

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, 2017  
and  
Independent Auditors' Report Thereon





# Dave Yost • Auditor of State

Board

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, 2016 through June 30, 2017. 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 25, 2017

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**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Financial Report**  
**As of and for the Year Ended June 30, 2017**

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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, 2017, 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, 2017, 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, 2017, 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 19, 2017, 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 19, 2017



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2017**  
**(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, 2017. 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, 2017, total debt service fund assets exceeded liabilities and deferred inflows of resources by \$11.2 million. The total combined ending fund balance, which is restricted for debt service, increased by \$536 thousand during fiscal year 2017.
- For fiscal year 2017, other financing sources from lease principal payments from state agency-lessees totaled \$217.0 million, and lease interest revenue was reported at \$82.0 million.
- During fiscal year 2017, the Treasurer of State issued \$290 million in new bonds with a total premium of \$41.3 million. In addition, \$216.7 million in bond principal and \$81.8 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 19 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, 2017**  
**(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 06/30/17</b>	<b>As of 06/30/16</b>	<b>Percentage Change</b>
<b>ASSETS:</b>			
Cash and Investments.....	\$ 227	\$ 3,987	-94.3%
Receivable from State Agencies:			
Lease Principal.....	1,842,400	1,769,120	4.1%
Lease Interest.....	21,138	18,413	14.8%
<b>TOTAL ASSETS.....</b>	<b>1,863,765</b>	<b>1,791,520</b>	
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>			
Accounts Payable.....	70	534	-86.9%
Unearned Revenue.....	-	1,093	-100.0%
Deferred Inflow of Resources-Unavailable Revenue	1,852,465	1,779,199	4.1%
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES.....</b>	<b>1,852,535</b>	<b>1,780,826</b>	
<b>FUND BALANCES:</b>			
Restricted for Debt Service.....	11,230	10,694	5.0%
<b>TOTAL FUND BALANCES.....</b>	<b>11,230</b>	<b>10,694</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 1,863,765</b>	<b>\$ 1,791,520</b>	

The increase in lease principal and interest receivable and unavailable revenue at June 30, 2017 compared to June 30, 2016 is the result of the Treasurer issuing new bonds for amounts that exceeded the continued payoff of outstanding bond principal. The decrease in cash and investments, as well as unearned revenue, at June 30, 2017 is primarily the result of capitalized interest received from the Parks and Recreation 2016A bond issue in 2016 that was on-hand at the end of fiscal year 2016. Those monies were applied to debt service in fiscal year 2017 and reduced the required lease payment required from the Ohio Department of Natural Resources.

The tables that follow compare debt service fund revenues, expenditures, and other financing sources/(uses) reported for fiscal year 2017 with fiscal year 2016 results.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2017**  
**(UNAUDITED)**

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

	<b>Fiscal Year 2017</b>	<b>Percent of Total 2017 Revenue</b>	<b>Fiscal Year 2016</b>	<b>Percent Change</b>
Lease Interest from State Agencies.....	\$ 82,017	97.1%	\$ 81,605	0.5%
Administrative and Other Fees.....	2,475	2.9%	2,795	-11.4%
Investment Income.....	6	0.0%	11	-45.5%
<b>TOTAL REVENUES.....</b>	<b>\$ 84,498</b>	<b>100.0%</b>	<b>\$ 84,411</b>	

As the above table indicates, 97.1% of debt service fund revenues for fiscal year 2017 were comprised of lease interest from State Agencies. Lease interest increased for fiscal year 2017 primarily due to an increase in debt service interest requirements during the year. This occurred because of the debt service requirements on new bonds issued. The decline in administrative fees was a result of a reduction in charges on bond issuances.

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

	<b>Fiscal Year 2017</b>	<b>Percent of Total 2017 Expenditures</b>	<b>Fiscal Year 2016</b>	<b>Percent Change</b>
Administrative Costs.....	\$ 425	0.1%	\$ 318	33.6%
Debt Service:				
Principal.....	216,720	72.0%	228,630	-5.2%
Interest.....	81,812	27.2%	80,785	1.3%
Bond Issue Costs.....	1,956	0.7%	2,312	-15.4%
<b>TOTAL EXPENDITURES.....</b>	<b>\$ 300,913</b>	<b>100.0%</b>	<b>\$ 312,045</b>	

As the table above shows, 99.2% of total reported expenditures for fiscal year 2017 were for debt service payments (principal and interest). Interest expenditures for fiscal year 2017 were more than fiscal year 2016 by 1.3% due to the start of payments for the new money bonds issued in fiscal year 2017. Principal expenditures for fiscal year 2017 were less than fiscal year 2016 by 5.2%. This decrease is due to varying maturity schedules for the outstanding bonds. The total amount of outstanding bonds increased in fiscal year 2017. Bond issuance costs decreased for fiscal year 2017 primarily because the costs associated with the four new money bond issuances, involving six new series of bonds were less than the issuance costs associated with the prior year issuances. The increase in administrative costs is attributable to an increase in legal expenses resulting from Internal Revenue Service examinations. The Internal Revenue Service routinely examines municipal debt issuances to determine compliance with Federal tax requirements, and the Treasurer's Office incurred legal expenses responding to four such examinations during fiscal year 2017. The Internal Revenue Service has closed all four examinations with no change to the position that interest paid to beneficial owners of the bonds is excludable from gross income.

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Management's Discussion and Analysis (Continued)**  
**As of and For the Year Ended June 30, 2017**  
**(UNAUDITED)**

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

	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>	<b>Percent Change</b>
Lease Principal Payments from State Agencies.....	\$ 216,950	\$ 226,975	-4.4%
Bond Proceeds:			
Principal.....	290,000	230,000	26.1%
Premium.....	41,261	39,374	4.8%
Refunding Bond Proceeds:			
Principal.....	-	62,075	-100.0%
Premium.....	-	14,550	-100.0%
Payments to Refunding Escrow Agent	-	(75,997)	-100.0%
Financing Provided to State Agencies Under Leases.....	(331,260)	(269,990)	22.7%
<b>TOTAL OTHER FINANCING SOURCES/(USES).....</b>	<b>\$ 216,951</b>	<b>\$ 226,987</b>	

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 2017 compared to four bond issuances involving four new series of bonds in fiscal year 2016. The decrease in refunding bond proceeds (principal and interest) and payments to refunding escrow agent are the result of no refunding issuances during the 2017 fiscal year compared to the two refunding issuances, involving three series of bonds during the 2016 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, 2017**  
**(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 raise its target for the federal funds rate to 1.00% to 1.25%.
- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2017, were as follows (dollars in thousands):

<b><u>Bond Type</u></b>	<b><u>Authorized, but Unissued</u></b>
Mental Health Facilities	\$ 89,915
Parks and Recreation Facilities	213,000
Cultural and Sports Facilities	66,310
Adult Correctional Facilities	227,500
Administrative Facilities	93,200
Juvenile Correctional Facilities	47,000
Highway Safety Facilities	-
Transportation Facilities	100,900
<b>Total</b>	<b><u>\$ 837,825</u></b>

**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, 9<sup>th</sup> Floor, Columbus, Ohio 43215.

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**CHAPTER 154**  
**LEASE REVENUE OBLIGATIONS**  
**DEBT SERVICE FUNDS**  
**FINANCIAL STATEMENTS**

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STATE OF OHIO  
 CHAPTER 154 LEASE REVENUE OBLIGATIONS  
 Debt Service Funds  
 Balance Sheet  
 As of June 30, 2017  
 (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
<b>ASSETS:</b>									
Cash.....	\$ 7	\$ 11	\$ 26	\$ 81	\$ 46	\$ 25	\$ 1	\$ 30	\$ 227
Receivable from State Agencies:									
Lease Principal.....	175,950	262,425	130,665	490,450	610,325	88,620	7,330	76,635	1,842,400
Lease Interest.....	2,203	3,208	1,445	5,463	7,005	831	78	905	21,138
<b>TOTAL ASSETS.....</b>	<b>178,160</b>	<b>265,644</b>	<b>132,136</b>	<b>495,994</b>	<b>617,376</b>	<b>89,476</b>	<b>7,409</b>	<b>77,570</b>	<b>1,863,765</b>
<b>LIABILITIES:</b>									
Accounts Payable.....	-	-	-	33	37	-	-	-	70
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>									
Unavailable Revenue.....	173,808	258,905	132,110	495,913	617,330	89,451	7,408	77,540	1,852,465
<b>TOTAL DEFERRED INFLOW OF RESOURCES.....</b>	<b>173,808</b>	<b>258,905</b>	<b>132,110</b>	<b>495,913</b>	<b>617,330</b>	<b>89,451</b>	<b>7,408</b>	<b>77,540</b>	<b>1,852,465</b>
<b>FUND BALANCES:</b>									
Restricted for Debt Service.....	4,352	6,739	26	48	9	25	1	30	11,230
<b>TOTAL FUND BALANCES.....</b>	<b>4,352</b>	<b>6,739</b>	<b>26</b>	<b>48</b>	<b>9</b>	<b>25</b>	<b>1</b>	<b>30</b>	<b>11,230</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 178,160</b>	<b>\$ 265,644</b>	<b>\$ 132,136</b>	<b>\$ 495,994</b>	<b>\$ 617,376</b>	<b>\$ 89,476</b>	<b>\$ 7,409</b>	<b>\$ 77,570</b>	<b>\$ 1,863,765</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, 2017**

(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
<b>REVENUES:</b>									
Lease Interest from State Agencies.....	\$ 8,594	\$ 10,874	\$ 5,797	\$ 21,737	\$ 26,991	\$ 3,781	\$ 364	\$ 3,879	\$ 82,017
Administrative and Other Fees.....	50	762	378	530	615	70	30	40	2,475
Investment Income.....	-	6	-	-	-	-	-	-	6
<b>TOTAL REVENUES.....</b>	<b>8,644</b>	<b>11,642</b>	<b>6,175</b>	<b>22,267</b>	<b>27,606</b>	<b>3,851</b>	<b>394</b>	<b>3,919</b>	<b>84,498</b>
<b>EXPENDITURES:</b>									
Administrative Costs.....	33	29	50	96	91	75	41	10	425
Debt Service:									
Principal.....	30,835	20,165	20,480	57,760	65,445	15,760	2,040	4,235	216,720
Interest.....	8,859	10,331	5,801	21,753	27,013	3,781	363	3,911	81,812
Bond Issue Costs.....	-	707	320	422	507	-	-	-	1,956
<b>TOTAL EXPENDITURES.....</b>	<b>39,727</b>	<b>31,232</b>	<b>26,651</b>	<b>80,031</b>	<b>93,056</b>	<b>19,616</b>	<b>2,444</b>	<b>8,156</b>	<b>300,913</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>(31,083)</b>	<b>(19,590)</b>	<b>(20,476)</b>	<b>(57,764)</b>	<b>(65,450)</b>	<b>(15,765)</b>	<b>(2,050)</b>	<b>(4,237)</b>	<b>(216,415)</b>
<b>OTHER FINANCING SOURCES/(USES):</b>									
Lease Principal Payments									
from State Agencies.....	30,935	20,295	20,480	57,760	65,445	15,760	2,040	4,235	216,950
Bond Proceeds:									
Principal.....	-	100,000	40,000	80,000	70,000	-	-	-	290,000
Premium.....	-	21,478	7,715	1,061	11,007	-	-	-	41,261
Financing Provided to									
State Agencies Under Leases:									
Parks and Recreation Capital Facilities.....	-	(121,478)	-	-	-	-	-	-	(121,478)
Cultural and Sports Capital Facilities.....	-	-	(47,715)	-	-	-	-	-	(47,715)
State Correctional Facilities.....	-	-	-	(81,060)	-	-	-	-	(81,060)
Administrative Facilities.....	-	-	-	-	(81,007)	-	-	-	(81,007)
<b>TOTAL OTHER FINANCING SOURCES/(USES).....</b>	<b>30,935</b>	<b>20,295</b>	<b>20,480</b>	<b>57,761</b>	<b>65,445</b>	<b>15,760</b>	<b>2,040</b>	<b>4,235</b>	<b>216,951</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(148)</b>	<b>705</b>	<b>4</b>	<b>(3)</b>	<b>(5)</b>	<b>(5)</b>	<b>(10)</b>	<b>(2)</b>	<b>536</b>
<b>FUND BALANCE, JULY 1.....</b>	<b>4,500</b>	<b>6,034</b>	<b>22</b>	<b>51</b>	<b>14</b>	<b>30</b>	<b>11</b>	<b>32</b>	<b>10,694</b>
<b>FUND BALANCE, JUNE 30.....</b>	<b>\$ 4,352</b>	<b>\$ 6,739</b>	<b>\$ 26</b>	<b>\$ 48</b>	<b>\$ 9</b>	<b>\$ 25</b>	<b>\$ 1</b>	<b>\$ 30</b>	<b>\$ 11,230</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 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:

*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, 2017, \$14,095 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 130<sup>th</sup> 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, 2017, the total carrying amount of deposits was \$227. The entire bank balance of \$227 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 2016-17 biennium, the 131st 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 years 2016 and 2017 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	\$ 81,700	\$ 81,534
Ohio Department of Natural Resources – Parks and Recreation Facilities	47,980	47,510
Ohio Facilities Construction Commission – Cultural and Sports Facilities	55,466	53,813
Ohio Department of Rehabilitation and Correction – Adult Correctional Facilities	162,298	155,667
Ohio Department of Administrative Services – Administrative Facilities	194,299	189,606
Ohio Department of Youth Services – Juvenile Correctional Facilities	46,545	44,649
Ohio Department of Public Safety – Highway Safety Facilities	4,869	4,791
Ohio Department of Transportation – Transportation Facilities	24,180	16,257

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, 2017**

**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, 2017, 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, 2017**

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
2018.....	\$ 39,098	\$ 35,785	\$ 30,208	\$ 74,515
2019.....	32,493	32,162	28,411	66,162
2020.....	30,256	30,013	24,703	53,710
2021.....	22,803	28,003	19,398	53,692
2022.....	22,802	23,913	11,342	53,427
2023-2027.....	62,349	116,218	39,499	179,141
2028-2032.....	-	89,372	-	87,297
2033-2037.....	-	-	-	54,614
	209,801	355,466	153,561	622,558
Amount Representing Interest.....	(33,851)	(93,041)	(22,896)	(132,108)
<b>Leases Receivable, as of June 30, 2017.....</b>	<b>\$ 175,950</b>	<b>\$ 262,425</b>	<b>\$ 130,665</b>	<b>\$ 490,450</b>

Year Ending June 30,	Administrative Facilities Bond Service	Juvenile Correctional Facilities Bond Service	Highway Safety Facilities Bond Service	Transportation Facilities Bond Service	Total
2018.....	\$ 97,907	\$ 16,945	\$ 2,407	\$ 8,117	\$ 304,982
2019.....	87,198	14,216	2,411	8,146	271,199
2020.....	80,674	10,508	1,566	8,142	239,572
2021.....	80,117	10,512	1,568	8,145	224,238
2022.....	70,183	10,503	-	8,145	200,315
2023-2027.....	219,306	38,010	-	40,726	695,249
2028-2032.....	109,526	5,372	-	24,428	315,995
2033-2037.....	50,409	-	-	-	105,023
	795,320	106,066	7,952	105,849	2,356,573
Amount Representing Interest.....	(184,995)	(17,446)	(622)	(29,214)	(514,173)
<b>Leases Receivable, as of June 30, 2017.....</b>	<b>\$ 610,325</b>	<b>\$ 88,620</b>	<b>\$ 7,330</b>	<b>\$ 76,635</b>	<b>\$ 1,842,400</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, 2017**

**NOTE 3 — LEASES (Continued)**

A summary of the unavailable portion of leases receivable by debt service fund as of June 30, 2017 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 .....	\$ 173,555	\$ 258,455	\$ 130,665	\$ 490,450
Lease Interest .....	253	450	1,445	5,463
Total Unavailable Revenue as of June 30, 2017.....	<u>\$ 173,808</u>	<u>\$ 258,905</u>	<u>\$ 132,110</u>	<u>\$ 495,913</u>

	<b>Administrative Facilities Bond Service</b>	<b>Juvenile Correctional Facilities Bond Service</b>	<b>Highway Safety Facilities Bond Service</b>	<b>Transportation Facilities Bond Service</b>	<b>Total Debt Service Funds</b>
Lease Principal .....	\$ 610,325	\$ 88,620	\$ 7,330	\$ 76,635	\$ 1,836,035
Lease Interest .....	7,005	831	78	905	16,430
Total Unavailable Revenue as of June 30, 2017.....	<u>\$ 617,330</u>	<u>\$ 89,451</u>	<u>\$ 7,408</u>	<u>\$ 77,540</u>	<u>\$ 1,852,465</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, 2017.

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*.

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# SUPPLEMENTARY INFORMATION

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**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Net Position - Accrual Basis**  
**As of June 30, 2017**  
*(Dollars in 000s)*

	<u>Total Debt Service Funds</u>
<b>ASSETS:</b>	
Cash.....	\$ 227
Receivables from State Agencies:	
Leases.....	1,842,400
Unamortized Lease Premium/Discount, Net.....	152,967
Interest.....	<u>21,138</u>
<b>TOTAL ASSETS.....</b>	<u>2,016,732</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	
Deferred Charge on Refunding.....	<u>21,624</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES.....</b>	<u>21,624</u>
<b>LIABILITIES:</b>	
Accounts Payable.....	70
Bond Interest Payable.....	21,295
Bonds Payable, net of premiums and discount:	
Due in One Year.....	253,469
Due in More Than One Year.....	<u>1,763,522</u>
<b>TOTAL LIABILITIES.....</b>	<u>2,038,356</u>
<b>NET POSITION</b>	
Restricted for Debt Service.....	<u>-</u>
<b>TOTAL NET POSITION.....</b>	<u><u>\$ -</u></u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Activities - Accrual Basis**  
**For the Year Ended June 30, 2017**

(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
<b>EXPENSES:</b>									
Administrative.....	\$ 33	\$ 29	\$ 50	\$ 96	\$ 91	\$ 75	\$ 41	\$ 10	\$ 425
Bond Issue Costs.....	-	707	320	422	507	-	-	-	1,956
Interest on Debt.....	4,372	7,409	3,531	17,336	22,027	3,152	256	2,178	60,261
<b>TOTAL EXPENSES.....</b>	<b>4,405</b>	<b>8,145</b>	<b>3,901</b>	<b>17,854</b>	<b>22,625</b>	<b>3,227</b>	<b>297</b>	<b>2,188</b>	<b>62,642</b>
<b>PROGRAM REVENUES:</b>									
Charges for Services (1).....	4,405	8,145	3,901	17,854	22,625	3,227	297	2,188	62,642
<b>TOTAL PROGRAM REVENUES.....</b>	<b>4,405</b>	<b>8,145</b>	<b>3,901</b>	<b>17,854</b>	<b>22,625</b>	<b>3,227</b>	<b>297</b>	<b>2,188</b>	<b>62,642</b>
<b>NET EXPENSE AND CHANGES IN NET POSITION.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 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, 2017**  
*(Dollars in 000s)*

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<b>Fund Balance per Debt Service Funds' Balance Sheet</b>	<b>\$ <u>11,230</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	1,836,035
Lease Interest	<u>16,430</u>
	<u>1,852,465</u>

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

Unamortized Lease Premium/Discount, Net	<u>152,967</u>
	<u>152,967</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.	21,624
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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.

Bonds Payable	(2,016,991)
Bond Interest Payable	<u>(21,295)</u>
	<u>(2,038,286)</u>

<b>Net Position per Schedule of Net Position</b>	<b>\$ <u><u>-</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, 2017**  
*(Dollars in 000s)*

**Net Change in Fund Balance per Debt Service Funds'**  
**Statement of Revenues, Expenditures and Changes in Fund Balances** **\$ 536**

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	73,050
Lease Interest	216
	73,266

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

Unamortized Lease Premium/Discount, Net	19,188
	19,188

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	(290,000)
Premiums	(41,261)
	(331,261)

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:

Scheduled Debt Principal Retirements	216,720
	216,720

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	(522)
Amortization of Bond Premiums/Accretion of Bond Discounts, Net	28,145
Amortization of Deferred Refunding Amount	(6,072)
	21,551

**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, 2017**  
*(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
2018.....	\$ 39,098	\$ 35,785	\$ 30,208	\$ 74,515	\$ 97,907	\$ 16,945	\$ 2,407	\$ 8,117	\$ 304,982
2019.....	32,493	32,162	28,411	66,162	87,198	14,216	2,411	8,146	271,199
2020.....	30,256	30,013	24,703	53,710	80,674	10,508	1,566	8,142	239,572
2021.....	22,803	28,003	19,398	53,692	80,117	10,512	1,568	8,145	224,238
2022.....	22,802	23,913	11,342	53,427	70,183	10,503	-	8,145	200,315
2023-2027.....	62,349	116,218	39,499	179,141	219,306	38,010	-	40,726	695,249
2028-2032.....	-	89,372	-	87,297	109,526	5,372	-	24,428	315,995
2033-2037.....	-	-	-	54,614	50,409	-	-	-	105,023
	209,801	355,466	153,561	622,558	795,320	106,066	7,952	105,849	2,356,573
Amount Representing Interest.....	(33,851)	(93,041)	(22,896)	(132,108)	(184,995)	(17,446)	(622)	(29,214)	(514,173)
Lease Principal.....	175,950	262,425	130,665	490,450	610,325	88,620	7,330	76,635	1,842,400
Premium/(Discount), Net.....	18,476	40,665	12,570	28,097	37,048	3,333	132	12,646	152,967
<b>Leases Receivable, as of June 30, 2017.....</b>	<b>\$ 194,426</b>	<b>\$ 303,090</b>	<b>\$ 143,235</b>	<b>\$ 518,547</b>	<b>\$ 647,373</b>	<b>\$ 91,953</b>	<b>\$ 7,462</b>	<b>\$ 89,281</b>	<b>\$ 1,995,367</b>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2017**  
*(Dollars in 000s)*

Outstanding Chapter 154 Lease Revenue Obligations as of June 30, 2017 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, 2017, 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, 2017, 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 131<sup>st</sup> General Assembly and the 2018-19 operating budget bill, House Bill 49, of the 132<sup>nd</sup> General Assembly.

<u>Bond Program</u>	<u>Total</u>
Mental Health Facilities	\$ 1,657,000
Parks and Recreation Facilities	841,000
Cultural and Sports Facilities	641,000
Adult Correctional Facilities	2,262,000
Administrative Facilities	1,939,200
Juvenile Correctional Facilities	379,000
Highway Safety Facilities	140,285
Transportation Facilities	341,000
<b>Total Authorization</b>	<b><u><u>\$ 8,200,485</u></u></b>

Details on bonds issued through June 30, 2017 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, 2017 (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, 2017
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,322,085	\$ 413,240	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
II-2008A	30,000	—	11/19/2008	6/1/2018	3.72%	3,595
2009A	40,000	—	12/17/2009	12/1/2019	2.56%	13,565
2012A	—	24,175	5/17/2012	6/1/2019	4.56%	6,890
2013A	25,000	—	3/7/2013	2/1/2013	3.55%	15,745
2013B	—	15,375	3/7/2013	8/1/2019	4.59%	7,565
2014A	50,000	—	1/30/2014	2/1/2024	4.42%	39,490
2015A	50,000	—	5/5/2015	2/1/2025	4.95%	41,535
2016A	50,000	—	6/28/2016	6/1/2026	4.86%	47,565
<b>Total</b>	<u>\$1,567,085</u>	<u>\$ 452,790</u>				<u>\$ 175,950</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, 2017
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 313,000	\$ 99,535	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
II-2007A	30,000	—	11/13/2007	12/1/2017	3.82%	3,625
II-2009A	35,000	—	3/12/2009	12/1/2020	3.95%	14,905
II-2011A	30,000	—	3/3/2011	8/1/2025	4.06%	11,270
II-2012A	—	7,570	5/17/2012	12/1/2018	4.46%	3,945
2013A	—	11,200	4/11/2013	8/1/2019	3.43%	5,795
2015A	40,000	—	3/5/2015	2/1/2030	4.98%	35,970
2016A	80,000	—	3/31/2016	2/1/2031	4.99%	76,500
2016B	—	10,415	6/28/2016	8/1/2025	4.81%	10,415
2016C	100,000	—	10/6/2016	12/1/2031	4.86%	100,000
<b>Total</b>	<u>\$ 628,000</u>	<u>\$ 128,720</u>				<u>\$ 262,425</u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2017 (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, 2017
<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	3.68%	7,160
2010A	30,000	—	2/10/2010	10/1/2020	3.73%	13,925
2011A	28,000	—	3/3/2011	10/1/2020	4.84%	15,355
2013A	18,000	—	3/7/2013	4/1/2023	1.88%	11,720
2013B	—	19,890	3/7/2013	4/1/2020	1.30%	9,385
2015A	—	9,920	2/26/2015	10/1/2019	1.40%	7,285
2015B	30,000	—	8/12/2015	4/1/2025	5.00%	25,835
2016A	40,000	—	8/25/2016	10/1/2026	4.80%	40,000
<b>Total</b>	<u>\$ 574,690</u>	<u>\$ 64,985</u>				<u>\$ 130,665</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, 2017
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,734,500	1,048,980	Various	Various	Various	\$ —
<i>Outstanding bonds:</i>						
2004C	—	225,350	10/21/2004	10/1/2018	5.11%	31,340
2008A	25,000	—	3/6/2008	4/1/2023	4.77%	1,750
2009A	40,000	—	1/22/2009	10/1/2028	4.76%	5,775
2009B	—	75,790	9/17/2009	10/1/2024	3.46%	49,390
2010A	—	79,325	8/31/2010	10/1/2024	4.59%	51,735
2011A	40,000	—	2/1/2011	4/1/2031	4.91%	32,680
2011B	—	101,530	9/15/2011	10/1/2024	2.65%	41,190
2012A	—	17,360	5/17/2012	4/1/2023	5.00%	17,360
2013A	—	47,320	3/7/2013	10/1/2024	5.00%	40,380
2014A	45,000	—	5/7/2014	4/1/2034	4.85%	40,435
2015A	—	10,030	2/26/2015	10/1/2022	5.00%	10,030
2015B	70,000	—	11/19/2015	10/1/2035	4.98%	67,820
2016A	—	20,565	5/25/2016	10/1/2028	4.96%	20,565
2016B	32,320	—	10/26/2016	10/1/2036	0.89%*	32,320
2016C	32,300	—	10/26/2016	10/1/2036	0.959%*	32,300
2016D	15,380	—	10/26/2016	10/1/2021	3.57%	15,380
<b>Total</b>	<u>\$2,034,500</u>	<u>\$1,626,250</u>				<u>\$ 490,450</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, 2017. 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, 2017 (Continued)**  
*(Dollars in 000s)*

**Administrative Facilities Bonds**

	<b>Original Issues at Par</b>	<b>Advance Refunding Issues at Par</b>	<b>Issue Date</b>	<b>Final Maturity Date</b>	<b>Average Effective Interest Rate</b>	<b>Outstanding Balance at Par, as of June 30, 2017</b>
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$1,377,305	\$ 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%	14,510
2006B	—	70,335	10/3/2006	4/1/2018	3.93%	26,470
2008A	25,000	—	3/6/2008	4/1/2023	4.85%	1,755
2009A	60,000	—	1/22/2009	10/1/2028	4.24%	8,825
2009B	—	86,590	9/17/2009	10/1/2024	4.93%	55,445
2010B	30,995	—	4/1/2010	10/1/2029	5.58%	30,995
2010C	—	148,865	8/31/2010	10/1/2024	4.84%	96,900
2011A	—	38,595	9/15/2011	10/1/2024	2.65%	29,890
2012A	32,700	—	3/8/2012	4/1/2032	4.13%	26,770
2012B	—	28,055	3/8/2012	4/1/2024	5.00%	28,055
2013A	—	48,660	4/11/2013	4/1/2025	4.95%	40,735
2013B	50,000	—	7/31/2013	4/1/2033	4.80%	44,660
2015A	61,930	—	1/28/2015	4/1/2035	4.31%	59,780
2015B	18,070	—	1/28/2015	4/1/2025	2.59%	14,765
2015C	—	11,185	2/26/2015	10/1/2022	2.95%	10,885
2016A	—	31,095	5/25/2016	10/1/2028	4.95%	31,095
2017A	70,000	—	4/19/2017	4/1/2037	4.91%	70,000
<b>Total</b>	<u>\$1,846,000</u>	<u>\$1,290,513</u>				<u>\$ 610,325</u>

**Juvenile Correctional Facilities Bonds**

	<b>Original Issues at Par</b>	<b>Advance Refunding Issues at Par</b>	<b>Issue Date</b>	<b>Final Maturity Date</b>	<b>Average Effective Interest Rate</b>	<b>Outstanding Balance at Par, as of June 30, 2017</b>
<i>Previously issued bonds with no outstanding balance:</i>						
Various	\$ 272,445	\$ 152,470	Various	Various	Various	\$ —
<i>Outstanding Bonds:</i>						
2009B	—	16,820	9/17/2009	10/1/2024	3.67%	11,975
2010B	—	11,450	4/1/2010	10/1/2017	5.00%	2,670
2010C	9,555	—	4/1/2010	10/1/2024	4.97%	9,555
2010D	—	15,005	8/31/2010	10/1/2024	4.11%	10,675
2011A	15,000	—	5/3/2011	4/1/2025	4.13%	10,130
2011B	—	9,215	9/15/2011	10/1/2024	2.90%	7,015
2013A	15,000	—	1/30/2013	10/1/2026	4.24%	11,335
2015A	—	11,180	2/26/2015	10/1/2018	1.18%	7,280
2015B	20,000	—	3/5/2015	4/1/2030	3.90%	17,985
<b>Total</b>	<u>\$ 332,000</u>	<u>\$ 216,140</u>				<u>\$ 88,620</u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding**  
**As of June 30, 2017 (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, 2017
<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%	5,750
2014A	—	3,815	5/7/2014	4/1/2019	3.59%	1,580
Total	<u>\$ 140,285</u>	<u>\$ 56,370</u>				<u>\$ 7,330</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, 2017
<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%	76,635
Total	<u>\$ 240,100</u>	<u>\$ -</u>				<u>\$ 76,635</u>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Changes in Bonds Payable Balance**  
**For the Year Ended June 30, 2017**  
*(Dollars in 000s)*

	<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>Transportation Facilities</b>	<b>Total</b>
Outstanding Balance, July 1, 2016	\$ 230,327	\$ 207,698	\$ 119,321	\$ 509,293	\$ 650,092	\$ 108,883	\$ 9,771	\$ 95,207	\$1,930,592
Additions:									
New Issuances:									
Bond Principal	-	100,000	40,000	80,000	70,000	-	-	-	290,000
Bond Premium	-	21,478	7,715	1,061	11,007	-	-	-	41,261
Total Additions	-	121,478	47,715	81,061	81,007	-	-	-	331,261
Deductions:									
Bond Principal Repayments	30,835	20,165	20,480	57,760	65,445	15,760	2,040	4,235	216,720
Amortization of Premium	4,700	4,259	2,845	6,394	7,345	756	152	1,691	28,142
Total Deductions	35,535	24,424	23,325	64,154	72,790	16,516	2,192	5,926	244,862
<b>Outstanding Balance, June 30, 2017</b>	<b>\$ 194,792</b>	<b>\$ 304,752</b>	<b>\$ 143,711</b>	<b>\$ 526,200</b>	<b>\$ 658,309</b>	<b>\$ 92,367</b>	<b>\$ 7,579</b>	<b>\$ 89,281</b>	<b>\$2,016,991</b>
Amount Due in One Year	35,568	29,047	27,554	60,568	78,124	14,340	2,245	6,023	253,469
Amount Due in More Than One Year	159,224	275,705	116,157	465,632	580,185	78,027	5,334	83,258	1,763,522
<b>Outstanding Balance, June 30, 2017</b>	<b>\$ 194,792</b>	<b>\$ 304,752</b>	<b>\$ 143,711</b>	<b>\$ 526,200</b>	<b>\$ 658,309</b>	<b>\$ 92,367</b>	<b>\$ 7,579</b>	<b>\$ 89,281</b>	<b>\$2,016,991</b>

**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Future Debt Service Funding Requirements**  
**As of June 30, 2017**  
*(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
2018	\$ 31,360	\$ 7,746	\$ 39,106	\$ 23,835	\$ 11,961	\$ 35,796	\$ 24,625	\$ 5,609	\$ 30,234
2019	26,005	6,489	32,494	21,065	11,097	32,162	23,790	4,621	28,411
2020	24,815	5,441	30,256	19,735	10,278	30,013	21,015	3,688	24,703
2021	18,230	4,573	22,803	18,555	9,448	28,003	16,640	2,758	19,398
2022	19,060	3,742	22,802	15,215	8,698	23,913	9,210	2,132	11,342
2023-2027	56,480	5,868	62,348	84,620	31,598	116,218	35,385	4,114	39,499
2028-2032	-	-	-	79,400	9,972	89,372	-	-	-
2033-2037	-	-	-	-	-	-	-	-	-
	175,950	33,859	209,809	262,425	93,052	355,477	130,665	22,922	153,587
Premium/Discount, Net	18,842	-	18,842	42,327	-	42,327	13,046	-	13,046
<b>Total, as of June 30, 2017</b>	<b>\$ 194,792</b>	<b>\$ 33,859</b>	<b>\$ 228,651</b>	<b>\$ 304,752</b>	<b>\$ 93,052</b>	<b>\$ 397,804</b>	<b>\$ 143,711</b>	<b>\$ 22,922</b>	<b>\$ 166,633</b>

  

Fiscal Year Ending June 30,	Adult Correctional Facilities			Administrative Facilities			Juvenile Correctional Facilities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 54,305	\$ 20,259	\$ 74,564	\$ 70,595	\$ 27,321	\$ 97,916	\$ 13,705	\$ 3,265	\$ 16,970
2019	48,410	17,752	66,162	62,800	24,398	87,198	11,335	2,881	14,216
2020	37,970	15,740	53,710	59,060	21,614	80,674	7,910	2,598	10,508
2021	39,815	13,877	53,692	61,260	18,857	80,117	8,235	2,277	10,512
2022	41,505	11,922	53,427	54,050	16,133	70,183	8,545	1,958	10,503
2023-2027	144,575	34,566	179,141	169,805	49,501	219,306	33,835	4,175	38,010
2028-2032	72,410	14,887	87,297	87,680	21,846	109,526	5,055	317	5,372
2033-2037	51,460	3,154	54,614	45,075	5,334	50,409	-	-	-
	490,450	132,157	622,607	610,325	185,004	795,329	88,620	17,471	106,091
Premium/Discount, Net	35,750	-	35,750	47,984	-	47,984	3,747	-	3,747
<b>Total, as of June 30, 2017</b>	<b>\$ 526,200</b>	<b>\$ 132,157</b>	<b>\$ 658,357</b>	<b>\$ 658,309</b>	<b>\$ 185,004</b>	<b>\$ 843,313</b>	<b>\$ 92,367</b>	<b>\$ 17,471</b>	<b>\$ 109,838</b>

  

Fiscal Year Ending June 30,	Highway Safety Facilities			Transportation Facilities			Total Chapter 154 Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 2,125	\$ 282	\$ 2,407	\$ 4,405	\$ 3,742	\$ 8,147	\$ 224,955	\$ 80,185	\$ 305,140
2019	2,215	196	2,411	4,580	3,566	8,146	200,200	71,000	271,200
2020	1,460	106	1,566	4,760	3,382	8,142	176,725	62,847	239,572
2021	1,530	38	1,568	5,000	3,145	8,145	169,265	54,973	224,238
2022	-	-	-	5,250	2,895	8,145	152,835	47,480	200,315
2023-2027	-	-	-	30,465	10,261	40,726	555,165	140,083	695,248
2028-2032	-	-	-	22,175	2,253	24,428	266,720	49,275	315,995
2033-2037	-	-	-	-	-	-	96,535	8,488	105,023
	7,330	622	7,952	76,635	29,244	105,879	1,842,400	514,331	2,356,731
Premium/Discount, Net	249	-	249	12,646	-	12,646	174,591	-	174,591
<b>Total, as of June 30, 2017</b>	<b>\$ 7,579</b>	<b>\$ 622</b>	<b>\$ 8,201</b>	<b>\$ 89,281</b>	<b>\$ 29,244</b>	<b>\$ 118,525</b>	<b>\$ 2,016,991</b>	<b>\$ 514,331</b>	<b>\$ 2,531,322</b>



**STATE OF OHIO**  
**CHAPTER 154 LEASE REVENUE OBLIGATIONS**  
**Schedule of Prior Years' Defeasances**  
**As of and For the Year Ended June 30, 2017**  
*(Dollars in 000s)*

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**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, 2017 that were refunded in fiscal year 2017 and prior.

<u>Refunded Issue</u>	<u>Principal Yet to be Paid as of June 30, 2017</u>	<u>Scheduled Redemption Date</u>
Parks & Recreation Facilities:		
2011A	\$ 10,875	August 1, 2020
	<u>10,875</u>	
Adult Correctional Facilities:		
2008A	10,255	April 1, 2018
2009A	22,515	April 1, 2019
	<u>32,770</u>	
Administrative Facilities:		
2008A	10,270	April 1, 2018
2009A	34,270	April 1, 2019
	<u>44,540</u>	
Total	<u>\$ 88,185</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, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2017.

***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 19, 2017



# 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 9, 2017**