

LEASE REVENUE OBLIGATIONS GOVERNED BY
OHIO REVISED CODE CHAPTER 154
(STATE OF OHIO CHAPTER 154 BONDS)

Financial Statements
and
Supplementary Financial Information
For the Year Ended June 30, 2018
and
Independent Auditors' Report Thereon

This audit report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code § 117.25 are not met until the Auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.



Dave Yost • Auditor of State

Board of Directors
Lease Revenue Obligations Governed by Ohio Revised Code Chapter 154
30 East Broad Street, 9th Floor
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Lease Revenue Obligations Governed by Ohio Revised Code Chapter 154, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lease Revenue Obligations Governed by Ohio Revised Code Chapter 154 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 22, 2018

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STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Financial Report
As of and for the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Treasurer of State of Ohio
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Debt Service Funds (the Funds) as held in the name of the Treasurer of the State of Ohio (the Treasurer) of the Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Adult Correctional Facilities, Administrative Facilities, Juvenile Correctional Facilities, Highway Safety Facilities, and the Transportation Building lease revenue bonds governed by the Ohio Revised Code Chapter 154 (the Obligations), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Treasurer's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Treasurer's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds of the Treasurer of the State of Ohio, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Treasurer of State of Ohio (which is part of the reporting entity of the State of Ohio) as of June 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the financial statements that collectively comprise the Funds' basic financial statements taken as a whole. The supplementary schedules present additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of the Treasurer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Treasurer's internal control over financial reporting and compliance.



KENNEDY COTTRELL RICHARDS LLC

September 25, 2018

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2018
(UNAUDITED)

This section of the annual financial report for the Chapter 154 Lease Revenue Obligations presents management's discussion and analysis of financial performance during the year ended June 30, 2018. The management's discussion and analysis section should be read in conjunction with the Chapter 154 Lease Revenue Obligations debt service funds' financial statements, which follow. Chapter 154 refers to a chapter in the Ohio Revised Code (Ohio's statutes) titled, *Financing for Certain Capital Facilities*.

FINANCIAL HIGHLIGHTS

- As of June 30, 2018, total debt service fund assets exceeded liabilities and deferred inflows of resources by \$11.1 million. The total combined ending fund balance, which is restricted for debt service, decreased by \$147 thousand during fiscal year 2018.
- For fiscal year 2018, lease principal payments from state agency-lessees totaled \$225.3 million, and lease interest revenue was reported at \$83.2 million.
- During fiscal year 2018, the Treasurer of State issued \$401.5 million in new bonds with a total premium of \$67.9 million and \$121.4 million in refunding bonds with a total premium of \$22.9 million. In addition, \$225.0 million in bond principal and \$83.9 million in bond interest were paid to bondholders.

OVERVIEW OF THE FUND FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Chapter 154 Lease Revenue Obligations debt service funds' financial statements. The fund financial statements include a Balance Sheet, a Statement of Revenues, Expenditures and Changes in Fund Balances, and accompanying notes.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental fund financial statements have a focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Treasurer of State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All eight of the debt service funds listed below fall under the governmental fund classification:

- Mental Health Facilities Bond Service Fund
- Parks and Recreation Facilities Bond Service Fund
- Cultural and Sports Facilities Bond Service Fund
- Adult Correctional Facilities Bond Service Fund
- Administrative Facilities Bond Service Fund
- Juvenile Correctional Facilities Bond Service Fund
- Highway Safety Facilities Bond Service Fund
- Transportation Facilities Bond Service Fund

Debt service funds, by definition, account for resources accumulated and payments made for principal and interest on long-term debt. The financial statements for the funds listed above can be found on Pages 8 to 10 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on Pages 11 to 17 of this report.

In addition, supplementary financial information follows the notes. Supplementary financial information, which can be found on Pages 18 to 31, provides additional information that is considered to be useful to certain users of the financial statements.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2018
(UNAUDITED)

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

A comparative balance sheet analysis follows:

Balance Sheet
Comparative Analysis
(Dollars in 000s)

	As of 06/30/18	As of 06/30/17	Percentage Change
ASSETS:			
Cash.....	\$ 210	\$ 227	-7.5%
Receivable from State Agencies:			
Lease Principal.....	2,011,310	1,842,400	9.2%
Lease Interest.....	23,434	21,138	10.9%
TOTAL ASSETS.....	2,034,954	1,863,765	
LIABILITIES AND DEFERRED INFLOW OF RESOURCES:			
Accounts Payable.....	60	70	-14.3%
Deferred Inflow of Resources-Unavailable Revenue	2,023,811	1,852,465	9.2%
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES.....	2,023,871	1,852,535	
FUND BALANCES:			
Restricted for Debt Service.....	11,083	11,230	-1.3%
TOTAL FUND BALANCES.....	11,083	11,230	
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....	\$ 2,034,954	\$ 1,863,765	

The increase in lease principal and interest receivable and unavailable revenue at June 30, 2018 compared to June 30, 2017 is the result of the Treasurer issuing new bonds for amounts that exceeded the continued payoff of outstanding bond principal.

The tables that follow compare debt service fund revenues, expenditures, and other financing sources/(uses) reported for fiscal year 2018 with fiscal year 2017 results.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2018
(UNAUDITED)

Revenue
Comparative Analysis
(Dollars in 000s)

	Fiscal Year 2018	Percent of Total 2018 Revenue	Fiscal Year 2017	Percent Change
Lease Principal from State Agencies.....	\$ 225,255	72.0%	\$ 216,950	3.8%
Lease Interest from State Agencies.....	83,234	26.6%	82,017	1.5%
Administrative and Other Fees.....	4,352	1.4%	2,475	75.8%
Investment Income.....	-	0.0%	6	-100.0%
TOTAL REVENUES.....	\$ 312,841	100.0%	\$ 301,448	

As the above table indicates, 98.6% of debt service fund revenues for fiscal year 2018 were comprised of lease principal and interest from State Agencies. Lease principal and interest increased for fiscal year 2018 primarily due to an increase in debt service requirements during the year. This occurred because of the debt service requirements on new bonds issued. The increase in administrative and other fees was attributable to an increase in bond issuances.

In the Fiscal Year 2017 column, Lease Principal from State Agencies has been reclassified from an Other Financing Source to an Operating Revenue for consistency with the 2018 presentation.

Expenditures
Comparative Analysis
(Dollars in 000s)

	Fiscal Year 2018	Percent of Total 2018 Expenditures	Fiscal Year 2017	Percent Change
Administrative Costs.....	\$ 332	0.1%	\$ 425	-21.9%
Bond Issue Costs.....	3,850	1.2%	1,956	96.8%
Debt Service:				
Principal.....	224,955	71.9%	216,720	3.8%
Interest.....	83,851	26.8%	81,812	2.5%
TOTAL EXPENDITURES.....	\$ 312,988	100.0%	\$ 300,913	

As the table above shows, 98.7% of total reported expenditures for fiscal year 2018 were for debt service payments (principal and interest). Interest expenditures for fiscal year 2018 were more than fiscal year 2017 by 2.5% due to payments on bonds issued in fiscal year 2018. Principal expenditures for fiscal year 2018 were more than fiscal year 2017 by 3.8%. This increase is due to varying maturity schedules for the outstanding bonds. The total amount of outstanding bonds increased in fiscal year 2018. Bond issuance costs increased for fiscal year 2018 because of an increase in bond issuance in fiscal year 2018. The decrease in administrative costs was attributable to a decrease in legal expenses incurred during fiscal year 2018.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2018
(UNAUDITED)

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

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Bond Proceeds:			
Principal.....	\$ 401,490	\$ 290,000	38.4%
Premium.....	67,879	41,261	64.5%
Refunding Bond Proceeds:			
Principal.....	121,390	-	100.0%
Premium.....	22,945	-	100.0%
Payments to Refunding Escrow Agent	(143,341)	-	100.0%
Financing Provided to			
State Agencies Under Leases.....	(470,363)	(331,260)	42.0%
TOTAL OTHER			
FINANCING SOURCES/(USES).....	\$ -	\$ 1	

The increase in new money bond proceeds (principal and premium) and financing provided to state agencies under leases are the result of four larger bond issuances, involving six new series of bonds, in fiscal year 2018 compared to four bond issuances involving six new series of bonds in fiscal year 2017. The increase in refunding bond proceeds (principal and interest) and payments to refunding escrow agent are the result of the three refunding issuances, involving four series of bonds during the 2018 fiscal year compared to no refunding issuances during the 2017 fiscal year.

BUDGETARY HIGHLIGHTS

None of the debt service funds presented in the fund financial statements is required to have a legally adopted budget, and therefore, no budgetary comparisons have been included in this report.

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STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2018
(UNAUDITED)

ECONOMIC FACTORS

- Generally, interest rates affect the pricing of new bond issues. Currently the Federal Open Market Committee (FOMC) at the Federal Reserve's target for the federal funds rate is 1.75% - 2.00%.
- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2018, were as follows (dollars in thousands):

<u>Bond Type</u>	<u>Authorized, but Unissued</u>
Mental Health Facilities	\$ 232,915
Parks and Recreation Facilities	232,000
Cultural and Sports Facilities	105,310
Adult Correctional Facilities	327,500
Administrative Facilities	184,000
Juvenile Correctional Facilities	33,000
Highway Safety Facilities	-
Transportation Facilities	58,410
Total	<u>\$ 1,173,135</u>

CONTACTING THE TREASURER OF STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the financial activities of the Chapter 154 Lease Revenue Obligations. If you have questions about this report or need additional financial information, please contact the Director of Debt Management, Ohio Treasurer of State's Office, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215.

CHAPTER 154
LEASE REVENUE OBLIGATIONS
DEBT SERVICE FUNDS
FINANCIAL STATEMENTS

STATE OF OHIO
 CHAPTER 154 LEASE REVENUE OBLIGATIONS
 Debt Service Funds
 Balance Sheet
 As of June 30, 2018

(Dollars in 000s)

	Mental Health Facilities Bond Service	Parks and Recreation Facilities Bond Service	Cultural and Sports Facilities Bond Service	Adult Correctional Facilities Bond Service	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Transportation Building Bond Service	Total Debt Service Funds
ASSETS:									
Cash.....	\$ 29	\$ 17	\$ 24	\$ 13	\$ 19	\$ 55	\$ 18	\$ 35	\$ 210
Receivable from State Agencies:									
Lease Principal.....	194,040	338,590	136,040	531,340	537,585	109,790	5,205	158,720	2,011,310
Lease Interest.....	2,421	3,396	1,582	5,902	6,360	981	36	2,756	23,434
TOTAL ASSETS.....	196,490	342,003	137,646	537,255	543,964	110,826	5,259	161,511	2,034,954
LIABILITIES:									
Accounts Payable.....	25	5	1	5	1	18	-	5	60
TOTAL LIABILITIES.....	25	5	1	5	1	18	-	5	60
DEFERRED INFLOW OF RESOURCES:									
Unavailable Revenue.....	192,257	335,257	137,622	537,242	543,945	110,771	5,241	161,476	2,023,811
TOTAL DEFERRED INFLOW OF RESOURCES.....	192,257	335,257	137,622	537,242	543,945	110,771	5,241	161,476	2,023,811
FUND BALANCES:									
Restricted for Debt Service.....	4,208	6,741	23	8	18	37	18	30	11,083
TOTAL FUND BALANCES.....	4,208	6,741	23	8	18	37	18	30	11,083
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....	\$ 196,490	\$ 342,003	\$ 137,646	\$ 537,255	\$ 543,964	\$ 110,826	\$ 5,259	\$ 161,511	\$ 2,034,954

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Debt Service Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

(Dollars in 000s)

	Mental Health Facilities Bond Service	Parks and Recreation Facilities Bond Service	Cultural and Sports Facilities Bond Service	Adult Correctional Facilities Bond Service	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Transportation Building Bond Service	Total Debt Service Funds
REVENUES:									
Lease Principal Payments from State Agencies.....	\$ 31,485	\$ 24,010	\$ 24,625	\$ 54,305	\$ 70,595	\$ 13,705	\$ 2,125	\$ 4,405	\$ 225,255
Lease Interest from State Agencies.....	7,201	14,094	6,027	21,727	27,058	3,137	281	3,709	83,234
Administrative and Other Fees.....	588	746	271	1,233	339	482	30	663	4,352
TOTAL REVENUES.....	39,274	38,850	30,923	77,265	97,992	17,324	2,436	8,777	312,841
EXPENDITURES:									
Administrative Costs.....	37	27	31	100	83	32	12	10	332
Bond Issue Costs.....	541	707	218	1,121	231	411	-	621	3,850
Debt Service:									
Principal.....	31,360	23,835	24,625	54,305	70,595	13,705	2,125	4,405	224,955
Interest.....	7,480	14,279	6,052	21,779	27,074	3,164	282	3,741	83,851
TOTAL EXPENDITURES.....	39,418	38,848	30,926	77,305	97,983	17,312	2,419	8,777	312,988
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES.....	(144)	2	(3)	(40)	9	12	17	-	(147)
OTHER FINANCING SOURCES/(USES):									
Bond Proceeds:									
Principal.....	50,000	100,000	30,000	100,000	-	35,000	-	86,490	401,490
Premium.....	7,035	17,971	4,570	18,707	-	5,463	-	14,133	67,879
Refunding Bond Proceeds:									
Principal.....	17,765	-	-	62,320	30,790	10,515	-	-	121,390
Premium.....	2,834	-	-	12,928	5,772	1,411	-	-	22,945
Payments to Refunding Escrow Agent	(20,421)	-	-	(74,805)	(36,330)	(11,785)	-	-	(143,341)
Financing Provided to State Agencies Under Leases:									
Mental Health Capital Facilities.....	(57,213)	-	-	-	-	-	-	-	(57,213)
Parks and Recreation Capital Facilities.....	-	(117,971)	-	-	-	-	-	-	(117,971)
Cultural and Sports Capital Facilities.....	-	-	(34,570)	-	-	-	-	-	(34,570)
State Correctional Facilities.....	-	-	-	(119,150)	-	-	-	-	(119,150)
Administrative Facilities.....	-	-	-	-	(232)	-	-	-	(232)
Juvenile Correctional Capital Facilities.....	-	-	-	-	-	(40,604)	-	-	(40,604)
Transportation Building.....	-	-	-	-	-	-	-	(100,623)	(100,623)
TOTAL OTHER FINANCING SOURCES/(USES).....	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES.....	(144)	2	(3)	(40)	9	12	17	-	(147)
FUND BALANCE, JULY 1.....	4,352	6,739	26	48	9	25	1	30	11,230
FUND BALANCE, JUNE 30.....	\$ 4,208	\$ 6,741	\$ 23	\$ 8	\$ 18	\$ 37	\$ 18	\$ 30	\$ 11,083

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying debt service fund financial statements for the Chapter 154 Lease Revenue Obligations have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. Significant accounting policies are as follows:

A. Reporting Entity

In 1969, the Ohio General Assembly enacted Chapter 154, Ohio Revised Code, pursuant to Section 2i of Article VIII of the Ohio Constitution. This constitutional provision authorizes the issuance of revenue and other obligations, the owners and holders of which are not given the right to have excises or taxes levied by the General Assembly for payment of principal or interest.

The Ohio Public Facilities Commission (Commission) was created at that time and was initially authorized to issue obligations of the State of Ohio to pay costs of capital facilities for (a) state-supported and state-assisted higher education institutions, (b) mental hygiene and retardation, and (c) parks and recreation. Under Section 154.23, Ohio Revised Code, enacted in 1980, the Commission was also authorized to issue obligations to pay costs of capital facilities for the housing of branches and agencies of state government. The General Assembly, however, never granted specific dollar authorization to the Commission to issue obligations for this additional purpose, and in 2000, Section 154.23, Ohio Revised Code, was repealed.

Effective on September 14, 2000, Amended Substitute House Bill 640 reassigned the issuing authority and functions of the Commission with respect to the obligations to the Ohio Treasurer of the State (Treasurer). The Treasurer succeeded the Commission as issuer with all responsibilities and obligations under the bond proceedings relative to the previously issued obligations. Under the authority of this legislation, the Treasurer has the authority to issue obligations only in such amounts as are previously authorized by the General Assembly, and the proceeds are to be applied only to capital improvements designated by or pursuant to action by the General Assembly. The financing arrangements for such obligations for capital improvements so designated involve separate bond proceedings and lease arrangements between the Commission (its only remaining responsibility relating to the obligations) and the respective state agencies, including the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities for mental health facilities, and the Department of Natural Resources for parks and recreation facilities.

Pursuant to House Bill 16, which became effective on July 1, 2005, all matters relative to the issuance of obligations for the financing of Cultural and Sports Facilities, including all related obligations previously issued by the Ohio Building Authority under Chapter 152, Ohio Revised Code, were transferred to the Treasurer, including the lease agreements with the Cultural Facilities Commission. Subsequent to July 1, 2005, all new issuances of Cultural and Sports Facilities bonds were to be governed by the provisions of Chapter 154, Ohio Revised Code, as previously described above. Effective September 29, 2013, House Bill 59 of the 130th General Assembly abolished the Cultural Facilities Commission and transferred all assets and lease agreements with the Treasurer to the Ohio Facilities Construction Commission.

Amended Substitute House Bill No. 153, as enacted by the General Assembly and effective January 1, 2012, provided that the Treasurer replace the Ohio Building Authority (the Authority) in all matters relating to the issuance of obligations for the financing of capital facilities for housing branches and agencies of State government. The legislation also provided that the Treasurer succeeds to all of the duties, powers, obligations and functions of the Authority relating to bonds previously issued by the Authority.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As part of the Treasurer succeeding in all matters of the Authority, the Treasurer assumed the following:

Community College Intercept Program – In August 2010, the Authority issued \$20,145 of bonds at rates from 2.0% to 4.45%, with payments due through 2019 on behalf of Stark State College, and, in October 2010, the Authority issued \$9,525 of bonds at rates from 1.5% to 6.17%, with payments due through 2035 on behalf of Clark State Community College. In fiscal year 2013, the Treasurer of State issued \$4,125 of bonds at rates from 2.0% to 4.0%, with payments due through 2033 on behalf of Rhodes State College (collectively, the “Colleges”). Since the Colleges are a proprietary component unit of the State of Ohio, its financial statements report the assets and debt financed through the Authority or Treasurer. Accordingly, the Treasurer’s Debt Service Fund financial statements do not include the College’s activity. At June 30, 2018, \$12,760 of College bonds were outstanding.

The Treasurer of State, a constitutional member of the State’s executive branch who is separately elected, is considered to be part of the primary government within the State of Ohio’s financial reporting entity. In addition, the Ohio Public Facilities Commission, a legally separate organization from the State, meets the definition of a component unit of the State of Ohio’s financial reporting entity, since the voting majority of its governing board is composed of state elected and appointed officials, and the Commission provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefits the State. Consequently, the debt service fund financial statements presented herein are also included in the State of Ohio’s Comprehensive Annual Financial Report (CAFR) and are reported as part of the State of Ohio’s primary government, as explained further in Note 4.

B. Fund Accounting and Basis of Presentation

The Debt Management Section of the Treasurer of State’s Office uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Transactions related to certain functions or activities are reported in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information about the debt service activities of the Chapter 154 Lease Revenue Obligations at a more detailed level. In governmental accounting, debt service funds are classified as governmental funds.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

The following debt service funds are presented in separate columns in the fund financial statements:

Mental Health Facilities Bond Service Fund — This fund accounts for the debt service activities of the Mental Health Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code.

Parks and Recreation Facilities Bond Service Fund — This fund accounts for the debt service activities of the Parks and Recreation Facilities Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code.

Cultural and Sports Facilities Bond Service Fund — This fund accounts for the debt service activities of the Cultural and Sports Facilities Lease Revenue Bonds issued under the authority of Chapter 154, Ohio Revised Code. These bonds were previously issued by the Ohio Building Authority under Chapter 152 of the Ohio Revised Code.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adult Correctional Facilities Bond Service Fund — This fund accounts for the debt service activities of the Adult Correctional Facilities Lease Revenue Bonds authorized by Chapter 154, Ohio Revised Code. These bonds were previously issued by the Ohio Building Authority under Chapter 152 of the Ohio Revised Code.

Administrative Facilities Bond Service Fund — This fund accounts for the debt service activities of the Administrative Facilities Lease Revenue Bonds authorized by Chapter 154, Ohio Revised Code. These bonds were previously issued by the Ohio Building Authority under Chapter 152 of the Ohio Revised Code.

Juvenile Correctional Facilities Bond Service Fund — This fund accounts for the debt service activities of the Juvenile Correctional Facilities Lease Revenue Bonds authorized by Chapter 154, Ohio Revised Code. These bonds were previously issued by the Ohio Building Authority under Chapter 152 of the Ohio Revised Code.

Highway Safety Facilities Bond Service Fund — This fund accounts for the debt service activities of the Highway Safety Facilities Lease Revenue Bonds authorized by Chapter 154, Ohio Revised Code. These bonds were previously issued by the Ohio Building Authority under Chapter 152 of the Ohio Revised Code.

Transportation Facilities Bond Service Fund — This fund accounts for the debt service activities of the Transportation Facilities Revenue Bonds authorized by Chapter 154, Ohio Revised Code. The transportation facilities bond program was established in House Bill 497 of the 130th General Assembly.

C. Measurement Focus and Basis of Accounting

The debt service funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The debt service funds use the modified accrual basis of accounting. On a modified accrual basis, revenue, including lease interest, and other financing sources, pertaining to lease principal receipts, are recorded in the fiscal year in which the resources are measurable and become available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues and other financing sources are considered to be available when they are collectible within 60 days of the fiscal year-end.

In governmental fund financial statements, leases receivable and deferred amounts are used to account for leases. Only the portion of lease receivables that represents other financing sources that are measurable and available is recognized in the debt service funds. The remainder, or the noncurrent portion, of the receivable is deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as amortization, are not recognized in the debt service funds.

Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made in the subsequent fiscal year, soon after June 30 (i.e., generally within less than one month of year-end).

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget

None of the debt service funds presented in the fund financial statements is required to have a legally adopted budget, and therefore, no budgetary comparisons have been included in this report.

E. Leases

Receivables are reported for principal and interest due under lease agreements between the Ohio Public Facilities Commission and the state agencies that are required to make the payments. Lease principal and interest receivable not collectible within 60 days are reported as unavailable revenue. Additional disclosures on lease-related receivables can be found in Note 3.

F. Fund Balance

Fund balance reserved for debt service represents amounts that are legally segregated for debt service.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

H. Unearned Revenue

Unearned revenue represents capitalized interest received with the proceeds of bond issuances that will be used to reduce future lease payments due in the next fiscal year. There was no unearned revenue at fiscal year-end.

NOTE 2 — DEPOSITS

As of June 30, 2018, the total carrying amount of deposits was \$210. The entire bank balance of \$210 was insured or collateralized.

NOTE 3 — LEASES

The primary sources of payments, as contemplated under the respective bond and note proceedings, for meeting bond interest and principal requirements and establishing and maintaining any funded "required reserve" and meeting any note interest and principal (partial) requirements, are rentals paid to the Treasurer by the following from moneys appropriated for such purposes by the General Assembly:

- Ohio Department of Mental Health and Addiction Services and Ohio Department of Developmental Disabilities – Mental Health Facilities
- Ohio Department of Natural Resources – Parks and Recreation Facilities
- Ohio Facilities Construction Commission – Cultural and Sports Facilities
- Ohio Department of Administrative Services – Administrative Facilities
- Ohio Department Rehabilitation and Correction – Adult Correctional Facilities
- Ohio Department of Youth Services – Juvenile Correctional Facilities
- Ohio Department of Public Safety – Highway Safety Facilities
- Ohio Department of Transportation – Transportation Facilities

The respective obligations of each of the nine State agencies to make such rental payments pursuant to the respective leases with the Ohio Public Facilities Commission are expressly made subject to the availability of appropriations for such purposes. Each lease terminates when the Treasurer has paid or retired all of the bonds or bond anticipation notes contemplated by that lease for the respective category of facilities.

For the 2018-19 biennium, the 132nd General Assembly appropriated the amounts necessary from the General Revenue Fund to meet the payments required under such leases. The appropriated amounts and the lease amounts paid during fiscal year 2018 are detailed in the schedule, below. Such amounts were paid into the Treasurer's respective Bond Service Funds that are established to receive rental and other payments and to make payments of bond service charges (principal and interest).

	<u>Appropriations</u>	<u>Rent Paid to Treasurer of State</u>
Ohio Department of Mental Health and Addiction Services and Ohio Department of Developmental Disabilities – Mental Health Facilities	\$ 79,500	\$ 38,827
Ohio Department of Natural Resources – Parks and Recreation Facilities	82,257	38,104
Ohio Facilities Construction Commission – Cultural and Sports Facilities	63,064	30,652
Ohio Department of Rehabilitation and Correction – Adult Correctional Facilities	156,212	76,030
Ohio Department of Administrative Services – Administrative Facilities	189,880	97,653
Ohio Department of Youth Services – Juvenile Correctional Facilities	34,882	16,842
Ohio Department of Public Safety – Highway Safety Facilities	4,879	2,406
Ohio Department of Transportation – Transportation Facilities	28,812	8,115

There were additional unappropriated funds available to supplement the rental payments required under the respective bond proceedings for the payment of the lease revenue obligations. These funds were composed of interest earnings, accrued interest, capitalized interest, and original issue premium on bond sales.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Debt Service Funds
Notes to the Financial Statements

As of and for the Year Ended June 30, 2018

NOTE 3 — LEASES (Continued)

The respective bond service accounts under the trust agreements for the bonds are restricted to payments of principal and interest on the bonds issued and outstanding under those respective trust agreements. No debt service reserve funds have been established for the outstanding Chapter 154 lease revenue bonds.

As of June 30, 2018, future payments to be received from the state agencies responsible for making the requisite payments under the lease agreements are detailed in the following schedule by debt service fund.

**Schedule of Future Payments
Under Lease Agreements with State Agencies
as of June 30, 2018**

Year Ending June 30,	Mental Health Facilities Bond Service	Parks and Recreation Facilities Bond Service	Cultural and Sports Facilities Bond Service	Adult Correctional Facilities Bond Service
2019.....	\$ 38,804	\$ 41,624	\$ 32,199	\$ 75,990
2020.....	36,694	39,488	28,517	61,132
2021.....	29,235	37,476	23,209	61,564
2022.....	29,099	33,385	15,154	60,852
2023.....	29,102	33,296	15,153	56,816
2024-2028.....	71,927	160,730	47,215	186,128
2029-2033.....	-	115,795	-	119,131
2034-2038.....	-	-	-	79,548
	234,861	461,794	161,447	701,161
Amount Representing Interest.....	(40,821)	(123,204)	(25,407)	(169,821)
Leases Receivable, as of June 30, 2018.....	\$ 194,040	\$ 338,590	\$ 136,040	\$ 531,340

Year Ending June 30,	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Transportation Facilities Bond Service	Total
2019.....	\$ 87,059	\$ 17,236	\$ 2,393	\$ 16,491	\$ 311,796
2020.....	80,342	13,889	1,566	16,519	278,147
2021.....	80,005	13,898	1,568	16,519	263,474
2022.....	69,848	13,832	-	16,522	238,692
2023.....	64,120	13,837	-	16,526	228,850
2024-2028.....	179,017	45,991	-	82,607	773,615
2029-2033.....	98,760	20,535	-	58,172	412,393
2034-2038.....	34,681	-	-	-	114,229
	693,832	139,218	5,527	223,356	2,621,196
Amount Representing Interest.....	(156,247)	(29,428)	(322)	(64,636)	(609,886)
Leases Receivable, as of June 30, 2018.....	\$ 537,585	\$ 109,790	\$ 5,205	\$ 158,720	\$ 2,011,310

**STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Debt Service Funds
Notes to the Financial Statements**

As of and for the Year Ended June 30, 2018

NOTE 3 — LEASES (Continued)

A summary of the unavailable portion of leases receivable by debt service fund as of June 30, 2018 is presented in the table below:

	Mental Health Facilities Bond Service	Parks & Recreation Facilities Bond Service	Cultural & Sports Facilities Bond Service	Adult Correctional Facilities Bond Service
Lease Principal	\$ 191,520	\$ 334,445	\$ 136,040	\$ 531,340
Lease Interest	737	812	1,582	5,902
Total Unavailable Revenue as of June 30, 2018.....	<u>\$ 192,257</u>	<u>\$ 335,257</u>	<u>\$ 137,622</u>	<u>\$ 537,242</u>

	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Transportation Facilities Bond Service	Total Debt Service Funds
Lease Principal	\$ 537,585	\$ 109,790	\$ 5,205	\$ 158,720	\$ 2,004,645
Lease Interest	6,360	981	36	2,756	19,166
Total Unavailable Revenue as of June 30, 2018.....	<u>\$ 543,945</u>	<u>\$ 110,771</u>	<u>\$ 5,241</u>	<u>\$ 161,476</u>	<u>\$ 2,023,811</u>

NOTE 4 — CONSOLIDATION OF DEBT SERVICE FUND BALANCES IN THE STATE OF OHIO'S CAFR

The Ohio Office of Budget and Management will consolidate the accompanying financial statements of the debt service funds in the financial statements presented in the State of Ohio's CAFR as of and for the year ended June 30, 2018.

When the debt service funds' financial statements are consolidated at the state level, the leases receivable, both principal and interest, and unavailable revenue balances will not be reported on the State's balance sheet for governmental funds, since the lease agreements are between organizations included within the State's primary government.

The accounting treatment at the state level is in conformity with the guidance provided in Section L20 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

SUPPLEMENTARY INFORMATION

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Net Position - Accrual Basis
As of June 30, 2018
(Dollars in 000s)

	<u>Total Debt Service Funds</u>
ASSETS:	
Cash.....	\$ 210
Receivables from State Agencies:	
Leases.....	2,011,310
Unamortized Lease Premium/Discount, Net.....	204,120
Interest.....	<u>23,434</u>
TOTAL ASSETS.....	<u>2,239,074</u>
DEFERRED OUTFLOW OF RESOURCES:	
Deferred Charge on Refunding.....	<u>21,666</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES.....	<u>21,666</u>
LIABILITIES:	
Accounts Payable.....	60
Bond Interest Payable.....	23,584
Bonds Payable, net of premiums and discount:	
Due in One Year.....	255,970
Due in More Than One Year.....	<u>1,981,126</u>
TOTAL LIABILITIES.....	<u>2,260,740</u>
NET POSITION	
Restricted for Debt Service.....	<u>-</u>
TOTAL NET POSITION.....	<u><u>\$ -</u></u>

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Activities - Accrual Basis
For the Year Ended June 30, 2018

(Dollars in 000s)

	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities	Adult Correctional Facilities	Administrative Facilities	Juvenile Correctional Facilities	Highway Safety Facilities	Transportation Building Facilities	Total Debt Service Funds
EXPENSES:									
Administrative.....	\$ 37	\$ 27	\$ 31	\$ 100	\$ 83	\$ 32	\$ 12	\$ 10	\$ 332
Bond Issue Costs.....	541	707	218	1,121	231	411	-	621	3,850
Interest on Debt.....	3,779	8,644	3,275	16,793	21,273	2,869	187	3,974	60,794
TOTAL EXPENSES.....	4,357	9,378	3,524	18,014	21,587	3,312	199	4,605	64,976
PROGRAM REVENUES:									
Charges for Services (1).....	4,357	9,378	3,524	18,014	21,587	3,312	199	4,605	64,976
TOTAL PROGRAM REVENUES.....	4,357	9,378	3,524	18,014	21,587	3,312	199	4,605	64,976
NET EXPENSE AND CHANGES IN NET POSITION.....	-	-	-	-	-	-	-	-	-
NET POSITION, JULY 1.....	-	-	-	-	-	-	-	-	-
NET POSITION, JUNE 30.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

⁽¹⁾Includes interest charges from leases receivable (due from state agencies) and administrative and other fees.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Reconciliation Schedule Between the Balance Sheet
and the Schedule of Net Position
As of June 30, 2018
(Dollars in 000s)

Fund Balance per Debt Service Funds' Balance Sheet **\$ 11,083**

Amounts reported in the Schedule of Net Position are different from the Balance Sheet because:

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the debt service fund.

Leases Receivable from State Agencies:

Lease Principal	2,004,645
Lease Interest	19,166
	2,023,811

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

Unamortized Lease Premium/Discount, Net	204,120
	204,120

The accounting loss reported as a deferred outflow of resources is applicable to future reporting periods and is not reported on the fund statements.	21,666
---	--------

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

Bonds Payable	(2,237,096)
Bond Interest Payable	(23,584)
	(2,260,680)

Net Position per Schedule of Net Position **\$ -**

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Reconciliation Schedule Between
the Statement of Revenues, Expenditures and Changes in Fund Balances
and the Schedule of Activities
For the Fiscal Year Ended June 30, 2018
(Dollars in 000s)

Net Change in Fund Balance per Debt Service Funds'	
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (147)

Amounts reported in the Schedule of Activities is different from the Debt Service Funds' Statement of Revenue, Expenditures and Changes in Fund Balances because:

Lease interest revenues and other financing sources from lease principal receipts are unavailable revenue in the debt service funds. During the fiscal year, unavailable revenue changed by the following amounts.

Lease Principal	168,610
Lease Interest	2,736
	171,346

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

Unamortized Lease Premium/Discount, Net	51,153
	51,153

Debt proceeds provide current financial resources to the debt service funds, but issuing debt increases long-term liabilities in the Schedule of Net Position. In the current period, proceeds were received from:

Bonds	(401,490)
Refunding Bonds	(121,390)
Premiums	(90,824)
Deferred Amount on Refunding	5,519
	(608,185)

Repayments and refundings of long-term debt are reported as expenditures or other financing uses in the debt service funds, but the repayments and refundings reduce long-term liabilities in the Schedule of Net Position. During the fiscal year, these amounts consisted of:

Debt Principal Refundings	129,015
Scheduled Debt Principal Retirements	224,955
	353,970

Some expenses reported in the Schedule of Activities are not reported as expenditures in the debt service funds. Under the modified accrual basis of accounting used for debt service funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Schedule of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

Decrease in Bond Interest Payable	(2,289)
Amortization of Bond Premiums/Accretion of Bond Discounts, Net	39,629
Amortization of Deferred Refunding Amount	(5,477)
	31,863

Change in Net Position per Schedule of Activities	\$ -
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STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Payments
Under Lease Agreements with State Agencies
As of June 30, 2018
(Dollars in 000s)

Year Ending June 30,	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities	Adult Correctional Facilities	Administrative Facilities	Juvenile Correctional Facilities	Highway Safety Facilities	Transportation Facilities	Total
2019.....	\$ 38,804	\$ 41,624	\$ 32,199	\$ 75,990	\$ 87,059	\$ 17,236	\$ 2,393	\$ 16,491	\$ 311,796
2020.....	36,694	39,488	28,517	61,132	80,342	13,889	1,566	16,519	278,147
2021.....	29,235	37,476	23,209	61,564	80,005	13,898	1,568	16,519	263,474
2022.....	29,099	33,385	15,154	60,852	69,848	13,832	-	16,522	238,692
2023.....	29,102	33,296	15,153	56,816	64,120	13,837	-	16,526	228,850
2024-2028.....	71,927	160,730	47,215	186,128	179,017	45,991	-	82,607	773,615
2029-2033.....	-	115,795	-	119,131	98,760	20,535	-	58,172	412,393
2034-2038.....	-	-	-	79,548	34,681	-	-	-	114,229
	234,861	461,794	161,447	701,161	693,832	139,218	5,527	223,356	2,621,196
Amount Representing Interest.....	(40,821)	(123,204)	(25,407)	(169,821)	(156,247)	(29,428)	(322)	(64,636)	(609,886)
Lease Principal.....	194,040	338,590	136,040	531,340	537,585	109,790	5,205	158,720	2,011,310
Premium/(Discount), Net.....	22,325	52,812	14,229	46,668	34,260	8,604	62	25,160	204,120
Leases Receivable, as of June 30, 2018.....	\$ 216,365	\$ 391,402	\$ 150,269	\$ 578,008	\$ 571,845	\$ 118,394	\$ 5,267	\$ 183,880	\$ 2,215,430

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2018
(Dollars in 000s)

Outstanding Chapter 154 Lease Revenue Obligations as of June 30, 2018 are in the form of fully registered bonds that mature in various amounts and at various dates and bear interest payable semiannually at various interest rates. The bonds mature after specified dates and are subject to redemption prior to maturity, in whole or in part.

As of June 30, 2018, the Chapter 154 Lease Revenue Obligations had the following credit ratings assigned by the major bond rating agencies:

	Fitch	Moody's	Standard & Poor's
Mental Health Facilities	AA	Aa2	AA
Parks and Recreation Facilities	AA	Aa2	AA
Cultural and Sports Facilities	AA	Aa2	AA
Adult Correctional Facilities	AA	Aa2	AA
Administrative Facilities	AA	Aa2	AA
Juvenile Correctional Facilities	AA	Aa2	AA
Highway Safety Facilities	AA	Aa2	AA
Transportation Facilities	AA	Aa2	AA

Through June 30, 2018, the Ohio General Assembly has authorized issuance of Chapter 154 Lease Revenue Obligations, including bonds and bond anticipation notes for capital facilities, in the following amounts. The amounts below include new debt authorizations included in the 2017-18 capital budget bill, Senate Bill 310, of the 131st General Assembly and the 2018-19 operating budget bill, House Bill 49, of the 132nd General Assembly.

<u>Bond Program</u>	<u>Total</u>
Mental Health Facilities	\$ 1,850,000
Parks and Recreation Facilities	960,000
Cultural and Sports Facilities	710,000
Adult Correctional Facilities	2,462,000
Administrative Facilities	2,030,000
Juvenile Correctional Facilities	400,000
Highway Safety Facilities	140,285
Transportation Facilities	385,000
Total Authorization	\$ 8,937,285

Details on bonds issued through June 30, 2018 are displayed in the following tables. Bond amounts issued in accordance with the above authorizations amounts are listed under the "Original Issues at Par" column. Bond issue authorization limits do not apply to advance refunding issues. The final maturity dates and average effective interest rates reported on the following tables represent data valid at the time of the original issue; this data has not been adjusted for the effects of any advance refunding issues that occurred subsequent to the original bond series issue.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2018 (Continued)
(Dollars in 000s)

Mental Health Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,352,085	\$ 413,240	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
2009A	40,000	—	12/17/2009	12/1/2019	3.47%	9,175
2012A	—	24,175	5/17/2012	6/1/2019	4.56%	2,125
2013A	25,000	—	3/7/2013	2/1/2013	3.55%	13,310
2013B	—	15,375	3/7/2013	8/1/2019	4.59%	5,170
2014A	50,000	—	1/30/2014	2/1/2024	4.42%	16,160
2015A	50,000	—	3/5/2015	2/1/2025	4.95%	37,185
2016A	50,000	—	6/28/2016	6/1/2026	4.86%	43,150
2017A	—	17,765	11/7/2017	2/1/2024	4.74%	17,765
2018A	50,000	—	4/26/2018	6/1/2028	5.00%	50,000
Total	<u>\$1,617,085</u>	<u>\$ 470,555</u>				<u>\$ 194,040</u>

Parks and Recreation Facilities Bonds

Series	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 343,000	\$ 99,535	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
II-2009A	35,000	—	3/12/2009	12/1/2020	4.38%	11,430
II-2011A	30,000	—	3/3/2011	8/1/2025	3.71%	9,165
II-2012A	—	7,570	5/17/2012	12/1/2018	4.46%	2,020
2013A	—	11,200	4/11/2013	8/1/2019	3.43%	3,930
2015A	40,000	—	3/5/2015	2/1/2030	4.98%	33,940
2016A	80,000	—	3/31/2016	2/1/2031	4.99%	72,595
2016B	—	10,415	6/28/2016	8/1/2025	4.81%	10,415
2016C	100,000	—	10/6/2016	12/1/2031	4.86%	95,095
2017A	100,000	—	12/14/2017	12/1/2032	5.00%	100,000
Total	<u>\$ 728,000</u>	<u>\$ 128,720</u>				<u>\$ 338,590</u>

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2018 (Continued)
(Dollars in 000s)

Cultural and Sports Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 398,690	\$ 35,175	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
2008B	30,000	—	12/3/2008	10/1/2018	4.26%	3,650
2010A	30,000	—	2/10/2010	10/1/2020	3.74%	10,650
2011A	28,000	—	3/3/2011	10/1/2020	4.64%	11,800
2013A	18,000	—	3/7/2013	4/1/2023	4.73%	9,990
2013B	—	19,890	3/7/2013	4/1/2020	4.77%	5,225
2015A	—	9,920	2/26/2015	10/1/2019	1.40%	4,890
2015B	30,000	—	8/12/2015	4/1/2025	5.00%	23,130
2016A	40,000	—	8/25/2016	10/1/2026	4.80%	36,705
2017A	30,000	—	12/14/2017	10/1/2027	5.00%	30,000
Total	<u>\$ 604,690</u>	<u>\$ 64,985</u>				<u>\$ 136,040</u>

Adult Correctional Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,759,500	1,048,980	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
2004C	—	225,350	10/21/2004	10/1/2018	5.00%	12,025
2009A	40,000	—	1/22/2009	10/1/2028	4.24%	1,945
2009B	—	75,790	9/17/2009	10/1/2024	4.66%	42,045
2010A	—	79,325	8/31/2010	10/1/2024	4.42%	44,090
2011A	40,000	—	2/1/2011	4/1/2031	4.73%	5,635
2011B	—	101,530	9/15/2011	10/1/2024	4.18%	36,895
2012A	—	17,360	5/17/2012	4/1/2023	5.00%	17,360
2013A	—	47,320	3/7/2013	10/1/2024	5.00%	36,640
2014A	45,000	—	5/7/2014	4/1/2034	4.85%	15,310
2015A	—	10,030	2/26/2015	10/1/2022	5.00%	10,030
2015B	70,000	—	11/19/2015	10/1/2035	4.98%	49,200
2016A	—	20,565	5/25/2016	10/1/2028	4.95%	20,565
2016B	32,320	—	10/26/2016	10/1/2036	1.47%*	32,320
2016C	32,300	—	10/26/2016	10/1/2036	1.55%*	32,300
2016D	15,380	—	10/26/2016	10/1/2021	3.57%	12,660
2017A	100,000	—	11/7/2017	10/1/2037	4.96%	100,000
2017B	—	62,320	11/7/2017	10/1/2030	4.93%	62,320
Total	<u>\$2,134,500</u>	<u>\$1,688,570</u>				<u>\$ 531,340</u>

*The interest rates for the Series 2016B bonds and the Series 2016C bonds are set on a weekly basis and the above rates are as of June 30, 2018. The rates are set on Tuesdays, and are effective Wednesday through the following Tuesday (for a total period of 7 days). The rate for the Series 2016B bonds is determined by a remarketing agent. The rate for the Series 2016C bonds is established in a bid process that is held on the Clarity Bidrate Alternative Trading System. Subscribers to the Clarity System can submit bids to purchase Series 2016C bonds, and the weekly rate is the lowest interest rate at which the entire principal amount of the Series 2016B bonds would be sold based on the bids submitted.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2018 (Continued)
(Dollars in 000s)

Administrative Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,402,305	\$ 696,383	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2001A	120,000	—	4/1/2001	10/1/2020	5.26%	18,790
2004B	—	130,750	10/21/2004	10/1/2018	5.00%	7,445
2006B	—	70,335	10/3/2006	10/1/2018	5.00%	8,390
2009A	60,000	—	1/22/2009	10/1/2028	4.39%	2,940
2009B	—	86,590	9/17/2009	10/1/2024	4.89%	46,300
2010B	30,995	—	4/1/2010	10/1/2029	5.41%	29,265
2010C	—	148,865	8/31/2010	10/1/2024	4.69%	82,370
2011A	—	38,595	9/15/2011	10/1/2024	4.60%	26,735
2012A	32,700	—	3/8/2012	4/1/2032	4.13%	20,165
2012B	—	28,055	3/8/2012	4/1/2024	5.00%	28,055
2013A	—	48,660	4/11/2013	10/1/2024	4.95%	36,490
2013B	50,000	—	7/31/2013	4/1/2033	4.82%	18,150
2015A	61,930	—	1/28/2015	4/1/2035	4.31%	58,440
2015B	18,070	—	1/28/2015	4/1/2025	2.59%	13,055
2015C	—	11,185	2/26/2015	10/1/2022	2.95%	10,735
2016A	—	31,095	5/25/2016	10/1/2028	4.95%	31,095
2017A	70,000	—	4/19/2017	4/1/2037	4.91%	68,375
2017B	—	30,790	11/7/2017	10/1/2029	4.86%	30,790
Total	<u>\$1,846,000</u>	<u>\$1,321,303</u>				<u>\$ 537,585</u>

Juvenile Correctional Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 272,445	\$ 163,920	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2009B	—	16,820	9/17/2009	10/1/2024	3.54%	10,660
2010C	9,555	—	4/1/2010	10/1/2024	4.88%	8,545
2010D	—	15,005	8/31/2010	10/1/2024	3.77%	9,520
2011A	15,000	—	5/3/2011	4/1/2025	4.05%	3,555
2011B	—	9,215	9/15/2011	10/1/2024	3.33%	6,235
2013A	15,000	—	1/30/2013	10/1/2026	4.24%	5,210
2015A	—	11,180	2/26/2015	10/1/2018	1.18%	3,665
2015B	20,000	—	3/5/2015	4/1/2030	3.90%	16,885
2017A	—	10,515	12/14/2017	10/1/2026	4.39%	10,515
2018A	35,000	—	4/26/2018	4/1/2033	5.00%	35,000
Total	<u>\$ 367,000</u>	<u>\$ 226,655</u>				<u>\$ 109,790</u>

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2018 (Continued)
(Dollars in 000s)

Highway Safety Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 140,285	\$ 41,695	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2010A	—	10,860	4/1/2010	10/1/2020	4.55%	4,400
2014A	—	3,815	5/7/2014	4/1/2019	3.59%	805
Total	<u>\$ 140,285</u>	<u>\$ 56,370</u>				<u>\$ 5,205</u>

Transportation Facilities Bonds

	Original Issues at Par	Advance Refunding Issues at Par	Issue Date	Final Maturity Date	Average Effective Interest Rate	Outstanding Balance at Par, as of June 30, 2018
<i>Previously issued bonds with no outstanding balance:</i>						
Various	155,800	\$ —	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2015A	84,300	—	1/28/2015	4/1/2030	4.93%	72,230
2018A	86,490	—	2/21/2018	4/1/2033	5.00%	86,490
Total	<u>\$ 326,590</u>	<u>\$ -</u>				<u>\$ 158,720</u>

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Changes in Bonds Payable Balance
For the Year Ended June 30, 2018
(Dollars in 000s)

	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities	Adult Correctional Facilities	Administrative Facilities	Juvenile Correctional Facilities	Highway Safety Facilities	Transportation Facilities	Total
Outstanding Balance, July 1, 2017	\$ 194,792	\$ 304,752	\$ 143,711	\$ 526,200	\$ 658,309	\$ 92,367	\$ 7,579	\$ 89,281	\$ 2,016,991
Additions:									
New Issuances:									
Bond Principal	50,000	100,000	30,000	100,000	-	35,000	-	86,490	401,490
Bond Premium	7,035	17,971	4,570	18,707	-	5,463	-	14,133	67,879
Advance Refunding Issuances:									
Bond Principal	17,765	-	-	62,320	30,790	10,515	-	-	121,390
Bond Premium	2,834	-	-	12,928	5,772	1,411	-	-	22,945
Total Additions	<u>77,634</u>	<u>117,971</u>	<u>34,570</u>	<u>193,955</u>	<u>36,562</u>	<u>52,389</u>	<u>-</u>	<u>100,623</u>	<u>613,704</u>
Deductions:									
Bond Principal Repayments	31,360	23,835	24,625	54,305	70,595	13,705	2,125	4,405	224,955
Refunded Bonds:									
Bond Principal	18,315	-	-	67,125	32,935	10,640	-	-	129,015
Bond Premium	2,095	-	-	4,386	1,360	965	-	-	8,806
Amortization of Premium	4,143	6,150	3,167	7,237	7,750	636	121	1,619	30,823
Total Deductions	<u>55,913</u>	<u>29,985</u>	<u>27,792</u>	<u>133,053</u>	<u>112,640</u>	<u>25,946</u>	<u>2,246</u>	<u>6,024</u>	<u>393,599</u>
Outstanding Balance, June 30, 2018	\$ 216,513	\$ 392,738	\$ 150,489	\$ 587,102	\$ 582,231	\$ 118,810	\$ 5,333	\$ 183,880	\$ 2,237,096
Amount Due in One Year	34,654	32,535	29,414	61,456	70,192	13,998	2,295	11,426	255,970
Amount Due in More Than One Year	181,859	360,203	121,075	525,646	512,039	104,812	3,038	172,454	1,981,126
Outstanding Balance, June 30, 2018	\$ 216,513	\$ 392,738	\$ 150,489	\$ 587,102	\$ 582,231	\$ 118,810	\$ 5,333	\$ 183,880	\$ 2,237,096

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Debt Service Funding Requirements
As of June 30, 2018
(Dollars in 000s)

Fiscal Year Ending June 30,	Mental Health Facilities			Parks & Recreation Facilities			Cultural Facilities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 29,660	\$ 9,148	\$ 38,808	\$ 25,655	\$ 15,982	\$ 41,637	\$ 26,160	\$ 6,061	\$ 32,221
2020	29,020	7,674	36,694	24,560	14,928	39,488	23,510	5,007	28,517
2021	22,640	6,595	29,235	23,625	13,851	37,476	19,260	3,949	23,209
2022	23,555	5,544	29,099	20,545	12,840	33,385	11,965	3,189	15,154
2023	24,665	4,437	29,102	21,445	11,851	33,296	12,570	2,583	15,153
2024-2028	64,500	7,428	71,928	118,605	42,125	160,730	42,575	4,640	47,215
2029-2033	-	-	-	104,155	11,640	115,795	-	-	-
2034-2038	-	-	-	-	-	-	-	-	-
	194,040	40,826	234,866	338,590	123,217	461,807	136,040	25,429	161,469
Premium/Discount, Net	22,473	-	22,473	54,148	-	54,148	14,449	-	14,449
Total, as of June 30, 2018	\$ 216,513	\$ 40,826	\$ 257,339	\$ 392,738	\$ 123,217	\$ 515,955	\$ 150,489	\$ 25,429	\$ 175,918

Fiscal Year Ending June 30,	Adult Correctional Facilities			Administrative Facilities			Juvenile Correctional Facilities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 53,410	\$ 22,588	\$ 75,998	\$ 62,800	\$ 24,277	\$ 87,077	\$ 12,770	\$ 4,503	\$ 17,273
2020	40,705	20,427	61,132	58,845	21,497	80,342	9,620	4,269	13,889
2021	43,115	18,449	61,564	61,260	18,745	80,005	10,035	3,863	13,898
2022	44,565	16,287	60,852	53,870	15,978	69,848	10,410	3,422	13,832
2023	42,545	14,271	56,816	50,600	13,520	64,120	10,895	2,942	13,837
2024-2028	139,250	46,878	186,128	137,575	41,442	179,017	37,960	8,031	45,991
2029-2033	94,615	24,516	119,131	81,215	17,545	98,760	18,100	2,435	20,535
2034-2038	73,135	6,413	79,548	31,420	3,261	34,681	-	-	-
	531,340	169,829	701,169	537,585	156,265	693,850	109,790	29,465	139,255
Premium/Discount, Net	55,762	-	55,762	44,646	-	44,646	9,020	-	9,020
Total, as of June 30, 2018	\$ 587,102	\$ 169,829	\$ 756,931	\$ 582,231	\$ 156,265	\$ 738,496	\$ 118,810	\$ 29,465	\$ 148,275

Fiscal Year Ending June 30,	Highway Safety Facilities			Transportation Facilities			Total Chapter 154 Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 2,215	\$ 196	\$ 2,411	\$ 8,150	\$ 8,371	\$ 16,521	\$ 220,820	\$ 91,126	\$ 311,946
2020	1,460	106	1,566	8,990	7,529	16,519	196,710	81,437	278,147
2021	1,530	38	1,568	9,440	7,079	16,519	190,905	72,569	263,474
2022	-	-	-	9,915	6,607	16,522	174,825	63,867	238,692
2023	-	-	-	10,415	6,111	16,526	173,135	55,715	228,850
2024-2028	-	-	-	60,400	22,207	82,607	600,865	172,751	773,616
2029-2033	-	-	-	51,410	6,762	58,172	349,495	62,898	412,393
2034-2038	-	-	-	-	-	-	104,555	9,674	114,229
	5,205	340	5,545	158,720	64,666	223,386	2,011,310	610,037	2,621,347
Premium/Discount, Net	128	-	128	25,160	-	25,160	225,786	-	225,786
Total, as of June 30, 2018	\$ 5,333	\$ 340	\$ 5,673	\$ 183,880	\$ 64,666	\$ 248,546	\$ 2,237,096	\$ 610,037	\$ 2,847,133

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Prior Years' Defeasances
As of and For the Year Ended June 30, 2018
(Dollars in 000s)

Prior Years' Defeasances

The Treasurer has defeased certain Chapter 154 Lease Revenue Obligations by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements of the Chapter 154 Lease Revenue Obligations. The following table details advance refunded bonds, which are considered to be defeased and no longer outstanding as of June 30, 2018 that were refunded in fiscal year 2018 and prior.

<u>Refunded Issue</u>	<u>Principal Yet to be Paid as of June 30, 2018</u>	<u>Scheduled Redemption Date</u>
Mental Health Facilities:		
2014A	\$ 18,315	February 1, 2021
	<u>18,315</u>	
Parks & Recreation Facilities:		
2011A	10,875	August 1, 2020
	<u>10,875</u>	
Adult Correctional Facilities:		
2009A	24,460	April 1, 2019
2011A	25,285	April 1, 2021
2014A	23,510	April 1, 2021
2015B	16,385	October 1, 2022
	<u>89,640</u>	
Administrative Facilities:		
2009A	37,330	April 1, 2019
2012A	5,280	April 1, 2021
2013B	24,595	April 1, 2022
	<u>67,205</u>	
Juvenile Correctional Facilities:		
2011A	5,480	April 1, 2021
2013A	5,160	October 1, 2022
	<u>10,640</u>	
Total	<u>\$ 196,675</u>	

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Treasurer of State of Ohio
Columbus, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Debt Service Funds, as held in the name of the Treasurer of State of Ohio (the Treasurer) of the Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Adult Correctional Facilities, Administrative Facilities, Juvenile Correctional Facilities, Highway Safety Facilities and the Transportation Building lease revenue bonds governed by the Ohio Revised Code Chapter 154 as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Treasurer's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Treasurer's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Treasurer's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Treasurer's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Treasurer's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Treasurer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

KENNEDY COTTRELL RICHARDS LLC

September 25, 2018



Dave Yost • Auditor of State

TREASURER OF STATE LEASE REVENUE BONDS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2018**