,209,000.00
MONEY MARKET FUND - CASH ACCT	140,936,601.83	1,497,356,000.00	4.008	1,580,166,028.80		64,149,249.67	6,022,676.64
REPURCHASE AGREEMENT		1,967,381,000.00	4.109		1,955,807,000.00	11,574,000.00	305,319.39
SPRJ-ADDITIONAL INCOME							
STAR OHIO - CASH ACCT							
TVA DISCOUNT NOTE	99,612,277.78	248,331,332.20	3.731		349,046,000.00		1,102,390.02
US TREASURY BILL		149,771,847.22	4.402		150,000,000.00		228,152.78
TOTAL FOR FUND	4,978,171,807.75	67,712,460,459.53	4.196	1,670,173,414.15	66,251,124,613.65	4,944,105,330.57	177,464,870.01
REGULAR INVESTMENT ACCT - TSY							
COMMERCIAL PAPER	199,770,572.23	8,691,711,333.62	3.688		8,866,293,000.00	27,264,066.75	2,075,160.90
FFCB DISCOUNT NOTE		49,995,625.00	3.194		50,000,000.00		4,375.00



Summary of Transaction Activity for Fiscal Year 2006
Settlement During the Period 7/01/05 through 6/30/06 (Continued)

INVESTMENT - CATEGORY	BEGINNING PORTFOLIO - COST	PURCHASE - PRINCIPAL	AVG-PUR YIELD	SALE/PAYDOWN - PROCEEDS	MATURITY PROCEEDS	ENDING PORTFOLIO COST	REALIZED INCOME
FHLB DEBENTURE	108,858,329.60	471,233,296.70	4.469			580,091,626.30	12,411,189.24
FHLB DISCOUNT NOTE	24,962,875.00	137,118,434.75	3.574		162,141,000.00		59,690.25
FHLB MEDIUM TERM NOTE		29,788,500.00	4.388			29,788,500.00	483,333.33
FHLMC DEBENTURE	153,260,500.00	194,355,449.95	4.204	24,729,000.00		322,797,450.00	8,743,069.52
FHLMC DISCOUNT NOTE	65,002,787.72	138,301,231.62	3.493	24,156,250.00	179,428,000.00		280,230.66
FNMA DEBENTURE		74,305,250.00	4.216	24,418,500.00		49,910,000.00	1,099,708.34
FNMA DISCOUNT NOTE	73,775,180.58	149,923,571.94	3.332		223,847,000.00		148,247.48
ISRAEL BONDS		5,000,000.00	5.250			5,000,000.00	
MONEY MARKET FUND - CASH ACCT	54,809,366.39	36,928,872.00	4.164	87,298,316.57		4,760,514.73	320,592.91
STAR OHIO CASH ACCT		2,648,275.27	4.657	324,720.84		2,346,265.18	22,710.75
TVA DISCOUNT NOTE							
US TREASURY BILL		24,969,423.61	3.193		25,000,000.00		30,576.39
US TREASURY NOTE	449,187,898.05	1,099,883,916.46	4.728	203,991,015.62	125,000,000.00	1,220,435,814.52	14,967,784.11
TOTAL FOR FUND	1,129,627,509.57	11,106,163,180.92	3.829	364,917,803.03	9,631,709,000.00	2,242,394,237.48	40,646,668.88
SPECIAL PROJECTS INVESTMENT ACCT							
FFCB ADJUSTABLE RATE BOND	55,000,000.00	90,007,385.35	1.051	54,999,999.00	40,007,386.35	50,000,000.00	433,413.35
SPRJ-ADDITIONAL INCOME				2,279.82			2,279.82
SPRJ-BIDOHIO	255,000,000.00	547,500,000.00	4.483		510,000,000.00	292,500,000.00	9,293,815.13
SPRJ-HOUSING LINK							
SPRJ-LINKED DEPOSIT-AG	64,212,622.53	69,417,885.00	1.109	1,018,981.05	64,057,622.53	68,553,903.95	668,793.08
SPRJ-LINKED DEPOSIT-SM BUS	10,094,029.08	12,505,299.66	1.750	1,494,641.07	5,021,567.09	16,083,120.58	159,100.35
TOTAL FOR FUND	384,306,651.61	719,430,570.01	3.681	57,515,900.94	619,086,575.97	427,137,024.53	10,557,401.73
STRUCTURED INVESTMENT ACCT							
BCAL STRNT	22,643,775.00			31,500,000.00			8,856,225.00
COMMERCIAL PAPER	78,589,903.57	1,663,287,427.49	4.014		1,704,461,000.00	39,149,598.33	1,733,267.27
FED JUDICIARY	2,755,803.85					2,755,803.85	
FFCB MEDIUM TERM NOTE	2,110,279.00					2,110,279.00	121,262.50
FHLB DEBENTURE	13,283,555.00					13,283,555.00	753,325.00
FHLB DISCOUNT NOTE		28,809,214.56	4.242		28,836,000.00		26,785.44
FHLMC DEBENTURE	30,047,577.50				2,000,000.00	27,864,457.50	1,525,555.00
FHLMC DISCOUNT NOTE		699,610.01	4.065		712,000.00		12,389.99
FHLMC STRIP	19,383,587.83	1,742,630.78	4.601			21,126,218.61	
FICO STRIP	2,028,470.82					2,028,470.82	
FNMA DEBENTURE	25,607,908.00				4,400,000.00	21,179,220.00	1,246,562.00
FNMA DISCOUNT NOTE							
FNMA MEDIUM TERM NOTE	8,494,026.30					8,494,026.30	518,624.00
FNMA STRIP	59,159,684.19	16,610,886.24	4.522	526,822.13	14,005,000.00	66,570,773.09	5,332,024.79



Summary of Transaction Activity for Fiscal Year 2006
Settlement During the Period 7/01/05 through 6/30/06 (Continued)

INVESTMENT - CATEGORY	BEGINNING PORTFOLIO - COST	PURCHASE - PRINCIPAL	AVG-PUR YIELD	SALE/PAYDOWN - PROCEEDS	MATURITY PROCEEDS	ENDING PORTFOLIO COST	REALIZED INCOME
REF CORP STRIP	148,051,970.55				38,000,000.00	133,992,990.55	23,941,020.00
SLMA DEBENTURE							
STAR OHIO - CASH ACCT	2,047,267.62					2,132,186.12	84,918.50
TVA DEBENTURE	6,195,312.50					6,195,312.50	390,625.00
TVA STRIP	47,704,911.95					47,704,911.95	
US TREASURY BOND	27,529,687.50					27,529,687.50	2,037,500.00
US TREASURY STRIP	14,844,120.00	6,790,118.50	5.012			21,634,238.50	
TOTAL FOR FUND	510,477,841.18	1,717,939,887.58	4.027	32,026,822.13	1,792,414,000.00	443,751,729.62	46,580,084.49
TOTAL FOR PORTFOLIO	7,315,432,453.86	81,650,044,832.83	4.141	2,516,452,673.15	78,329,334,189.62	8,332,369,572.20	281,455,879.47



Summary of Realized Income for Fiscal Year 2006
Month Ended June, 2006
(Unaudited)

MONTH	AVG-PURCH YIELD	MONTH END COST BALANCE	REGULAR ACCOUNT	STRUCTURED ACCOUNT	TOTAL	BANK INITIATIVES	TOTAL	GRAND TOTAL
Jul-05	3.3240%	\$7,327,811,142.97	\$17,159,324.41	\$12,445,852.17	\$29,605,176.58	\$581,151.66	\$581,151.66	\$30,186,328.24
Aug-05	3.4670%	\$7,348,675,055.31	\$15,424,799.83	\$366,173.42	\$15,790,973.25	\$626,423.27	\$626,423.27	\$16,417,396.52
Sep-05	3.6700%	\$6,902,928,291.28	\$15,663,722.33	\$375,662.74	\$16,039,385.07	\$696,753.62	\$696,753.62	\$16,736,138.69
Oct-05	3.8360%	\$6,942,133,078.06	\$16,765,139.60	\$651,122.64	\$17,416,262.24	\$726,836.03	\$726,836.03	\$18,143,098.27
Nov-05	4.0710%	\$6,447,315,422.09	\$16,783,987.65	\$1,449,370.97	\$18,233,358.62	\$723,775.30	\$723,775.30	\$18,957,133.92
Dec-05	4.2210%	\$6,569,055,005.16	\$16,372,352.20	\$926,836.08	\$17,299,188.28	\$738,588.41	\$738,588.41	\$18,037,776.69
Jan-06	4.3360%	\$7,461,160,579.67	\$15,715,999.33	\$13,421,192.13	\$29,137,191.46	\$787,308.85	\$787,308.85	\$29,924,500.31
Feb-06	4.5000%	\$7,321,523,227.39	\$16,967,372.70	\$1,860,747.98	\$18,828,120.68	\$884,700.48	\$884,700.48	\$19,712,821.16
Mar-06	4.6370%	\$7,311,336,556.62	\$19,413,584.98	(\$1,154,356.05)	\$18,259,228.93	\$825,592.28	\$825,592.28	\$19,084,821.21
Apr-06	4.7620%	\$7,951,819,616.13	\$20,737,058.36	\$3,949,363.87	\$24,686,422.23	\$1,591,349.34	\$1,591,349.34	\$26,277,771.57
May-06	4.9340%	\$8,558,193,564.87	\$24,368,123.02	\$9,290,956.33	\$33,659,079.35	\$1,393,217.86	\$1,393,217.86	\$35,052,297.21
Jun-06	5.1300%	\$8,334,055,976.20	\$31,178,930.73	\$765,160.32	\$31,944,091.05	\$981,704.63	\$981,704.63	\$32,925,795.68
FY06 AVG/TOTAL	4.2407%	\$7,373,000,626.31	\$226,550,395.14	\$44,348,082.60	\$270,898,477.74	\$10,557,401.73	\$10,557,401.73	\$281,455,879.47



**Summary of Funds Collected by the Office of the Treasurer
Fiscal Year 2006**

TYPE OF TAX	COLLECTIONS
SALES	5,120,455,932.40
WITHHOLDING	6,004,146,097.79
CHILD ABUSE	4,076,039.73
CHILD RESTRAINT	157,906.21
CIGARETTE	990,205,079.87
CIGARETTE ENFORCEMENT	59,610.48
CIGARETTE FLOOR TAX	27,822,516.33
CONSCIENCE FUND	388,051.03
COMMERCIAL ACTIVITY TAX	50,881,107.94
CORPORATE FRANCHISE TAX	780,364,053.84
DEALERS IN INTANGIBLES	34,582,394.17
ESTATE TAX	54,070,007.23
EXPUNGEMENTS	262,450.53
FAMILY VIOLENCE PREVENTION	1,149,259.45
GASOLINE	1,779,440,403.41
HIGHWAY PATROL	12,380,802.20
HOUSING TRUST	69,964,383.23
IFTA	514,695.60
INSURANCE COMPANIES	441,490,875.45
IOLTA	16,654,176.87
KILOWATT	500,785,659.90
LEGAL AID	12,454,598.88
LIQUOR CONTROL	694,381.49
MCF	7,497,426.00
MOTOR VEHICLE SALES	1,178,367,166.29
MUNICIPAL INCOME TAX	36,697,116.14
OHIO PUTATIVE FATHERS REGISTRY	155,715.38
PUBLIC UTILITIES	187,019,785.62
REPARATIONS ROTARY	39,056,374.08
SEAT BELTS	4,573,095.76
SURPLUS LINES	18,317,428.29
WATERCRAFT SALES	16,872,821.25
TOTAL	17,391,557,412.84



Statement of Additional Securities Held in Trust
As of June 30, 2006

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, 2006. 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.)	\$900,000.00
Bureau of Workers' Compensation-Self Insured (Sec. 4123.35 O.R.C.)	10,225,500.00
Department of Commerce-superintendent of Financial Institutions (Sec. 1111.04 O.R.C.)	10,457,000.00
Department of Insurance- Insurance Company Legal Reserve (Sec. 3903.73 O.R.C.)	1,925,000.00
Department of Jobs and Family Services-Bureau of Employment Services (Sec. 4141.241 O.R.C.)	7,310,887.34
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.)	328,617.66
Division of Water (Sec. 1521.061 O.R.C.)	150,750.00
Division of Parks and Recreation (Sec. 1501.10 O.R.C.)	20,500.00
Mineral Resources (Sec. 1509.07, 1513.08, 1514.04 O.R.C.)	13,361,868.55
Title Guaranty and Trust Company (Sec. 3903.73 O.R.C.)	137,231.82
Total:	\$45,095,100.87

*Unaudited



Appendix A
LINKED DEPOSIT PROGRAMS BY COUNTY

2006 Fiscal Year End - Linked Deposit Activity - Approved

County	Access for Individuals (outstanding)	Aglink	SB Link (rolling 2 yr)	Total per County
Adams		\$205,508.00		\$205,508.00
Allen		\$2,606,000.00	\$175,000.00	\$2,781,000.00
Ashland		\$870,000.00		\$870,000.00
Ashtabula		\$100,000.00		
Athens	\$2,050.00	\$35,000.00		\$37,050.00
Auglaize		\$1,664,725.00	\$400,000.00	\$2,064,725.00
Belmont			\$611,517.00	\$611,517.00
Brown		\$860,600.00	\$25,000.00	\$885,600.00
Butler		\$393,980.00		\$393,980.00
Carroll				
Champaign	\$4,180.00	\$2,298,000.00		\$2,302,180.00
Clark	\$1,140.00	\$3,342,150.00		\$3,343,290.00
Clermont		\$357,340.00	\$500,000.00	\$857,340.00
Clinton	\$3,790.00	\$1,724,850.00		\$1,728,640.00
Columbiana				
Coshocton		\$225,000.00		\$225,000.00
Crawford		\$2,220,200.00	\$546,500.00	\$2,766,700.00
Cuyahoga	\$50,015.00		\$909,432.00	\$959,447.00
Darke		\$3,817,205.00		\$3,817,205.00
Defiance		\$3,372,500.00	\$550,500.00	\$3,923,000.00
Delaware		\$1,841,000.00	\$139,720.00	\$1,980,720.00
Erie		\$791,000.00		\$791,000.00
Fairfield		\$1,256,700.00	\$150,000.00	\$1,406,700.00
Fayette		\$2,280,500.00		\$2,280,500.00
Franklin	\$41,000.00	\$946,000.00	\$989,178.00	\$1,976,178.00
Fulton	\$42,000.00	\$4,483,000.00	\$250,000.00	\$4,775,000.00
Gallia		\$25,585.00	\$26,775.00	\$52,360.00
Geauga				
Greene		\$1,677,100.00		\$1,677,100.00
Guernsey				
Hamilton		\$100,000.00	\$514,377.45	\$614,377.45
Hancock		\$7,102,810.00	\$496,826.87	\$7,599,636.87
Hardin		\$4,504,250.00		\$4,504,250.00
Harrison		\$100,000.00		\$100,000.00
Henry		\$1,507,600.00	\$375,000.00	\$1,882,600.00



2006 Fiscal Year End - Linked Deposit Activity - Approved

County	Access for Individuals (outstanding)	Aglink	SB Link (rolling 2 yr)	Total per County
Highland		\$874,900.00		\$874,900.00
Hocking				
Holmes		\$300,000.00		\$300,000.00
Huron		\$1,921,650.00	\$100,000.00	\$2,021,650.00
Jackson		\$40,000.00		\$40,000.00
Jefferson			\$235,000.00	\$235,000.00
Knox		\$765,100.00		\$765,100.00
Lake	\$17,250.00		\$827,000.00	\$844,250.00
Lawrence		\$100,000.00		\$100,000.00
Licking		\$190,000.00	\$250,000.00	\$440,000.00
Logan		\$2,368,715.00		\$2,368,715.00
Lorain	\$6,150.00	\$295,000.00		\$301,150.00
Lucas		\$845,000.00	\$1,220,000.00	\$2,065,000.00
Madison		\$3,294,575.00		\$3,294,575.00
Mahoning			\$700,000.00	\$700,000.00
Marion		\$3,908,425.00	\$378,348.19	\$4,286,773.19
Medina	\$3,276.00	\$250,000.00	\$100,000.00	\$353,276.00
Meigs	\$9,131.13	\$149,550.00		\$158,681.13
Mercer		\$3,611,175.00	\$529,000.00	\$4,140,175.00
Miami	\$3,902.70	\$1,420,000.00	\$1,055,000.00	\$2,478,902.70
Monroe				
Montgomery	\$48,771.79	\$658,520.00	\$250,000.00	\$957,291.79
Morgan				
Morrow		\$3,742,537.00	\$40,000.00	\$3,782,537.00
Muskingum		\$180,000.00		\$180,000.00
Noble				
Ottawa		\$1,598,000.00	\$183,893.91	\$1,781,893.91
Paulding		\$2,291,000.00		\$2,291,000.00
Perry		\$590,000.00		\$590,000.00
Pickaway		\$4,580,000.00		\$4,580,000.00
Pike		\$395,000.00	\$262,404.22	\$657,404.22
Portage			\$369,000.00	\$369,000.00
Preble		\$2,096,215.00		\$2,096,215.00
Putnam		\$6,555,832.00		\$6,555,832.00
Richland		\$500,000.00	\$650,000.00	\$1,150,000.00



2006 Fiscal Year End - Linked Deposit Activity - Approved

County	Access for Individuals (outstanding)	Aglink	SB Link (rolling 2 yr)	Total per County
Ross		\$3,270,500.00	\$443,500.00	\$3,714,000.00
Sandusky		\$3,743,500.00	\$269,393.51	\$4,012,893.51
Scioto		\$140,000.00		\$140,000.00
Seneca		\$6,279,500.00	\$458,700.00	\$6,738,200.00
Shelby		\$735,200.00	\$104,000.00	\$839,200.00
Stark		\$360,000.00		\$360,000.00
Summit			\$250,000.00	\$250,000.00
Trumbull	\$10,000.00	\$100,000.00	\$125,000.00	\$235,000.00
Tuscarawas				
Union	\$9,500.00	\$2,859,530.00	\$126,500.00	\$2,995,530.00
Van Wert		\$2,420,600.00		\$2,420,600.00
Vinton				
Warren	\$6,000.00	\$200,000.00		\$206,000.00
Washington			\$416,700.00	\$416,700.00
Wayne		\$1,521,000.00	\$313,000.00	\$1,834,000.00
Williams		\$2,535,000.00		\$2,535,000.00
Wood		\$3,728,223.00	\$154,641.72	\$3,882,864.72
Wyandot		\$2,877,150.00	\$788,771.14	\$3,665,921.14
Total Per Program	\$258,156.62	\$125,000,000.00	\$17,259,679.01	\$142,517,835.63
number of participants	27	1667	118	1812
number of counties	16	70	43	77



Appendix B
TREASURER OF STATE'S INVESTMENT POLICY

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 including the Ohio Lottery Deferred Prizes Trust Fund "DPTF". 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 Nationally Recognized Statistical Rating Organizations 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 a debt interest which is rated in the three highest categories by two nationally recognized rating agencies if either the debt interest itself or the issuer of the debt interest is rated, or implicitly rated at the time of purchase in the three highest categories by two nationally recognized rating agencies.; 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 Section 135.18 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	the lesser of 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 DPTF (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. When necessary, the DPTF will be permitted to exceed the 2% single issuer limitation for federal agency security purchases only.

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 leveraged 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 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 30th day of June, 2006.

Jennette Bradley
Treasurer of State



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