

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, 2014  
and  
Independent Auditors' Report Thereon



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# Dave Yost • Auditor of State

Treasurer of State Lease Revenue Bonds  
30 E. Broad Street, 9th Floor  
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Treasurer of State Lease Revenue Bonds, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Treasurer of State Lease Revenue Bonds 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 15, 2014

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**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Financial Report**  
**As of and for the Year Ended June 30, 2014**

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INDEPENDENT AUDITORS' 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 as held in the name of the Treasurer of the State of Ohio (the Funds) of the Higher Education Capital Facilities, Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Department of Rehabilitation and Correction, Department of Youth Services, Department of Public Safety, and the Department of Administrative Services Lease Revenue Bonds Governed by the Ohio Revised Code Chapter 154 (the Obligations), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

As discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Treasurer of the State of Ohio (which is part of the reporting entity of the State of Ohio) as of June 30, 2014, 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Funds' internal control over financial reporting and compliance.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
September 24, 2014



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2014**  
**(UNAUDITED)**

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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, 2014. 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, 2014, total debt service fund assets exceeded liabilities and deferred inflows of resources by \$14.7 million. The total combined ending fund balance, which is restricted for debt service, increased by \$1.7 million during fiscal year 2014.
- For fiscal year 2014, other financing sources from lease principal payments from state agency-lessees totaled \$224.8 million, and lease interest revenue was reported at \$78.0 million.
- During fiscal year 2014, the Treasurer of State issued \$145.0 million in new bonds with a total premium of \$13.5 million and \$3.8 million in refunding bonds with a total premium of \$0.3 million. In addition, \$226.8 million in bond principal and \$81.6 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:

- Higher Education Capital Facilities Bond Service Fund
- Mental Health Facilities Bond Service Fund
- Parks and Recreation Facilities Bond Service Fund
- Cultural and Sports Facilities Bond Service Fund
- Adult Correctional Facilities Bond Service Fund
- Administrative Facilities Bond Service Fund
- Juvenile Correctional Facilities Bond Service Fund
- Highway Safety 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 19 to 32, 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, 2014**  
**(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)*

	<b>As of 06/30/14</b>	<b>As of 06/30/13</b>	<b>Percentage Change</b>
<b>ASSETS:</b>			
Cash and Investments.....	\$ 3,222	\$ 497	548.3%
Receivable from State Agencies:			
Lease Principal.....	1,726,365	1,808,325	-4.5%
Lease Interest.....	16,459	23,513	-30.0%
<b>TOTAL ASSETS.....</b>	<b>1,746,046</b>	<b>1,832,335</b>	
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>			
Accounts Payable.....	25	279	-91.0%
Deferred Inflow of Resources-Unavailable Revenue	1,731,331	1,819,078	-4.8%
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES.....</b>	<b>1,731,356</b>	<b>1,819,357</b>	
<b>FUND BALANCES:</b>			
Restricted for Debt Service.....	14,690	12,978	13.2%
<b>TOTAL FUND BALANCES.....</b>	<b>14,690</b>	<b>12,978</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 1,746,046</b>	<b>\$ 1,832,335</b>	

The decrease in lease principal receivable and unavailable revenue at June 30, 2014 compared to June 30, 2013 is the result of a combination of the Treasurer issuing new bonds and refunding bonds, and the continued payoff of outstanding bond principal and bond service principal payments exceeding new debt issuances bond proceeds. The increase in cash and investments at June 30, 2014 is primarily the result of capitalized interest received from the Adult Correctional 2014A bond issue that had not yet been applied to debt service as of year-end.

The tables that follow compare debt service fund revenues, expenditures, other financing sources/(uses) and extraordinary items reported for fiscal year 2014 with fiscal year 2013 results.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2014**  
**(UNAUDITED)**

**Revenue**  
**Comparative Analysis**  
*(Dollars in 000s)*

	<b>Fiscal Year 2014</b>	<b>Percent of Total 2014 Revenue</b>	<b>Fiscal Year 2013</b>	<b>Percent Change</b>
Lease Interest from State Agencies.....	\$ 77,982	98.7%	\$ 80,808	-3.5%
Administrative Fees.....	1,020	1.3%	854	19.4%
<b>TOTAL REVENUES.....</b>	<b>\$ 79,002</b>	<b>100.0%</b>	<b>\$ 81,662</b>	

As the above table indicates, 98.7% of debt service fund revenues for fiscal year 2014 were comprised of lease interest. Lease interest from state agencies decreased for fiscal year 2014 primarily due to principal payments exceeding the amount the Treasurer issued in new bonds and refunding bonds. The decrease in outstanding leases led to the overall decrease in revenue.

**Expenditures**  
**Comparative Analysis**  
*(Dollars in 000s)*

	<b>Fiscal Year 2014</b>	<b>Percent of Total 2014 Expenditures</b>	<b>Fiscal Year 2013</b>	<b>Percent Change</b>
Administrative Costs.....	\$ 889	0.3%	\$ 846	5.1%
Debt Service:				
Principal.....	226,810	73.0%	259,525	-12.6%
Interest.....	81,642	26.3%	87,370	-6.6%
Bond Issue Costs.....	1,274	0.4%	1,851	-31.2%
<b>TOTAL EXPENDITURES.....</b>	<b>\$ 310,615</b>	<b>100.0%</b>	<b>\$ 349,592</b>	

As the table above shows, 99.3% of total reported expenditures for fiscal year 2014 were for debt service payments (principal and interest). Principal and interest expenditures for fiscal year 2014 were less than fiscal year 2013 by 12.6% and 6.6%, respectively, due to the Treasurer issuing new bonds and refunding bonds in fiscal year 2014 that were less than the amounts issued in fiscal year 2013. Bond issuance costs decreased for fiscal year 2014 primarily because the costs associated with the three new money bond issuances and the one refunding bond issuance were less than the issuance costs associated with the prior year issuances.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2014**  
**(UNAUDITED)**

**Other Financing Sources/(Uses) and Extraordinary Item**  
**Comparative Analysis**  
*(Dollars in 000s)*

	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2013</b>	<b>Percent Change</b>
Lease Principal Payments			
from State Agencies.....	\$ 224,770	\$ 213,835	5.1%
Bond Proceeds:			
Principal.....	145,000	58,000	150.0%
Premium.....	13,533	7,216	87.5%
Refunding Bond Proceeds:			
Principal.....	3,815	142,445	-97.3%
Premium.....	280	25,553	-98.9%
Payments to Refunding Escrow Agent	(3,991)	(166,695)	-97.6%
Financing Provided to			
State Agencies Under Leases.....	(150,082)	(61,546)	143.9%
<b>TOTAL OTHER</b>			
<b>FINANCING SOURCES/(USES).....</b>	<u>\$ 233,325</u>	<u>\$ 218,808</u>	

The increase in new money bond proceeds (principal and premium) and financing provided to state agencies under leases are the result of three bond issuances in fiscal year 2014 compared to two bond issuances in fiscal year 2013. The decrease in refunding bond proceeds (principal and interest) and payments to refunding escrow agent are the result of one smaller refunding issuance during the 2014 fiscal year compared to the two larger refunding issuances, involving eight series of bonds, during the 2013 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, 2014**  
**(UNAUDITED)**

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**ECONOMIC FACTORS**

- Generally, interest rates affect the pricing of new bond issues. Currently the Federal Open Market Committee (FOMC) at the Federal Reserve has decided to keep its target for the federal funds rate 0% to 0.25%.
- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2014, were as follows (dollars in thousands):

<u>Bond Type</u>	<u>Authorized, but Unissued</u>
Higher Education Facilities	\$ -
Mental Health Facilities	113,915
Parks and Recreation Facilities	190,000
Cultural and Sports Facilities	88,310
Adult Correctional Facilities	234,500
Administrative Facilities	135,000
Juvenile Correctional Facilities	39,000
Highway Safety Facilities	<u>2,715</u>
<b>Total</b>	<u><u>\$ 803,440</u></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 Deputy Director of Debt Management, Ohio Treasurer of State's Office, 30 East Broad Street, 9<sup>th</sup> 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, 2014

(Dollars in 000s)

	Higher Education Facilities Bond Service	Mental Health Facilities Bond Service	Parks and Recreation Facilities Bond Service	Cultural and Sports Facilities Bond Service	Adult Correctional Facilities Bond Service	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Total Debt Service Funds
<b>ASSETS:</b>									
Cash.....	\$ 26	\$ 8	\$ 6	\$ 8	\$ 2,930	\$ 1	\$ 20	\$ 20	\$ 3,019
Investments.....	-	203	-	-	-	-	-	-	203
Receivable from State Agencies:									
Lease Principal.....	-	168,930	99,280	127,105	535,160	655,980	126,670	13,240	1,726,365
Lease Interest.....	-	1,563	858	1,409	3,295	7,918	1,312	104	16,459
<b>TOTAL ASSETS.....</b>	<b>26</b>	<b>170,704</b>	<b>100,144</b>	<b>128,522</b>	<b>541,385</b>	<b>663,899</b>	<b>128,002</b>	<b>13,364</b>	<b>1,746,046</b>
<b>LIABILITIES:</b>									
Accounts Payable.....	-	-	-	-	22	-	-	3	25
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>25</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>									
Unavailable Revenue.....	-	165,279	93,859	128,514	538,455	663,898	127,982	13,344	1,731,331
<b>TOTAL DEFERRED INFLOW OF RESOURCES....</b>	<b>-</b>	<b>165,279</b>	<b>93,859</b>	<b>128,514</b>	<b>538,455</b>	<b>663,898</b>	<b>127,982</b>	<b>13,344</b>	<b>1,731,331</b>
<b>FUND BALANCES:</b>									
Restricted for Debt Service.....	26	5,425	6,285	8	2,908	1	20	17	14,690
<b>TOTAL FUND BALANCES.....</b>	<b>26</b>	<b>5,425</b>	<b>6,285</b>	<b>8</b>	<b>2,908</b>	<b>1</b>	<b>20</b>	<b>17</b>	<b>14,690</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 26</b>	<b>\$ 170,704</b>	<b>\$ 100,144</b>	<b>\$ 128,522</b>	<b>\$ 541,385</b>	<b>\$ 663,899</b>	<b>\$ 128,002</b>	<b>\$ 13,364</b>	<b>\$ 1,746,046</b>

**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, 2014**

(Dollars in 000s)

	Higher Education Facilities Bond Service	Mental Health Facilities Bond Service	Parks and Recreation Facilities Bond Service	Cultural and Sports Facilities Bond Service	Adult Correctional Facilities Bond Service	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Total Debt Service Funds
<b>REVENUES:</b>									
Lease Interest from State Agencies.....	\$ 22	\$ 4,393	\$ 4,315	\$ 6,369	\$ 26,351	\$ 29,993	\$ 5,939	\$ 600	\$ 77,982
Administrative Fees.....	35	40	35	615	100	100	65	30	1,020
<b>TOTAL REVENUES.....</b>	<b>57</b>	<b>4,433</b>	<b>4,350</b>	<b>6,984</b>	<b>26,451</b>	<b>30,093</b>	<b>6,004</b>	<b>630</b>	<b>79,002</b>
<b>EXPENDITURES:</b>									
Administrative Costs.....	8	32	31	607	47	101	50	13	889
Debt Service:									
Principal.....	5,630	26,000	17,165	25,840	76,550	53,765	20,035	1,825	226,810
Interest.....	141	5,452	4,288	6,374	26,442	32,342	5,986	617	81,642
Bond Issue Costs.....	-	391	1	-	344	434	-	104	1,274
<b>TOTAL EXPENDITURES.....</b>	<b>5,779</b>	<b>31,875</b>	<b>21,485</b>	<b>32,821</b>	<b>103,383</b>	<b>86,642</b>	<b>26,071</b>	<b>2,559</b>	<b>310,615</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>(5,722)</b>	<b>(27,442)</b>	<b>(17,135)</b>	<b>(25,837)</b>	<b>(76,932)</b>	<b>(56,549)</b>	<b>(20,067)</b>	<b>(1,929)</b>	<b>(231,613)</b>
<b>OTHER FINANCING SOURCES/(USES):</b>									
Lease Principal Payments from State Agencies.....	-	27,815	18,940	25,840	76,550	53,765	20,035	1,825	224,770
Bond Proceeds:									
Principal.....	-	50,000	-	-	45,000	50,000	-	-	145,000
Premium.....	-	5,633	-	-	5,125	2,775	-	-	13,533
Refunding Bond Proceeds:									
Principal.....	-	-	-	-	-	-	-	3,815	3,815
Premium.....	-	-	-	-	-	-	-	280	280
Payments to Refunding Escrow Agent Financing Provided to State Agencies Under Leases:	-	-	-	-	-	-	-	(3,991)	(3,991)
Mental Health Capital Facilities.....	-	(53,160)	-	-	-	-	-	-	(53,160)
State Correctional Facilities.....	-	-	-	-	(46,922)	-	-	-	(46,922)
Administrative Facilities.....	-	-	-	-	-	(50,000)	-	-	(50,000)
<b>TOTAL OTHER FINANCING SOURCES/(USES).....</b>	<b>-</b>	<b>30,288</b>	<b>18,940</b>	<b>25,840</b>	<b>79,753</b>	<b>56,540</b>	<b>20,035</b>	<b>1,929</b>	<b>233,325</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(5,722)</b>	<b>2,846</b>	<b>1,805</b>	<b>3</b>	<b>2,821</b>	<b>(9)</b>	<b>(32)</b>	<b>-</b>	<b>1,712</b>
<b>FUND BALANCE, JULY 1.....</b>	<b>5,748</b>	<b>2,579</b>	<b>4,480</b>	<b>5</b>	<b>87</b>	<b>10</b>	<b>52</b>	<b>17</b>	<b>12,978</b>
<b>FUND BALANCE, JUNE 30.....</b>	<b>\$ 26</b>	<b>\$ 5,425</b>	<b>\$ 6,285</b>	<b>\$ 8</b>	<b>\$ 2,908</b>	<b>\$ 1</b>	<b>\$ 20</b>	<b>\$ 17</b>	<b>\$ 14,690</b>



**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

Effective on September 14, 2000, Amended Substitute House Bill 640 reassigned the issuing authority and functions of the Commission with respect to the obligations to the Ohio Treasurer of the State (Treasurer). The Treasurer succeeded the Commission as issuer with all responsibilities and obligations under the bond proceedings relative to the previously issued obligations. Under the authority of this legislation, the Treasurer has the authority to issue obligations only in such amounts as are previously authorized by the General Assembly, and the proceeds are to be applied only to capital improvements designated by or pursuant to action by the General Assembly. The financing arrangements for such obligations for capital improvements so designated involve separate bond proceedings and lease arrangements between the Commission (its only remaining responsibility relating to the obligations) and the respective state agencies, including the Ohio Board of Regents for higher education facilities, the Department of Mental Health and 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 130<sup>th</sup> 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:

Bureau of Workers' Compensation ("BWC") – In October 1993, the Authority issued \$214,255 of bonds at rates from 3.3% to 5.1%, with payments due through 2014 on behalf of the Bureau of Workers' Compensation ("BWC"). In May 2003, the Authority issued \$142,500 of refunding bonds at rates from 2.0% to 5.0% to completely refund the bonds issued in 1993. The Authority retained title to BWC's facility and is authorized to be transferred to the Treasurer by Amended Substitute House Bill No. 153 described above, however; as of June 30, 2014, title has yet to be transferred.

Since BWC is a proprietary component unit of the State of Ohio, its financial statements report the assets and debt previously financed through the Authority (and subsequently the Treasurer). Accordingly, the Treasurer's Debt Service Fund does not include BWC's facility. During fiscal year 2014, BWC made the final principal payment on the bonds, so, at June 30, 2014, there were no BWC bonds outstanding.

Community College Intercept Program - In August 2010, the Authority issued \$20,145 of bonds at rates from 2.0% to 5.97%, with payments due through 2030 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 (collectively, the "Colleges"). 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. 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, 2014, \$30,445 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:

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

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

*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.

**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.

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Budget**

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

**E. Leases**

Receivables are reported for principal and interest due under lease agreements between the Ohio Public Facilities Commission and the state agencies that are required to make the payments. Lease principal and interest receivable not collectible within 60 days are reported as 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.

**NOTE 2 — DEPOSITS AND INVESTMENTS**

As of June 30, 2014, the total carrying amount of deposits was \$3,019. Of the bank balance of \$3,019, \$298 was entirely insured or collateralized.

Investments are carried at amortized cost, which approximates market value. Investments are restricted to U.S. government or agency obligations thereof (and funds consisting exclusively of, and repurchase agreements secured by, those obligations), obligations of the State of Ohio or any political subdivision thereof, the State Treasury Asset Reserve of Ohio (STAR Ohio), and certificates of deposit of any national bank located in Ohio and certain other banks incorporated in Ohio and subject to inspection by the Superintendent of Institutions. Investment income is credited to the debt service fund from which the investment is made.

STAR Ohio is an investment pool managed by the Treasurer of State, which allows Ohio governments to pool funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are held in the State's name and are valued at the pool's share price, which is the price the investment could be sold for on June 30, 2014. Investment balances held, as of June 30, 2014, are as follows:

			Investment Maturity <u>12 Months</u> or Less
	Rating	Fair Value	
Star Ohio	AAA	\$ 203	\$ 203

**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 Board of Regents – Higher Education Facilities
- 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

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 2014-15 biennium, the 130th 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 2014 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 Board of Regents – Higher Education Facilities	\$ 5,805	\$ 5,783
Ohio Department of Mental Health and Addiction Services and Ohio Department of Developmental Disabilities – Mental Health Facilities	63,840	29,604
Ohio Department of Natural Resources – Parks and Recreation Facilities	45,566	21,476
Ohio Facilities Construction Commission – Cultural and Sports Facilities	62,961	32,824
Ohio Department of Rehabilitation and Correction – Adult Correctional Facilities	203,634	103,002
Ohio Department of Administrative Services – Administrative Facilities	176,907	83,859
Ohio Department of Youth Services – Juvenile Correctional Facilities	53,865	26,034
Ohio Department of Public Safety – Highway Safety Facilities	4,945	2,455

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

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, 2014

**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, 2014, 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, 2014**

<b>Year Ending June 30,</b>	<b>Mental Health Facilities Bond Service</b>	<b>Parks and Recreation Facilities Bond Service</b>	<b>Cultural and Sports Facilities Bond Service</b>	<b>Adult Correctional Facilities Bond Service</b>
2015.....	\$ 34,344	\$ 21,440	\$ 28,569	\$ 96,553
2016.....	35,431	19,476	26,176	81,246
2017.....	28,668	17,168	21,286	74,093
2018.....	26,024	14,861	21,278	65,170
2019.....	19,406	11,223	19,456	56,847
2020-2024.....	53,068	25,093	30,713	211,679
2025-2029.....	-	5,960	-	73,422
2030-2034.....	-	-	-	24,382
	196,941	115,221	147,478	683,392
Amount Representing Interest.....	(28,011)	(15,941)	(20,373)	(148,232)
<b>Leases Receivable, as of June 30, 2014.....</b>	<b>\$ 168,930</b>	<b>\$ 99,280</b>	<b>\$ 127,105</b>	<b>\$ 535,160</b>

<b>Year Ending June 30,</b>	<b>Administrative Facilities Bond Service</b>	<b>Juvenile Correctional Facilities Bond Service</b>	<b>Highway Safety Facilities Bond Service</b>	<b>Total</b>
2015.....	\$ 91,950	\$ 27,383	\$ 2,392	\$ 302,631
2016.....	91,597	23,400	2,406	279,732
2017.....	86,902	17,809	2,403	248,329
2018.....	87,320	15,240	2,407	232,300
2019.....	76,595	12,487	2,411	198,425
2020-2024.....	293,605	43,594	3,134	660,886
2025-2029.....	95,896	11,601	-	186,879
2030-2034.....	26,974	-	-	51,356
	850,839	151,514	15,153	2,160,538
Amount Representing Interest.....	(194,859)	(24,844)	(1,913)	(434,173)
<b>Leases Receivable, as of June 30, 2014.....</b>	<b>\$ 655,980</b>	<b>\$ 126,670</b>	<b>\$ 13,240</b>	<b>\$ 1,726,365</b>

**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, 2014**

**NOTE 3 — LEASES (Continued)**

A summary of the unavailable portion of leases receivable by debt service fund as of June 30, 2014 is presented in the table below:

	<b>Mental Health Facilities Bond Service</b>	<b>Parks &amp; Recreation Facilities Bond Service</b>	<b>Cultural &amp; Sports Facilities Bond Service</b>	<b>Adult Correctional Facilities Bond Service</b>
Lease Principal .....	\$ 165,000	\$ 93,655	\$ 127,105	\$ 535,160
Lease Interest .....	279	204	1,409	3,295
Total Unavailable Revenue as of June 30, 2014 .....	<u>\$ 165,279</u>	<u>\$ 93,859</u>	<u>\$ 128,514</u>	<u>\$ 538,455</u>

	<b>Administrative Facilities Bond Service</b>	<b>Juvenile Correctional Facilities Bond Service</b>	<b>Highway Safety Facilities Bond Service</b>	<b>Total Debt Service Funds</b>
Lease Principal .....	\$ 655,980	\$ 126,670	\$ 13,240	\$ 1,716,810
Lease Interest .....	7,918	1,312	104	14,521
Total Unavailable Revenue as of June 30, 2014.....	<u>\$ 663,898</u>	<u>\$ 127,982</u>	<u>\$ 13,344</u>	<u>\$ 1,731,331</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, 2014.

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*.

**NOTE 5 — CHANGE IN ACCOUNTING PRINCIPLE**

*GASB Statement No. 65 “Items Previously Recognized as Assets and Liabilities”* was implemented during fiscal year 2014. The only effect on the financial statements of the debt service funds was that amounts classified in previous years as a deferred revenue liability are now classified as a deferred inflow of resources.

# SUPPLEMENTARY INFORMATION



STATE OF OHIO  
 CHAPTER 154 LEASE REVENUE OBLIGATIONS  
 Schedule of Net Position - Accrual Basis  
 As of June 30, 2014  
 (Dollars in 000s)

	<u>Total Debt Service Funds</u>
<b>ASSETS:</b>	
Cash.....	\$ 3,019
Investments.....	203
Receivables from State Agencies:	
Leases.....	1,726,365
Unamortized Lease Premium/Discount, Net.....	78,467
Interest.....	<u>16,462</u>
<b>TOTAL ASSETS.....</b>	<u>1,824,516</u>
 <b>DEFERRED OUTFLOW OF RESOURCES:</b>	
Deferred Charge on Refunding.....	<u>31,301</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES.....</b>	<u>31,301</u>
 <b>LIABILITIES:</b>	
Accounts Payable.....	51
Matured Bonds and Interest Payable.....	
Bond Interest Payable.....	19,630
Bonds Payable, net of premiums and discount:	
Due in One Year.....	222,495
Due in More Than One Year.....	<u>1,613,641</u>
<b>TOTAL LIABILITIES.....</b>	<u>1,855,817</u>
 <b>NET POSITION</b>	
Restricted for Debt Service.....	<u>-</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ -</u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Activities - Accrual Basis**  
**For the Year Ended June 30, 2014**

*(Dollars in 000s)*

	<b>Higher Education Facilities</b>	<b>Mental Health Facilities</b>	<b>Parks and Recreation Facilities</b>	<b>Cultural and Sports Facilities</b>	<b>Adult Correctional Facilities</b>	<b>Administrative Facilities</b>	<b>Juvenile Correctional Facilities</b>	<b>Highway Safety Facilities</b>	<b>Total Debt Service Funds</b>
<b>EXPENSES:</b>									
Administrative.....	\$ 35	\$ 32	\$ 31	\$ 607	\$ 47	\$ 101	\$ 50	\$ 13	\$ 916
Interest on Debt.....	11	5,042	3,927	4,141	21,451	27,642	4,788	519	67,521
<b>TOTAL EXPENSES.....</b>	<b>46</b>	<b>5,074</b>	<b>3,958</b>	<b>4,748</b>	<b>21,498</b>	<b>27,743</b>	<b>4,838</b>	<b>532</b>	<b>68,437</b>
<b>PROGRAM REVENUES:</b>									
Charges for Services (1).....	46	5,074	3,958	4,748	21,498	27,743	4,838	532	68,437
<b>TOTAL PROGRAM REVENUES.....</b>	<b>46</b>	<b>5,074</b>	<b>3,958</b>	<b>4,748</b>	<b>21,498</b>	<b>27,743</b>	<b>4,838</b>	<b>532</b>	<b>68,437</b>
<b>NET EXPENSE AND CHANGES IN NET POSITION.....</b>									
	-	-	-	-	-	-	-	-	-
<b>NET POSITION, JULY 1.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION, JUNE 30.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>(1)</sup>Includes interest charges from leases receivable (due from state agencies) and administrative 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, 2014**  
*(Dollars in 000s)*

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<b>Fund Balance per Debt Service Funds' Balance Sheet</b>	<b>\$ <u>14,690</u></b>
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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	1,716,810
Lease Interest	14,524
	<u>1,731,334</u>

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

Unamortized Lease Premium/Discount, Net	78,467
	<u>78,467</u>

The accounting loss reported as a deferred outflow of resources is applicable to future reporting periods and is not reported on the fund statements.	31,301
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The following liabilities are not due and payable in the current period, and therefore, are not reported in the debt service funds.

Accounts Payable	(26)
Bonds Payable	(1,836,136)
Bond Interest Payable	(19,630)
	<u>(1,855,792)</u>

<b>Net Position per Schedule of Net Position</b>	<b>\$ <u>-</u></b>
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**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, 2014**  
*(Dollars in 000s)*

**Net Change in Fund Balance per Debt Service Funds'**  
**Statement of Revenues, Expenditures and Changes in Fund Balances** **\$ 1,712**

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, other financing sources from lease principal receipts, and other unearned revenues are unavailable revenue in the debt service funds. During fiscal year 2014, unavailable revenue changed by the following amounts.

Lease Principal	(79,920)
Lease Interest	(7,829)
Unavailable Revenue	3,105
	(84,644)

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

Unamortized Lease Premium/Discount, Net	660
	660

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	(141,035)
Refunding Bonds	(3,815)
Premiums	(13,821)
Deferred Amount on Refunding	38
	(158,633)

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

Scheduled Debt Principal Retirements	226,810
	226,810

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	995
Increase in Accounts Payable	(26)
Amortization of Bond Premiums/Accretion of Bond Discounts, Net	20,979
Amortization of Deferred Refunding Amount	(7,853)
	14,095

**Change in Net Position per Schedule of Activities** **\$ -**

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Future Payments**  
**Under Lease Agreements with State Agencies**  
**As of June 30, 2014**  
*(Dollars in 000s)*

<b>Year Ending June 30,</b>	<b>Mental Health Facilities</b>	<b>Parks and Recreation Facilities</b>	<b>Cultural and Sports Facilities</b>	<b>Adult Correctional Facilities</b>	<b>Administrative Facilities</b>	<b>Juvenile Correctional Facilities</b>	<b>Highway Safety Facilities</b>	<b>Total</b>
2015.....	\$ 34,344	\$ 21,440	\$ 28,569	\$ 96,553	\$ 91,950	\$ 27,383	\$ 2,392	\$ 302,631
2016.....	35,431	19,476	26,176	81,246	91,597	23,400	2,406	279,732
2017.....	28,668	17,168	21,286	74,093	86,902	17,809	2,403	248,329
2018.....	26,024	14,861	21,278	65,170	87,320	15,240	2,407	232,300
2019.....	19,406	11,223	19,456	56,847	76,595	12,487	2,411	198,425
2020-2024.....	53,068	25,093	30,713	211,679	293,605	43,594	3,134	660,886
2025-2029.....	-	5,960	-	73,422	95,896	11,601	-	186,879
2029-2034.....	-	-	-	24,382	26,974	-	-	51,356
	<u>196,941</u>	<u>115,221</u>	<u>147,478</u>	<u>683,392</u>	<u>850,839</u>	<u>151,514</u>	<u>15,153</u>	<u>2,160,538</u>
Amount Representing Interest.....	(28,011)	(15,941)	(20,373)	(148,232)	(194,859)	(24,844)	(1,913)	(434,173)
	168,930	99,280	127,105	535,160	655,980	126,670	13,240	1,726,365
Premium/(Discount), Net.....	10,454	1,561	6,673	27,107	28,718	3,518	436	78,467
<b>Leases Receivable, as of June 30, 2014.....</b>	<u>\$ 179,384</u>	<u>\$ 100,841</u>	<u>\$ 133,778</u>	<u>\$ 562,267</u>	<u>\$ 684,698</u>	<u>\$ 130,188</u>	<u>\$ 13,676</u>	<u>\$ 1,804,832</u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2014 (Continued)**  
*(Dollars in 000s)*

Outstanding Chapter 154 Lease Revenue Obligations as of June 30, 2014 are in the form of fully registered bonds that mature in various amounts and at various dates and bear interest payable semiannually at various interest rates. The bonds mature after specified dates and are subject to redemption prior to maturity, in whole or in part, in inverse order of maturity. The redemption price varies from 100% to 102%, dependent upon the terms of the particular series of the bonds and the redemption date.

As of June 30, 2014, the Chapter 154 Lease Revenue Obligations had the following credit ratings assigned by the major bond rating agencies:

	Fitch	Moody's	Standard & Poor's
Higher Education Facilities	AA+	Aa1	AA+
Mental Health Facilities	AA	Aa2	AA
Parks and Recreation Facilities	AA	Aa2	AA
Cultural 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

Through June 30, 2014, 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:

<u>Bond Program</u>	<u>Amount</u>
Higher Education Facilities*	\$ 4,817,590
Mental Health Facilities	1,581,000
Parks and Recreation Facilities	598,000
Cultural and Sports Facilities	593,000
Adult Correctional Facilities	2,119,000
Administrative Facilities	1,831,000
Juvenile Correctional Facilities	351,000
Highway Safety Facilities	143,000
<b>Total Authorization</b>	<u>\$ 12,033,590</u>

\* Includes transfers of subsequent issuing authority from special obligations (lease revenue) to general obligations for higher education capital facilities.

Details on bonds issued through June 30, 2014 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, 2014 (Continued)**  
*(Dollars in 000s)*

**Higher Education 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, 2014
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*Previously issued bonds with no outstanding balance:*

Various	\$4,817,590	\$1,746,385	Various	Various	Various	\$ —
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*Outstanding bonds:*

**None outstanding**

<b>Total</b>	<u>\$4,817,590</u>	<u>\$1,746,385</u>				<u>\$ —</u>
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**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, 2014
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*Previously issued bonds with no outstanding balance:*

Various	\$1,262,085	\$ 386,465	Various	Various	Various	\$ —
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*Outstanding bonds:*

II-2005A	30,000	—	8/31/2005	8/1/2019	4.37%	2,495
II-2006A	30,000	—	8/10/2006	6/1/2016	4.09%	3,610
II-2006B	—	26,775	12/14/2006	12/1/2016	4.75%	15,535
II-2008A	30,000	—	11/19/2008	6/1/2018	3.72%	13,385
2009A	40,000	—	12/17/2009	12/1/2019	2.56%	25,680
2012A	—	24,175	5/17/2012	6/1/2019	4.56%	20,155
2013A	25,000	—	3/7/2013	2/1/2013	3.55%	22,695
2013B	—	15,375	3/7/2013	8/1/2019	4.59%	15,375
2014A	50,000	—	1/30/2014	2/1/2024	4.42%	50,000

<b>Total</b>	<u>\$1,467,085</u>	<u>\$ 452,790</u>				<u>\$ 168,930</u>
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**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2014 (Continued)**  
*(Dollars in 000s)*

**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, 2014
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$289,900	\$ 72,385	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
II-2004B	—	11,740	10/5/2004	8/1/2014	4.11%	1,915
II-2005A	23,100	—	3/9/2005	2/1/2020	4.11%	1,600
II-2006A	—	15,410	12/14/2006	12/1/2016	4.32%	10,900
II-2007A	30,000	—	11/13/2007	12/1/2017	3.82%	13,675
II-2009A	35,000	—	3/12/2009	12/1/2020	3.95%	24,420
II-2011A	30,000	—	3/3/2011	8/1/2025	4.06%	28,115
II-2012A	—	7,570	5/17/2012	12/1/2018	4.46%	7,570
2013A	—	11,200	4/11/2013	8/1/2019	3.43%	11,085
<b>Total</b>	<u>\$408,000</u>	<u>\$ 118,305</u>				<u>\$ 99,280</u>

**Cultural and Sports 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, 2014
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 323,690	\$ 6,880	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
2004A	20,000	—	10/21/2004	10/1/2014	3.57%	2,375
2005A	30,000	—	8/31/2005	4/1/2020	4.61%	2,275
2006A	25,000	—	12/14/2006	4/1/2020	4.45%	13,100
2006B	—	28,295	12/14/2006	10/1/2015	4.83%	9,285
2008B	30,000	—	12/3/2008	10/1/2018	3.68%	16,770
2010A	30,000	—	2/10/2010	10/1/2020	3.73%	23,175
2011A	28,000	—	3/3/2011	10/1/2020	4.84%	25,025
2013A	18,000	—	3/7/2013	4/1/2023	1.88%	16,525
2013B	—	19,890	3/7/2013	4/1/2020	1.30%	18,575
<b>Total</b>	<u>\$ 504,690</u>	<u>\$ 55,065</u>				<u>\$ 127,105</u>



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2014 (Continued)**  
*(Dollars in 000s)*

**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, 2014
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 1,659,500	958,420	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
2002B	—	90,560	10/8/02	4/1/17	4.38%	37,265
2004C	—	225,350	10/21/04	10/1/18	5.11%	93,230
2005A	75,000	—	6/1/05	4/1/25	5.00%	3,535
2008A	25,000	—	3/6/08	4/1/23	4.77%	16,840
2009A	40,000	—	1/22/09	10/1/28	4.76%	33,610
2009B	—	75,790	9/17/09	10/1/24	3.46%	69,585
2010A	—	79,325	8/31/10	10/1/24	4.59%	72,975
2011A	40,000	—	2/1/11	4/1/31	4.91%	37,660
2011B	—	101,530	9/15/11	10/1/24	2.65%	60,780
2012A	—	17,360	5/17/12	4/1/23	5.00%	17,360
2013A	—	47,320	3/7/13	10/1/24	5.00%	47,320
2014A	45,000	—	5/7/14	4/1/34	4.85%	45,000
<b>Total</b>	<b>\$ 1,884,500</b>	<b>\$ 1,595,655</b>				<b>\$ 535,160</b>

**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, 2014
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,243,300	\$ 696,383	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2001A	120,000	—	4/1/2001	10/1/2020	5.14%	18,790
2004B	—	130,750	10/21/2004	10/1/2018	4.94%	51,530
2005A	85,000	—	3/30/2005	4/1/2025	5.00%	3,990
2006A	40,000	—	10/3/2006	4/1/2016	4.40%	8,720
2006B	—	70,335	10/3/2006	4/1/2018	3.93%	57,665
2008A	25,000	—	3/6/2008	4/1/2023	4.85%	16,885
2009A	60,000	—	1/22/2009	10/1/2028	4.24%	50,925
2009B	—	86,590	9/17/2009	10/1/2024	4.93%	79,180
2010A	9,005	—	4/1/2010	10/1/2016	3.99%	4,765
2010B	30,995	—	4/1/2010	10/1/2029	5.58%	30,995
2010C	—	148,865	8/31/2010	10/1/2024	4.84%	136,810
2011A	—	38,595	9/15/2011	10/1/2024	2.65%	38,595
2012A	32,700	—	3/8/2012	4/1/2032	4.13%	30,415
2012B	—	28,055	3/8/2012	4/1/2024	5.00%	28,055
2013A	—	48,660	4/11/2013	4/1/2025	4.95%	48,660
2013B	50,000	—	7/31/2013	4/1/1933	4.80%	50,000
<b>Total</b>	<b>\$1,696,000</b>	<b>\$1,248,233</b>				<b>\$ 655,980</b>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2014 (Continued)**  
*(Dollars in 000s)*

**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, 2014
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$232,000	\$ 70,790	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2005A	15,000	—	10/6/2005	10/1/2015	4.68%	3,445
2005B	—	27,445	10/6/2005	10/1/2018	4.01%	16,750
2007A	20,000	—	5/2/2007	4/1/2017	1.85%	6,970
2007B	—	16,410	5/2/2007	4/1/2016	3.94%	7,045
2009A	—	37,825	1/22/2009	10/1/2014	2.06%	3,905
2009B	—	16,820	9/17/2009	10/1/2024	3.67%	15,665
2010A	5,445	—	4/1/2010	10/1/2016	2.77%	2,835
2010B	—	11,450	4/1/2010	10/1/2017	5.00%	9,930
2010C	9,555	—	4/1/2010	10/1/2024	4.97%	9,555
2010D	—	15,005	8/31/2010	10/1/2024	4.11%	13,960
2011A	15,000	—	5/3/2011	4/1/2025	4.13%	13,225
2011B	—	9,215	9/15/2011	10/1/2024	2.90%	9,215
2013A	15,000	—	1/30/2013	10/1/2026	4.24%	14,170
<b>Total</b>	<u>\$312,000</u>	<u>\$ 204,960</u>				<u>\$ 126,670</u>

**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, 2014
<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	4.49%	9,425
2014A	—	3,815	5/7/2014	4/1/2019	3.59%	3,815
<b>Total</b>	<u>\$ 140,285</u>	<u>\$ 56,370</u>				<u>\$ 13,240</u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Changes in Bonds Payable Balance**  
**For the Year Ended June 30, 2014**  
*(Dollars in 000s)*

	Higher Education Facilities	Mental Health Facilities	Parks and Recreation Facilities	Cultural and Sports Facilities	Adult Correctional Facilities	Administrative Facilities	Juvenile Correctional Facilities	Highway Safety Facilities	Total
Outstanding Balance, July 1, 2013	\$ 5,642	\$ 151,116	\$ 118,361	\$ 161,394	\$ 592,721	\$ 690,471	\$ 150,970	\$ 15,459	\$ 1,886,134
Cumulative Effect of Restatement (see note below)*	33	2,467	1,441	1,551	13,683	18,132	1,399	412	39,118
Restated Balance, July 1, 2013	5,675	153,583	119,802	162,945	606,404	708,603	152,369	15,871	1,925,252
Additions:									
New Issuances:									
Bond Principal	-	50,000	-	-	45,000	50,000	-	-	145,000
Bond Premium	-	5,633	-	-	5,125	2,775	-	-	13,533
Advance Refunding Issuances:									
Bond Principal	-	-	-	-	-	-	-	3,815	3,815
Bond Premium	-	-	-	-	-	-	-	280	280
Accretion of Discount	-	-	1	-	-	-	-	9	10
Total Additions	-	55,633	1	-	50,125	52,775	-	4,104	162,638
Deductions:									
Bond Principal Repayments	5,630	26,000	17,165	25,840	76,550	53,765	20,035	1,825	226,810
Refunded Bonds:									
Bond Principal	-	-	-	-	-	-	-	3,965	3,965
Bond Premium	-	-	-	-	-	-	-	-	-
Amortization of Premium	45	2,029	748	2,190	6,866	7,805	1,143	153	20,979
Total Deductions	5,675	28,029	17,913	28,030	83,416	61,570	21,178	5,943	251,754
<b>Outstanding Balance, June 30, 2014</b>	<b>\$ -</b>	<b>\$ 181,187</b>	<b>\$ 101,890</b>	<b>\$ 134,915</b>	<b>\$ 573,113</b>	<b>\$ 699,808</b>	<b>\$ 131,191</b>	<b>\$ 14,032</b>	<b>\$ 1,836,136</b>
Amount Due in One Year	-	28,055	18,501	22,835	72,625	56,106	22,457	1,916	222,495
Amount Due in More Than One Year	-	153,132	83,389	112,080	500,488	643,702	108,734	12,116	1,613,641
<b>Outstanding Balance, June 30, 2014</b>	<b>\$ -</b>	<b>\$ 181,187</b>	<b>\$ 101,890</b>	<b>\$ 134,915</b>	<b>\$ 573,113</b>	<b>\$ 699,808</b>	<b>\$ 131,191</b>	<b>\$ 14,032</b>	<b>\$ 1,836,136</b>

\*Due to the implementation of *GASB Statement No. 65 "Items Previously Recognized as Assets and Liabilities,"* the beginning balances of Bonds Payable were restated. The Deferred Charge on Refunding has now been reclassified as a Deferred Outflow of Resources and is no longer a component of the bonds payable balance on the Statement of Net Position.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Future Debt Service Funding Requirements**  
**As of June 30, 2014**  
*(Dollars in 000s)*

Fiscal Year Ending June 30,	Mental Health Facilities			Parks & Recreation Facilities			Cultural Facilities			Adult Correctional Facilities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 27,925	\$ 6,630	\$ 34,555	\$ 17,715	\$ 3,731	\$ 21,446	\$ 23,215	\$ 5,362	\$ 28,577	\$ 74,935	\$ 24,426	\$ 99,361
2016	29,900	5,531	35,431	16,420	3,056	19,476	21,710	4,466	26,176	59,840	21,406	81,246
2017	24,255	4,413	28,668	14,730	2,438	17,168	17,640	3,646	21,286	55,580	18,513	74,093
2018	22,595	3,429	26,024	12,995	1,866	14,861	18,450	2,829	21,279	49,350	15,820	65,170
2019	16,840	2,566	19,406	9,800	1,423	11,223	17,460	1,996	19,456	43,120	13,727	56,847
2020-2024	47,415	5,653	53,068	21,930	3,163	25,093	28,630	2,083	30,713	169,030	42,649	211,679
2025-2029	-	-	-	5,690	270	5,960	-	-	-	61,790	11,632	73,422
2030-2034	-	-	-	-	-	-	-	-	-	21,515	2,867	24,382
	168,930	28,222	197,152	99,280	15,947	115,227	127,105	20,382	147,487	535,160	151,040	686,200
Premium/Discount, Net	12,257	-	12,257	2,610	-	2,610	7,810	-	7,810	37,953	-	37,953
<b>Total, as of June 30, 2014</b>	<b>\$ 181,187</b>	<b>\$ 28,222</b>	<b>\$ 209,409</b>	<b>\$ 101,890</b>	<b>\$ 15,947</b>	<b>\$ 117,837</b>	<b>\$ 134,915</b>	<b>\$ 20,382</b>	<b>\$ 155,297</b>	<b>\$ 573,113</b>	<b>\$ 151,040</b>	<b>\$ 724,153</b>

  

Fiscal Year Ending June 30,	Administrative Facilities			Juvenile Correctional Facilities			Highway Safety Facilities			Total Chapter 154 Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 61,385	\$ 30,566	\$ 91,951	\$ 22,390	\$ 5,012	\$ 27,402	\$ 1,905	\$ 504	\$ 2,409	\$ 229,470	\$ 76,231	\$ 305,701
2016	63,965	27,632	91,597	19,260	4,140	23,400	1,965	441	2,406	213,060	66,672	279,732
2017	62,290	24,612	86,902	14,470	3,339	17,809	2,040	363	2,403	191,005	57,324	248,329
2018	65,770	21,550	87,320	12,505	2,735	15,240	2,125	282	2,407	183,790	48,511	232,301
2019	57,970	18,625	76,595	10,195	2,292	12,487	2,215	196	2,411	157,600	40,825	198,425
2020-2024	238,940	54,665	293,605	36,745	6,850	43,595	2,990	144	3,134	545,680	115,207	660,887
2025-2029	81,175	14,721	95,896	11,105	495	11,600	-	-	-	159,760	27,118	186,878
2030-2034	24,485	2,489	26,974	-	-	-	-	-	-	46,000	5,356	51,356
	655,980	194,860	850,840	126,670	24,863	151,533	13,240	1,930	15,170	1,726,365	437,244	2,163,609
Premium/Discount, Net	43,828	-	43,828	4,521	-	4,521	792	-	792	109,771	-	109,771
<b>Total, as of June 30, 2014</b>	<b>\$ 699,808</b>	<b>\$ 194,860</b>	<b>\$ 894,668</b>	<b>\$ 131,191</b>	<b>\$ 24,863</b>	<b>\$ 156,054</b>	<b>\$ 14,032</b>	<b>\$ 1,930</b>	<b>\$ 15,962</b>	<b>\$ 1,836,136</b>	<b>\$ 437,244</b>	<b>\$ 2,273,380</b>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Current and Advance Refunding Issues and Prior Years' Defeasances**  
**As of and For the Year Ended June 30, 2014**  
*(Dollars in 000s)*

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**Current and Advance Refunding Issues**

During fiscal year 2014, one current refunding issue was transacted whereby the Treasurer refunded lease revenue bond issues. The net proceeds of the refunding bonds, after payment of underwriting fees and bond issue costs, were deposited in escrow with a trustee pending the bond's maturity or call date. A resulting economic gain or loss from a refunding represents the difference between the present values of the debt service payments on the old and new debt. Detail on the current refunding bond transaction is discussed below.

- A. On May 7, 2014, the Treasurer refunded portions of one series of previously issued bonds to reduce the State's total debt service payments by issuing \$3,815 of 2014A Highway Safety refunding bonds. The overall transaction resulted in an economic gain of \$169 and issuance cost of \$104. The refunding resulted in the Treasurer decreasing its total debt service payments over the life of the bonds by \$181.

*2014A Highway Safety Facilities Bonds* – The 2014A Highway Safety Facilities Bonds, with an average interest rate of 3.59%, refunded \$3,965 in principal, plus interest of the 2004A Highway Safety Facilities Bonds due on April 1, 2015-2019. The refunded bonds had an average interest rate of 3.58%.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Current and Advance Refunding Issues and Prior Years' Defeasances**  
**As of and For the Year Ended June 30, 2014 (continued)**  
*(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, 2014 that were refunded in fiscal year 2014 and prior.

<u>Refunded Issue</u>	<u>Principal Yet to be Paid as of June 30, 2014</u>	<u>Scheduled Redemption Date</u>
Mental Health: Series II-2005A	\$ 12,380 <u>12,380</u>	February 1, 2015
Parks & Recreation: Series II-2005A	<u>9,285</u> <u>9,285</u>	February 1, 2015
Cultural & Sports Facilities Series 2005A	<u>13,050</u> <u>13,050</u>	April 1, 2015
Adult Correctional: 2005A	<u>46,695</u> <u>46,695</u>	April 1, 2015
Administrative Facilities: 2005A	<u>52,670</u> <u>52,670</u>	April 1, 2015
Total	<u>\$ 134,080</u>	

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Treasurer of State of Ohio  
Columbus, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Debt Service Funds as held in the name of the Treasurer of the State of Ohio (the Funds) of the Higher Education Capital Facilities, Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Department of Rehabilitation and Correction, Department of Youth Services, Department of Public Safety, and the Department of Administrative Services Lease Revenue Bonds Governed by the Ohio Revised Code Chapter 154 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated September 24, 2014. The financial statements present only the State Lease Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Treasurer of the State of Ohio, which is part of the reporting entity of the State of Ohio.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
September 24, 2014





# 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  
OCTOBER 21, 2014