



OHIO AUDITOR OF STATE
KEITH FABER



STATE OF OHIO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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ATTACHMENTS

State of Ohio *Comprehensive Annual Financial Report*

NOTE:

The State of Ohio *Comprehensive Annual Financial Report* for fiscal year ended June 30, 2019, including the Independent Auditor's Report, has been issued under separate cover by the Ohio Office of Budget and Management. This report is included as an attachment herein and can also be viewed at the following website: <http://obm.ohio.gov/>

EXECUTIVE SUMMARY 2019 STATE OF OHIO SINGLE AUDIT

AUDIT OF BASIC FINANCIAL STATEMENTS

There are 10 separate opinion units included in the basic financial statements of the State of Ohio for the state fiscal year (FY) ended June 30, 2019. For six of the 10 opinion units, our opinion was based, in whole or in part, on audits performed by independent accounting firms under contract with the Auditor of State. The remaining four opinion unit audits were performed by audit staff of the Auditor of State. This information is described on page 1 in our Independent Auditor's Report included in the Comprehensive Annual Financial Report (CAFR). The State of Ohio CAFR is included as an attachment to this report.

We audited the basic financial statements of the State of Ohio as of and for the period ended June 30, 2019, following 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*, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The objective of our audit was to express our opinion concerning whether the financial statements present fairly, in all material respects, the respective financial position of the State of Ohio, and cash flows thereof and the respective budgetary comparisons, in accordance with accounting principles generally accepted in the United States of America. We issued unmodified opinions on the 10 opinion units. Our opinion letter, dated December 20, 2019, was provided to the Ohio Office of Budget and Management who released it, along with the CAFR, under separate cover.

In addition to our opinions on the basic financial statements, we issued an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, dated December 20, 2019. There were two noncompliance citations, two material weaknesses, and one significant deficiency required to be reported in this letter for the fiscal year ended June 30, 2019.

AUDIT RESPONSIBILITIES AND REPORTING UNDER FEDERAL UNIFORM GUIDANCE

The Single Audit Act requires an annual audit of the State's federal financial assistance programs. The specific audit and reporting requirements utilized for the June 30, 2019 audit are set forth in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. For the first time, the 2019 Office of Management and Budget's Compliance Supplement, in accordance with the President's Management Agenda CAP Goal No. 8, mandated each Federal agency limit the number of compliance requirements subject to audit to six, with the exception of the Research and Development cluster which was permitted to identify seven. The six-requirement mandate did not apply to federal programs not included within the Supplement. Previously, there was no limit on the number of compliance requirements subject to audit out of a possible 12.

The Schedule of Expenditures of Federal Awards (the Schedule) reports federal expenditures for each federal financial assistance program by federal agency, as identified by the Catalog of Federal Domestic Assistance (CFDA) number. As detailed on pages 11 through 20, the State administered 339 federal programs from 24 Federal agencies with total federal expenditures of \$28.4 billion in FY 2019.

The Schedule is used for identifying Type A and Type B programs. For FY 2019, Type A federal programs for the State of Ohio were those programs with annual federal expenditures exceeding \$42.5 million. There were 29 programs at or above this amount. All other programs were identified as Type B in accordance with the Uniform Guidance requirements. The identification of Type A and B programs is utilized for determining which federal programs will be tested in detail for compliance with federal laws and regulations. Under the Uniform Guidance, the auditor uses a risk-based approach to testing. Once programs are classified as Type A or B, they are then assessed as either high or low risk programs. All

State of Ohio
Fiscal Year 2019 State Single Audit
Executive Summary

high-risk Type A programs are considered major programs and are tested in detail for compliance with federal regulations. Low-risk Type A programs must be tested at least once every three years. Auditors are not required to identify more high-risk Type B programs than at least 1/4 the number of low-risk Type A programs, and are required to test as a major program each Type B program that is identified as high-risk. The State of Ohio Single Audit included the testing of 25 Type A programs and one high-risk Type B programs as major programs in FY 2019.

Included in the Schedule are monies paid by the Ohio Department of Job & Family Services and the Ohio Department of Medicaid to their subrecipient county agencies to administer applicable portions of the Medicaid Cluster, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF) Cluster, Foster Care, Adoption Assistance, Social Services Block Grant (SSBG), CCDF Cluster, Child Support Enforcement, and Supplemental Nutrition Assistance Program (SNAP) Cluster federal programs. The related county federal schedules will report expenditures for all disbursements made at the county level. However, for the Medicaid, CHIP, TANF (Ohio Works First portion), CCDF Cluster, and SNAP federal programs, the counties performed selected functions and maintained case records to support benefits paid by the Ohio Department of Job & Family Services and the Ohio Department of Medicaid related to these programs. We selected 10 of 88 counties and performed testing related to the specific county level activities for these five major programs. The results of our county level audit procedures are included in the Schedule of Findings and Questioned Costs.

The State's colleges and universities' federal financial assistance, which was approximately \$3.3 billion in FY 2019, is excluded from the State's Schedule although their financial activities are included in the State's financial statements (Discretely Presented Component Units). The State's colleges and universities included in the State's reporting entity are subject to separate audits under the Uniform Guidance.

In accordance with the Uniform Guidance, we issued an *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance*. Our report on compliance includes our opinion on compliance with the 26 major federal financial assistance programs and describes instances of noncompliance with Federal requirements we detected that require reporting per the Uniform Guidance. This report also describes any material weaknesses or significant deficiencies we identified related to controls used to administer Federal financial assistance programs. Due to the significance of 16 of our audit findings, we qualified our opinion on compliance related to Cash Management applicable to the National Guard Military Operations and Maintenance Projects, Child Support Enforcement, and Low-Income Home Energy Assistance Program; Eligibility applicable to the TANF Cluster, Medicaid Cluster, and Children's Health Insurance Plan (CHIP); Equipment and Real Property Management applicable to the Fish and Wildlife Cluster; Procurement, Suspension & Debarment applicable to the Fish and Wildlife Cluster; Reporting applicable to the Child and Adult Care Food Program, Child Support Enforcement, Foster Care, and Block Grants for Prevention and Treatment of Substance Abuse; and, Special Tests and Provisions applicable to the Child Nutrition Cluster, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Supporting Effective Instructions State Grant, TANF Cluster, Medicaid Cluster, CHIP, and Money Follows the Person Rebalancing Demonstration federal programs.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

The FY 2019 Schedule of Findings and Questioned Costs contains 40 findings; three findings related to the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, 33 findings related to the *Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance*, of which 19 were repeated from the FY 2018 State of Ohio Single Audit, and four other items related to findings for recovery (which have no impact on our GAGAS or Federal Compliance and Controls reports).

The 33 federal findings, beginning on page 46, relate to the federal programs at 12 state agencies. Of these federal findings, many of which were rated as more than one type, two resulted in questioned costs (some also included noncompliance and/or control deficiencies), 26 were noncompliance (some also included control deficiencies), 29 were identified as material weaknesses, and five were significant deficiencies. Of the two findings with questioned costs, questioned amounts totaled \$191,561.

The schedule below identifies the number of reportable items included in the State of Ohio Single Audit, by state agency, for fiscal years 2014 through 2019.

State Agency	2019	2018	2017	2016	2015	2014
Ohio Department. of Job & Family Services	6	6	9	7	12	9
Ohio Department of Medicaid	6	9	6	4	3	8
Ohio Department of Education	7	6	5	5	10	5
Ohio Development Services Agency	1	1	1	0	1	2
Ohio Department of Developmental Disabilities	1	1	0	0	1	2
Ohio Department of Mental Health & Addiction Services	3	1	5	2	1	3
Opportunities for Ohioans with Disabilities	1	3	2	N/A	N/A	0
Ohio Department of Natural Resources	4	6	N/A	N/A	N/A	N/A
Ohio Department of Public Safety	N/A	N/A	N/A	N/A	N/A	2
Ohio Office of Budget and Management	0	0	1	1	2	1
Ohio Department of Transportation	1	2	3	2	1	1
Ohio Environmental Protection Agency	0	N/A	N/A	0	1	2
Ohio Department of Adjutant General	1	N/A	N/A	N/A	N/A	N/A
Ohio Department of Administrative Services	1	0	0	0	0	0
Ohio Department of Aging	1	N/A	N/A	0	N/A	N/A
Other Findings / State Agencies	0	0	1	0	2	2
Total	33	35	33	21	34	35

N/A – no major programs tested for this agency

In addition to the comments included in this report, the State of Ohio and each state agency may receive management letters which would include internal control and compliance deficiencies that do not rise to the level required for inclusion in this report. Those management letters are not part of this report.

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**INDEPENDENT AUDITOR'S
REPORTS ON COMPLIANCE
AND INTERNAL CONTROLS**



88 East Broad Street, 5th Floor
 Columbus, Ohio 43215-3506
 (614) 466-3402 or (800) 443-9275
 StateRegion@ohioauditor.gov

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

The Honorable Mike DeWine, Governor
 State of Ohio
 Columbus, Ohio 43215

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements and have issued our report thereon dated December 20, 2019. Our report refers to other auditors who audited the financial statements of the following organizations, as described in our report on the State’s financial statements:

Opinion Unit	Organization	Percent of Opinion Unit’s Total	
		Assets	Expenditures/ Expenses /Deductions
Governmental Activities (GA)	Treasurer of State Lease Revenue Bonds and Buckeye Tobacco Settlement Financing Authority (BTSFA)	2%	1%
Business-Type Activities (BTA)	Ohio Bureau of Workers’ Compensation and Tuition Trust Authority	93%	34%
GA/BTSFA Revenue Bonds	Buckeye Tobacco Settlement Finance Authority	100%	100%
BTA / Workers’ Compensation	Ohio Bureau of Workers’ Compensation	100%	100%
Aggregate Discretely Presented Component Units	Bowling Green State University; Cleveland State University; Columbus State Community College; JobsOhio; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; and Youngstown State University.	90%	94%
Aggregate Remaining Fund Information	Police and Fire Pension Fund, Public Employees Retirement System, School Employees Retirement, State Highway Patrol Retirement System, State Teachers Retirement System, State Treasury Asset Reserve of Ohio, Treasurer of State Lease Revenue Bonds, and Tuition Trust Authority	97%	82%

This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. In addition, the financial statements of JobsOhio, which represents six percent of the total assets and eight percent of the total expenses of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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 State's financial statements. We consider findings 2019-001 and 2019-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the State'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-002.

State's Response to Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and/or corrective action plan. We did not subject the State's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 State's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 20, 2019

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
StateRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mike DeWine, Governor
State of Ohio
Columbus, Ohio

Report on Compliance for Each Major Federal Program

We have audited the State of Ohio's (the State) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the State of Ohio's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the State's major federal programs.

The State of Ohio's basic financial statements include the operations of State Colleges and Universities, which expended \$3,256,291,427 in federal awards which is not included in the State of Ohio's Schedule of Expenditures of Federal Awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of State Colleges and Universities because the component units engaged other auditors to audit their Federal award programs in accordance with the Uniform Guidance.

Management's Responsibility

The State's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the State's compliance for each of the State's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the State's major programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on the Major Federal Programs Listed in the Table

As described in the findings listed in the table below, identified in the summary of findings and questioned costs on pages 42 through 44, and described in the accompanying schedule of findings and questioned costs, the State of Ohio did not comply with requirements regarding the following:

CFDA #	Program (or Cluster) Name	Finding #	State Agency	Compliance Requirement
10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	2019-011	Ohio Department of Education	Special Tests & Provisions – Accountability for USDA-Donated Foods
10.558	Child and Adult Care Food Program	2019-012	Ohio Department of Education	Reporting
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2019-004	Ohio Department of Adjutant General	Cash Management
15.605/15.611	Fish & Wildlife Cluster	2019-031	Ohio Department of Natural Resources	Procurement, Suspension & Debarment
15.605/15.611	Fish & Wildlife Cluster	2019-032	Ohio Department of Natural Resources	Equipment & Real Property Management
84.010	Title I, Grants to Local Educational Agencies	2019-014	Ohio Department of Education	Special Tests & Provisions – Oversight & Monitoring Responsibilities with Respect to Charter Schools with Relationships with Charter Management Organizations
84.027/84.173	Special Education Cluster (IDEA)	2019-009	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
84.027/84.173	Special Education Cluster (IDEA)	2019-014	Ohio Department of Education	Special Tests & Provisions – Oversight & Monitoring Responsibilities with Respect to Charter Schools with Relationships with Charter Management Organizations

Independent Auditor's Report on Compliance With Requirements
 Applicable to Each Major Federal Program and on Internal Control
 Over Compliance Required by the Uniform Guidance
 Page 3

CFDA #	Program (or Cluster) Name	Finding #	State Agency	Compliance Requirement
84.367	Supporting Effective Instruction State Grants	2019-009	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
84.367	Supporting Effective Instruction State Grants	2019-014	Ohio Department of Education	Special Tests & Provisions – Oversight & Monitoring Responsibilities with Respect to Charter Schools with Relationships with Charter Management Organizations
93.558	TANF Cluster	2019-016 2019-017 2019-018	Ohio Department of Job & Family Services	Eligibility
93.558	TANF Cluster	2019-018	Ohio Department of Job & Family Services	Special Tests & Provisions - IEVS
93.563	Child Support Enforcement	2019-019	Ohio Department of Job & Family Services	Reporting
93.563	Child Support Enforcement	2019-020	Ohio Department of Job & Family Services	Cash Management
93.568	Low Income Home Energy Assistance Program	2019-007	Ohio Development Services Agency	Cash Management
93.658	Foster Care Title IV-E	2019-019	Ohio Department of Job & Family Services	Reporting
93.775/93.777/ 93.778	Medicaid Cluster	2019-022	Ohio Department of Medicaid	Eligibility
93.775/93.777/ 93.778	Medicaid Cluster	2019-025	Ohio Department of Medicaid	Special Tests & Provisions – ADP Risk Analysis and System Security Review
93.767	Children's Health Insurance Plan (CHIP)	2019-022	Ohio Department of Medicaid	Eligibility
93.767	Children's Health Insurance Plan (CHIP)	2019-025	Ohio Department of Medicaid	Special Tests & Provisions – ADP Risk Analysis and System Security Review

CFDA #	Program (or Cluster) Name	Finding #	State Agency	Compliance Requirement
93.791	Money Follows the Person Rebalancing Demonstration	2019-025	Ohio Department of Medicaid	Special Tests & Provisions – ADP Risk Analysis and System Security Review
93.959	Block Grants for Prevention and Treatment of Substance Abuse	2019-028	Ohio Department of Mental Health and Addiction Services	Reporting

Compliance with these requirements is necessary, in our opinion, for the State to comply with the requirements applicable to these programs.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Major Federal Programs Listed in the Table* section above, the State of Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect the Child Nutrition Cluster, Child and Adult Care Food Program, National Guard Military Operations and Maintenance (O&M) Projects, Fish & Wildlife Cluster, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Supporting Effective Instruction State Grants, TANF Cluster, Child Support Enforcement, Low-Income Home Energy Assistance, Foster Care Title IV-E, Medicaid Cluster, Children's Health Insurance Plan (CHIP), Money Follows the Person Rebalancing Demonstration, and Block Grants for Prevention and Treatment of Substance Abuse major federal programs for the year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, the State of Ohio complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures also disclosed instances of noncompliance which the Uniform Guidance requires us to report. These instances of noncompliance are listed in the table below, identified in the summary of findings and questioned costs on pages 42 through 44, and described in the accompanying schedule of findings and questioned costs. Our opinion on *each* of these major federal programs is not modified with respect to these matters.

State Agency	Noncompliance Finding Numbers
Ohio Department of Aging	2019-006
Ohio Department of Education	2019-010 and 2019-013
Ohio Department of Job & Family Services	2019-017, 2019-018, 2019-020, and 2019-021

State Agency	Noncompliance Finding Numbers
Ohio Department of Medicaid	2019-022 through 2019-024 and 2019-026
Ohio Department of Natural Resources	2019-033
Opportunities for Ohioans with Disabilities	2019-035
Ohio Department of Transportation	2019-036

The State's planned corrective action related to our noncompliance findings is described in the accompanying Corrective Action Plan. We did not subject the State's corrective action plan to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

The State's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the State's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected.

We consider the deficiencies in internal control over compliance listed in the table below, identified in the summary of findings and questioned costs on pages 42 through 44, and described in the accompanying schedule of findings and questioned costs to be material weaknesses.

State Agency	Material Weakness Finding Numbers
Ohio Department of Adjutant General	2019-004
Ohio Department of Administrative Services	2019-005
Ohio Department of Aging	2019-006
Ohio Development Services Agency	2019-007
Ohio Department of Developmental Disabilities	2019-008

State Agency	Material Weakness Finding Numbers
Ohio Department of Education	2019-009 through 2019-014
Ohio Department of Job & Family Services	2019-016 through 2019-021
Ohio Department of Medicaid	2019-022 through 2019-026
Ohio Department of Mental Health & Addiction Services	2019-028 and 2019-029
Ohio Department of Natural Resources	2019-031 through 2019-034
Ohio Department of Transportation	2019-036

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance listed in the table below, identified in the summary of findings and questioned costs on pages 42 through 44, and described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

State Agency	Significant Deficiency Finding Numbers
Ohio Department of Education	2019-015
Ohio Department of Job & Family Services	2019-020
Ohio Department of Medicaid	2019-027
Ohio Department of Mental Health and Addiction Services	2019-030
Opportunities for Ohioans with Disabilities	2019-035

The State's planned corrective action related to our findings on internal control over compliance is described in the accompanying Corrective Action Plan. We did not subject the State's corrective action plan to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have also audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our unmodified report thereon dated December 20, 2019. We conducted our audit to opine on the State's basic financial statements as a whole. We have not performed any procedures to the audited financial statements subsequent to December 20, 2019. The accompanying Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program (schedules) present additional analyses required by the Uniform Guidance and are not a required part of the basic financial statements. The schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements.

Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance
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We also applied certain additional procedures, including comparing and reconciling these schedules 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, these schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Keith Faber
Auditor of State

Columbus, Ohio

March 31, 2020

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**SUPPLEMENTARY
SCHEDULES OF
EXPENDITURES OF
FEDERAL AWARDS**

**STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SUMMARIZED BY FEDERAL AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Agency	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture	\$ 3,039,222,425	\$ 798,844,695
U.S. Department of Commerce	7,310,944	4,257,680
U.S. Department of Defense	50,320,239	276,309
U.S. Department of Housing and Urban Development	65,485,871	60,818,453
U.S. Department of the Interior	45,222,068	11,190,327
U.S. Department of Justice	116,932,913	103,141,516
U.S. Department of Labor	1,041,529,867	79,783,716
U.S. Department of Transportation	1,593,486,872	331,629,546
U.S. Department of Treasury	389,176	-
U.S. Equal Employment Opportunity Commission	1,294,135	-
General Services Administration	13,141	-
National Aeronautics and Space Administration	3,000	-
National Endowment for the Arts	1,001,284	1,001,284
Institute of Museum and Library Services	5,205,430	2,760,550
U.S. Small Business Administration	4,875,929	4,084,299
U.S. Department of Veteran Affairs	32,898,696	-
U.S. Environmental Protection Agency	164,479,364	123,534,804
U.S. Department of Energy	17,166,045	15,229,139
U.S. Department of Education	1,415,000,302	1,244,391,761
U.S. Election Assistance Commission	2,719,128	1,735,648
U.S. Department of Health and Human Services	20,654,482,667	1,255,527,950
Corporation for National and Community Service	8,081,922	7,195,079
Social Security Administration	72,425,998	-
U.S. Department of Homeland Security	54,114,076	42,945,987
Total Expenditures	\$ 28,393,661,492	\$ 4,088,348,743

**STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture			
<i>SNAP Cluster:</i>			
10.551	Supplemental Nutrition Assistance Program.....	\$ 2,023,466,465	\$ -
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program.....	131,335,291	77,373,641
	<i>Total SNAP Cluster.....</i>	<i>2,154,801,756</i>	<i>77,373,641</i>
<i>Child Nutrition Cluster:</i>			
10.553	School Breakfast Program.....	128,145,917	127,718,465
10.555	(c) National School Lunch Program.....	59,916,042	59,916,042
10.555	National School Lunch Program.....	366,071,981	365,475,043
10.556	Special Milk Program for Children.....	332,617	332,617
10.559	Summer Food Service Program for Children.....	13,248,708	12,919,385
	<i>Total Child Nutrition Cluster.....</i>	<i>567,715,265</i>	<i>566,361,552</i>
<i>Food Distribution Cluster:</i>			
10.565	Commodity Supplemental Food Program.....	2,163,843	-
10.568	Emergency Food Assistance Program (Administrative Costs).....	4,735,689	-
	<i>Total Food Distribution Cluster.....</i>	<i>6,899,532</i>	<i>-</i>
10.025	Plant and Animal Disease, Pest Control, and Animal Care.....	340,394	-
10.069	Conservation Reserve Program.....	40,600	-
10.072	Wetlands Reserve Program.....	49,550	-
10.170	Specialty Crop Block Grant Program - Farm Bill.....	793,246	700,254
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds.....	712,000	-
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection.....	5,250,587	-
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children.....	182,990,599	48,172,110
10.558	Child and Adult Care Food Program.....	98,875,799	98,875,799
10.560	State Administrative Expenses for Child Nutrition.....	8,639,153	-
10.572	WIC Farmers' Market Nutrition Program (FMNP).....	414,301	-
10.576	Senior Farmers Market Nutrition Program.....	1,484,444	1,484,444
10.578	WIC Grants To States (WGS).....	482,647	-
10.579	Child Nutrition Discretionary Grants Limited Availability.....	776,197	770,830
10.582	Fresh Fruit and Vegetable Program.....	4,441,721	4,441,721
10.598	Supplemental Nutrition Assistance Program (SNAP) Recipient Trafficking Prevention Grants.....	44,678	-
10.664	(d) Cooperative Forestry Assistance.....	3,435,461	656,420
10.676	Forest Legacy Program.....	17,256	-
10.680	Forest Health Protection.....	142,504	7,924
10.683	(d) National Fish and Wildlife Foundation.....	254	-
10.902	Soil and Water Conservation.....	334,656	-
10.912	Environmental Quality Incentives Program.....	280,204	-
10.931	Agricultural Conservation Easement Program.....	259,621	-
	Total U.S. Department of Agriculture.....	3,039,222,425	798,844,695
U.S. Department of Commerce			
11.407	Interjurisdictional Fisheries Act of 1986.....	28,555	28,555
11.419	Coastal Zone Management Administration Awards.....	2,208,165	1,159,392
11.420	Coastal Zone Management Estuarine Research Reserves.....	464,257	81,653
11.611	Manufacturing Extension Partnership.....	2,988,080	2,988,080
11.619	Arrangements for Interdisciplinary Research Infrastructure.....	1,621,887	-
	Total U.S. Department of Commerce.....	7,310,944	4,257,680
U.S. Department of Defense			
12.002	Procurement Technical Assistance for Business Firms.....	496,346	276,309
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services.....	472,477	-
12.401	National Guard Military Operations and Maintenance (O&M) Projects.....	47,270,247	-
12.620	Troops to Teachers Grant Program.....	82,012	-
12.UNKNOWN	(c) 1033 Excess Military Property Program.....	1,950,487	-
12.UNKNOWN	FUSRAP Oversight: Diamond Magnesium Site and Luckey Beryllium Site.....	48,670	-
	Total U.S. Department of Defense.....	50,320,239	276,309
U.S. Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.....	40,150,090	39,081,386
14.231	Emergency Solutions Grant Program.....	5,632,302	5,388,575
14.239	Home Investment Partnerships Program.....	15,131,644	14,288,356
14.241	Housing Opportunities for Persons with AIDS.....	1,398,646	1,389,126
14.267	Continuum of Care Program.....	462,734	409,300
14.275	Housing Trust Fund.....	438,471	261,710

STATE OF OHIO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development (Continued)			
14.401	Fair Housing Assistance Program State and Local.....	1,530,558	-
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing.....	741,426	-
	Total U.S. Department of Housing and Urban Development.....	65,485,871	60,818,453
U.S. Department of the Interior			
<i>Fish and Wildlife Cluster:</i>			
15.605	(a) Sport Fish Restoration.....	859,016	756,701
15.605	Sport Fish Restoration.....	5,260,900	1,195,449
15.611	(a) Wildlife Restoration and Basic Hunter Education.....	414,248	414,248
15.611	Wildlife Restoration and Basic Hunter Education.....	12,615,788	3,600,226
	<i>Total Fish and Wildlife Cluster.....</i>	<i>19,149,952</i>	<i>5,966,624</i>
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining.....	1,557,013	-
15.252	Abandoned Mine Land Reclamation (AMLR).....	11,219,829	-
15.433	Flood Control Act Lands.....	33,418	33,418
15.437	Minerals Leasing Act.....	619	619
15.438	National Forest Acquired Lands.....	73,459	73,459
15.608	Fish and Wildlife Management Assistance.....	1,754,328	1,722,627
15.614	Coastal Wetlands Planning, Protection and Restoration.....	249,000	249,000
15.615	Cooperative Endangered Species Conservation Fund.....	1,108,382	5,615
15.616	Clean Vessel Act.....	186,529	186,529
15.622	Sportfishing and Boating Safety Act.....	614,525	-
15.634	(a) State Wildlife Grants.....	619,316	619,316
15.634	State Wildlife Grants.....	1,080,385	760,619
15.657	Endangered Species Conservation – Recovery Implementation Funds.....	21,854	21,854
15.658	Natural Resource Damage Assessment and Restoration.....	11,060	-
15.662	Great Lakes Restoration.....	570,341	150,150
15.808	(a) U.S. Geological Survey Research and Data Collection.....	120,142	-
15.810	(a) National Cooperative Geologic Mapping.....	45,970	-
15.916	Outdoor Recreation Acquisition, Development and Planning.....	6,771,230	1,400,497
15.980	National Ground-Water Monitoring Network.....	34,716	-
	Total U.S. Department of the Interior.....	45,222,068	11,190,327
U.S. Department of Justice			
16.017	Sexual Assault Services Formula Program.....	484,457	484,457
16.2018-102	Domestic Cannabis Eradication/Suppression Program.....	392,847	-
16.2019-108	Domestic Cannabis Eradication/Suppression Program.....	489	-
16.320	Services for Trafficking Victims.....	314,092	140,066
16.321	Antiterrorism Emergency Reserve.....	105,395	-
16.540	Juvenile Justice and Delinquency Prevention.....	1,272,857	1,042,615
16.550	(a) State Justice Statistics Program for Statistical Analysis Centers.....	56,942	-
16.550	State Justice Statistics Program for Statistical Analysis Centers.....	9,609	-
16.554	National Criminal History Improvement Program (NCHIP).....	384,021	-
16.575	Crime Victim Assistance.....	92,601,679	91,211,969
16.576	Crime Victim Compensation.....	3,299,033	-
16.582	Crime Victim Assistance/Discretionary Grants.....	953,724	197,385
16.585	Drug Court Discretionary Grant Program.....	216,308	87,595
16.588	(a) Violence Against Women Formula Grants.....	11,767	-
16.588	Violence Against Women Formula Grants.....	4,731,009	4,304,021
16.593	(a) Residential Substance Abuse Treatment for State Prisoners.....	210	-
16.593	Residential Substance Abuse Treatment for State Prisoners.....	334,380	288,103
16.606	State Criminal Alien Assistance Program.....	210,154	-
16.609	(a) Project Safe Neighborhoods.....	74,067	70,738
16.609	Project Safe Neighborhoods.....	59,667	33,103
16.710	Public Safety Partnership and Community Policing Grants.....	218,529	-
16.738	(a) Edward Byrne Memorial Justice Assistance Grant Program.....	92,667	45,139
16.738	Edward Byrne Memorial Justice Assistance Grant Program.....	5,125,504	4,717,717
16.741	DNA Backlog Reduction Program.....	965,885	-
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program.....	441,735	198,013
16.745	(a) Criminal and Juvenile Justice and Mental Health Collaboration Program.....	127,313	127,313
16.750	Support for Adam Walsh Act Implementation Grant Program.....	37,684	-
16.751	Edward Byrne Memorial Competitive Grant Program.....	111,714	110,432
16.754	(a) Harold Rogers Prescription Drug Monitoring Program.....	1,811	-
16.754	Harold Rogers Prescription Drug Monitoring Program.....	396,068	60,921
16.812	Second Chance Act Reentry Initiative.....	199,985	-
16.816	John R. Justice Prosecutors and Defenders Incentive Act.....	100,312	-
16.827	Justice Reinvestment Initiative.....	811,828	-
16.828	Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program.....	46,455	21,929
16.831	Children of Incarcerated Parents.....	21,475	-
16.838	Comprehensive Opioid Abuse Site-Based Program.....	8,942	-

STATE OF OHIO
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 BY FEDERAL AGENCY AND FEDERAL PROGRAM
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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Justice (Continued)			
16.922	Equitable Sharing Program.....	2,712,299	-
	Total U.S. Department of Justice.....	116,932,913	103,141,516
U.S. Department of Labor			
<i>Employment Service Cluster:</i>			
17.207	Employment Service/Wagner-Peyser Funded Activities.....	20,791,177	2,310,599
17.801	Disabled Veterans' Outreach Program (DVOP).....	5,980,541	-
17.804	Local Veterans' Employment Representative Program.....	470,019	2,000
	<i>Total Employment Service Cluster.....</i>	<i>27,241,737</i>	<i>2,312,599</i>
<i>WIOA Cluster:</i>			
17.258	WIOA Adult Program.....	27,795,701	23,473,741
17.259	WIOA Youth Activities.....	31,110,283	25,874,737
17.278	WIOA Dislocated Worker Formula Grants.....	25,057,617	17,594,508
	<i>Total WIOA Cluster.....</i>	<i>83,963,601</i>	<i>66,942,986</i>
17.002	Labor Force Statistics.....	2,398,704	-
17.005	Compensation and Working Conditions.....	139,474	-
17.201	Registered Apprenticeship.....	6,203	-
17.225	Unemployment Insurance.....	897,419,377	-
17.225	ARRA -- Unemployment Insurance.....	17,287	-
	<i>Total Unemployment Insurance.....</i>	<i>897,436,664</i>	<i>-</i>
17.235	Senior Community Service Employment Program.....	3,219,090	3,165,247
17.245	Trade Adjustment Assistance.....	14,327,092	390,015
17.271	Work Opportunity Tax Credit Program (WOTC).....	737,006	-
17.273	Temporary Labor Certification for Foreign Workers.....	402,420	-
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants.....	6,891,766	5,474,720
17.283	Workforce Innovation Fund.....	1,776,014	1,498,149
17.285	Apprenticeship USA Grants.....	704,662	-
17.504	Consultation Agreements.....	1,678,966	-
17.600	Mine Health and Safety Grants.....	334,511	-
17.720	Disability Employment Policy Development.....	271,957	-
	Total U.S. Department of Labor.....	1,041,529,867	79,783,716
U.S. Department of Transportation			
<i>Highway Planning and Construction Cluster: (b)</i>			
20.205	(a) Highway Planning and Construction.....	5,801,065	-
20.205	Highway Planning and Construction.....	1,481,004,767	280,313,438
	<i>Total Highway Planning and Construction.....</i>	<i>1,486,805,832</i>	<i>280,313,438</i>
20.219	Recreational Trails Program.....	1,370,010	755,485
23.003	Appalachian Development Highway System.....	19,207,017	-
	<i>Total Highway Planning and Construction Cluster.....</i>	<i>1,507,382,859</i>	<i>281,068,923</i>
<i>Federal Transit Cluster:</i>			
20.500	Federal Transit Capital Investment Grants.....	164,974	91,954
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs.....	2,964,378	2,964,378
	<i>Total Federal Transit Cluster.....</i>	<i>3,129,352</i>	<i>3,056,332</i>
<i>Transit Services Programs Cluster:</i>			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities.....	2,820,579	2,764,167
	<i>Total Transit Services Programs Cluster.....</i>	<i>2,820,579</i>	<i>2,764,167</i>
<i>Highway Safety Cluster:</i>			
20.600	State and Community Highway Safety.....	7,483,918	3,575,199
20.610	State Traffic Safety Information System Improvement Grants.....	127,130	-
20.616	National Priority Safety Programs.....	8,016,413	2,577,653
	<i>Total Highway Safety Cluster.....</i>	<i>15,627,461</i>	<i>6,152,852</i>
20.106	Airport Improvement Program.....	13,000	-
20.200	Highway Research and Development Program.....	2,450,881	-
20.218	Motor Carrier Safety Assistance.....	9,697,413	-
20.232	Commercial Driver's License Program Implementation Grant.....	33,166	-
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements.....	1,009,650	-
20.301	Railroad Safety.....	650,157	-
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research.....	4,039,868	-
20.509	Formula Grants for Rural Areas and Tribal Transit Program.....	36,050,608	33,527,065
20.514	Public Transportation Research, Technical Assistance, and Training.....	26,563	26,563

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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (Continued)			
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program.....	950,438	-
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated.....	1,655,424	1,655,424
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements.....	154,183	-
20.700	Pipeline Safety Program State Base Grant.....	934,220	-
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants.....	459,914	273,134
20.933	National Infrastructure Investments.....	6,401,136	3,105,086
	Total U.S. Department of Transportation.....	1,593,486,872	331,629,546
U.S. Department of Treasury			
21.016	Equitable Sharing.....	389,176	-
	Total U.S. Department of Treasury.....	389,176	-
U.S. Equal Employment Opportunity Commission			
30.EEO45017C0075	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts.....	1,294,135	-
	Total U.S. Equal Employment Opportunity Commission.....	1,294,135	-
General Services Administration			
39.003	(c) Donation of Federal Surplus Personal Property.....	13,141	-
	Total General Services Administration.....	13,141	-
National Aeronautics and Space Administration			
43.001	(d) Science.....	3,000	-
	Total National Aeronautics and Space Administration.....	3,000	-
National Endowment for the Arts			
45.025	Promotion of the Arts Partnership Agreements.....	1,001,284	1,001,284
	Total National Endowment for the Arts.....	1,001,284	1,001,284
Institute of Museum and Library Services			
45.310	Grants to States.....	5,204,522	2,760,550
45.312	National Leadership Grants.....	908	-
	Total Institute of Museum and Library Services.....	5,205,430	2,760,550
U.S. Small Business Administration			
59.037	Small Business Development Centers.....	4,352,702	3,561,072
59.061	State Trade Expansion.....	523,227	523,227
	Total U.S. Small Business Administration.....	4,875,929	4,084,299
U.S. Department of Veteran Affairs			
64.014	Veterans State Domiciliary Care.....	2,472,293	-
64.015	Veterans State Nursing Home Care.....	29,228,106	-
64.V101 (223C) P-5846	State Approving Agency.....	748,661	-
64.VA250-14-S-0096	VA-DVS Pharmacy Option 1.....	449,636	-
	Total U.S. Department of Veteran Affairs.....	32,898,696	-
U.S. Environmental Protection Agency			
<i>Clean Water State Revolving Fund Cluster:</i>			
66.458	Capitalization Grants for Clean Water State Revolving Funds.....	93,264,819	90,357,000
	<i>Total Clean Water State Revolving Fund Cluster.....</i>	<i>93,264,819</i>	<i>90,357,000</i>
<i>Drinking Water State Revolving Fund Cluster:</i>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds.....	28,122,123	25,129,610
	<i>Total Drinking Water State Revolving Fund Cluster.....</i>	<i>28,122,123</i>	<i>25,129,610</i>
66.001	Air Pollution Control Program Support.....	4,777,113	1,522,910
66.032	State Indoor Radon Grants.....	539,303	165,000
66.034	(c) Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act.....	218,262	-
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act.....	957,106	593,017
66.040	State Clean Diesel Grant Program.....	804,482	804,482
66.204	(c) Multipurpose Grants to States and Tribes.....	10,400	-
66.419	Water Pollution Control State, Interstate, and Tribal Program Support.....	5,295,505	-
66.432	State Public Water System Supervision.....	2,896,937	-
66.433	State Underground Water Source Protection.....	267,225	-
66.454	Water Quality Management Planning.....	763,138	308,422
66.460	Nonpoint Source Implementation Grants.....	3,136,497	1,803,144
66.461	Regional Wetland Program Development Grants.....	113,131	-
66.469	Great Lakes Program.....	4,094,303	2,700,485
66.472	Beach Monitoring and Notification Program Implementation Grants.....	206,879	150,734

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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Environmental Protection Agency (Continued)			
66.605	Performance Partnership Grants.....	8,209,853	-
66.608	Environmental Information Exchange Network Grant Program and Related Assistance.....	11,985	-
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals.....	471,402	-
66.801	Hazardous Waste Management State Program Support.....	6,187,024	-
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements.....	637,567	-
66.804	Underground Storage Tank Prevention, Detection and Compliance Program.....	755,493	-
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program.....	1,989,179	-
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements.....	22,719	-
66.817	State and Tribal Response Program Grants.....	716,636	-
66.818	Brownfields Assessment and Cleanup Cooperative Agreements.....	10,283	-
	Total U.S. Environmental Protection Agency.....	164,479,364	123,534,804
U.S. Department of Energy			
81.041	State Energy Program.....	1,451,752	1,302,681
81.042	Weatherization Assistance for Low-Income Persons.....	15,002,569	13,838,013
81.104	Environmental Remediation and Waste Processing and Disposal.....	407,153	88,445
81.136	Long-Term Surveillance and Maintenance.....	125,560	-
81.UNKNOWN	Petroleum Violation Escrow Funds.....	179,011	-
	Total U.S. Department of Energy.....	17,166,045	15,229,139
U.S. Department of Education			
<i>Special Education (IDEA) Cluster:</i>			
84.027	Special Education Grants to States.....	469,547,834	450,135,255
84.173	Special Education Preschool Grants.....	12,588,672	11,860,935
	<i>Total Special Education (IDEA) Cluster.....</i>	<i>482,136,506</i>	<i>461,996,190</i>
84.002	(a) Adult Education - Basic Grants to States.....	1,358,661	1,348,661
84.002	Adult Education - Basic Grants to States.....	13,588,746	13,031,537
84.010	Title I Grants to Local Educational Agencies.....	529,347,710	522,961,938
84.011	Migrant Education State Grant Program.....	2,458,089	2,432,727
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth.....	743,444	101,033
84.048	Career and Technical Education -- Basic Grants to States.....	43,400,207	37,691,431
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States.....	114,024,421	-
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind.....	1,269,384	-
84.181	Special Education-Grants for Infants and Families.....	16,058,913	14,241,468
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs).....	272,889	254,984
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities.....	1,174,643	-
84.196	Education for Homeless Children and Youth.....	2,983,632	2,806,718
84.282	Charter Schools.....	763,868	732,728
84.287	Twenty-First Century Community Learning Centers.....	41,154,177	39,257,597
84.323	Special Education - State Personnel Development.....	1,624,424	1,624,196
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs.....	3,102,463	1,398,964
84.358	Rural Education.....	3,492,885	3,300,185
84.365	English Language Acquisition State Grants.....	10,387,443	10,087,168
84.366	Mathematics and Science Partnerships.....	1,385,545	1,369,337
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants).....	75,478,537	72,480,311
84.369	Grants for State Assessments and Related Activities.....	9,975,563	-
84.371	Comprehensive Literacy Development.....	12,841,794	12,533,821
84.377	School Improvement Grants.....	14,014,378	13,022,857
84.424	Student Support and Academic Enrichment Program.....	25,912,803	25,668,733
84.938	Hurricane Education Recovery.....	6,049,177	6,049,177
	Total U.S. Department of Education.....	1,415,000,302	1,244,391,761
U.S. Election Assistance Commission			
90.401	Help America Vote Act Requirements Payments.....	30	-
90.404	2018 HAVA Election Security Grants.....	2,719,098	1,735,648
	Total U.S. Election Assistance Commission.....	2,719,128	1,735,648
U.S. Department of Health and Human Services			
<i>Aging Cluster:</i>			
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers.....	15,216,118	14,580,294
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services.....	24,985,349	23,552,470
93.053	Nutrition Services Incentive Program.....	7,602,009	7,602,009
	<i>Total Aging Cluster.....</i>	<i>47,803,476</i>	<i>45,734,773</i>

**STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued)			
<i>Health Center Program Cluster:</i>			
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care).....	172,156	-
	<i>Total Health Center Program Cluster.....</i>	<i>172,156</i>	<i>-</i>
<i>TANF Cluster:</i>			
93.558	Temporary Assistance for Needy Families.....	603,540,002	237,547,847
	<i>Total TANF Cluster.....</i>	<i>603,540,002</i>	<i>237,547,847</i>
<i>CCDF Cluster:</i>			
93.575	Child Care and Development Block Grant.....	158,064,471	18,060,205
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund.....	134,894,496	-
	<i>Total CCDF Cluster.....</i>	<i>292,958,967</i>	<i>18,060,205</i>
<i>Medicaid Cluster:</i>			
93.775	State Medicaid Fraud Control Units.....	8,898,476	-
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare.....	27,484,245	-
93.778	Medical Assistance Program.....	17,685,117,186	211,095,727
	<i>Total Medicaid Cluster.....</i>	<i>17,721,499,907</i>	<i>211,095,727</i>
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation.....	226,523	226,523
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals.....	676,930	211,808
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services.....	943,898	923,898
93.051	Alzheimer's Disease Demonstration Grants to States.....	113,943	113,805
93.052	National Family Caregiver Support, Title III, Part E.....	6,776,302	6,590,601
93.069	Public Health Emergency Preparedness.....	142,210	-
93.070	Environmental Public Health and Emergency Response.....	510,994	150,334
93.071	Medicare Enrollment Assistance Program.....	880,111	364,185
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements.....	25,919,194	18,868,812
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance.....	78,900	-
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants.....	207,968	-
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program.....	1,517,898	-
93.103	Food and Drug Administration Research.....	547,769	-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED).....	2,766,776	2,241,705
93.110	Maternal and Child Health Federal Consolidated Programs.....	121,179	-
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs.....	1,040,629	33,786
93.127	Emergency Medical Services for Children.....	126,674	-
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices.....	51,678	-
93.136	Injury Prevention and Control Research and State and Community Based Programs.....	6,189,040	3,095,893
93.150	Projects for Assistance in Transition from Homelessness (PATH).....	1,971,251	1,897,346
93.165	Grants to States for Loan Repayment Program.....	493,950	-
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children.....	292,208	-
93.217	Family Planning Services.....	4,225,605	3,473,052
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program.....	2,536,245	2,511,771
93.236	Grants to States to Support Oral Health Workforce Activities.....	27,105	-
93.240	State Capacity Building.....	573,601	-
93.241	State Rural Hospital Flexibility Program.....	82,214	-
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance.....	8,034,653	6,875,834
93.251	Universal Newborn Hearing Screening.....	273,228	-
93.262	Occupational Safety and Health Program.....	168,150	-
93.268	(c) Immunization Cooperative Agreements.....	134,166,829	-
93.268	Immunization Cooperative Agreements.....	7,126,958	3,062,317
93.270	Viral Hepatitis Prevention and Control.....	336,126	52,000
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance.....	321,618	-
93.301	Small Rural Hospital Improvement Grant Program.....	213,570	213,570
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF).....	954,990	236,508
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program.....	155,638	-
93.322	CSELS Partnership: Strengthening Public Health Laboratories.....	24,174	-
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).....	3,720,250	52,778
93.324	State Health Insurance Assistance Program.....	1,677,808	-
93.336	Behavioral Risk Factor Surveillance System.....	312,232	-

**STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued)			
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response.....	2,272,637	2,112,807
93.369	ACL Independent Living State Grants.....	3,947,358	-
93.421	(d) Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health.....	19,250	19,250
93.424	(d) NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations.....	31,433	14,337
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke.....	1,011,847	-
93.434	Every Student Succeeds Act/Preschool Development Grants.....	254,337	200,000
93.439	State Physical Activity and Nutrition (SPAN).....	104,268	-
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers.....	264,611	7,383
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF.....	142,484	-
93.556	Promoting Safe and Stable Families.....	15,856,277	7,989,852
93.563	Child Support Enforcement.....	142,529,657	141,206,655
93.564	Child Support Enforcement Research.....	323,728	322,068
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs.....	6,327,199	11,154
93.568	Low-Income Home Energy Assistance.....	139,570,050	134,320,395
93.569	Community Services Block Grant.....	23,707,673	22,302,216
93.576	Refugee and Entrant Assistance Discretionary Grants.....	211,110	-
93.584	Refugee and Entrant Assistance Targeted Assistance Grants.....	740,649	-
93.586	State Court Improvement Program.....	690,434	322,806
93.590	Community-Based Child Abuse Prevention Grants.....	779,978	-
93.597	Grants to States for Access and Visitation Programs.....	349,592	-
93.598	(a) Services to Victims of a Severe Form of Trafficking.....	6,813	-
93.598	Services to Victims of a Severe Form of Trafficking.....	233,894	208,206
93.599	Chafee Education and Training Vouchers Program (ETV).....	1,995,160	-
93.600	Head Start.....	235,898	60,150
93.603	Adoption and Legal Guardianship Incentive Payments.....	547,212	-
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance.....	13,731,314	666,288
93.630	Developmental Disabilities Basic Support and Advocacy Grants.....	2,799,232	1,217,341
93.634	Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals.....	1,168,167	415,016
93.643	Children's Justice Grants to States.....	309,245	-
93.645	Stephanie Tubbs Jones Child Welfare Services Program.....	13,540,506	7,716,210
93.658	Foster Care Title IV-E.....	246,812,890	39,788,833
93.659	Adoption Assistance.....	180,391,486	84,598,217
93.667	Social Services Block Grant.....	118,797,117	102,006,105
93.669	Child Abuse and Neglect State Grants.....	673,171	-
93.670	Child Abuse and Neglect Discretionary Activities.....	149,215	149,215
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services.....	2,962,968	2,820,067
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood.....	3,989,493	3,590,346
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	81,486	-
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	607,586	-
93.747	Elder Abuse Prevention Interventions Program.....	26,543	-
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds.....	361,362	220,584
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program.....	305,626	130,039
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF).....	1,911,528	979,717
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF).....	3,120,349	1,639,628
93.767	Children's Health Insurance Program.....	582,112,622	7,046,579
93.773	Medicare Hospital Insurance.....	13,218,697	-
93.774	Medicare Supplementary Medical Insurance.....	627,137	-
93.788	Opioid STR.....	31,813,489	25,859,196
93.791	Money Follows the Person Rebalancing Demonstration.....	48,227,720	-
93.810	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion.....	774,095	193,214
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).....	914,278	-
93.817	(d) Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities.....	926,789	392,610
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program.....	7,315,162	6,132,986
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations.....	3,845,336	1,115,298

STATE OF OHIO
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued)			
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program.....	517,631	-
93.913	Grants to States for Operation of State Offices of Rural Health.....	200,044	-
93.917	HIV Care Formula Grants.....	28,066,090	3,532,455
93.940	HIV Prevention Activities Health Department Based.....	6,908,220	3,865,425
93.945	Assistance Programs for Chronic Disease Prevention and Control.....	85,362	-
93.958	Block Grants for Community Mental Health Services.....	19,636,332	17,388,576
93.959	Block Grants for Prevention and Treatment of Substance Abuse.....	63,849,034	60,270,838
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants.....	3,064,681	1,156,195
93.991	Preventive Health and Health Services Block Grant.....	3,935,384	2,196,209
93.994	Maternal and Child Health Services Block Grant to the States.....	21,715,196	7,708,406
93.HHSF223201710028C	Mammography Quality Standard Act Inspection.....	335,008	-
	Total U.S. Department of Health and Human Services.....	20,654,482,667	1,255,527,950
Corporation for National and Community Service			
94.003	State Commissions.....	546,596	41,651
94.006	AmeriCorps.....	7,226,109	7,126,722
94.009	Training and Technical Assistance.....	229,860	26,706
94.021	Volunteer Generation Fund.....	79,357	-
	Total Corporation for National and Community Service.....	8,081,922	7,195,079
Social Security Administration			
<i>Disability Insurance/SSI Cluster:</i>			
96.001	Social Security Disability Insurance.....	72,425,998	-
	<i>Total Disability Insurance/SSI Cluster.....</i>	<i>72,425,998</i>	<i>-</i>
	Total Social Security Administration.....	72,425,998	-
U.S. Department of Homeland Security			
97.008	Non-Profit Security Program.....	202,729	202,729
97.012	Boating Safety Financial Assistance.....	4,584,023	844,575
97.023	Community Assistance Program State Support Services Element (CAP-SSSE).....	126,422	-
97.029	Flood Mitigation Assistance.....	795,849	685,959
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	26,301,065	25,958,068
97.039	Hazard Mitigation Grant.....	392,453	327,169
97.041	National Dam Safety Program.....	139,743	-
97.042	Emergency Management Performance Grants.....	10,987,965	7,186,496
97.043	State Fire Training Systems Grants.....	17,311	-
97.047	Pre-Disaster Mitigation.....	1,737,014	1,523,469
97.056	Port Security Grant Program.....	25,246	-
97.067	Homeland Security Grant Program.....	8,539,340	6,217,522
97.082	Earthquake Consortium.....	2,075	-
97.091	Homeland Security Biowatch Program.....	262,841	-
	Total U.S. Department of Homeland Security.....	54,114,076	42,945,987
	TOTAL EXPENDITURES	\$ 28,393,661,492	\$ 4,088,348,743

- (a) These programs are a part of the Research and Development Cluster, as defined by OMB Uniform Guidance. See Note 3 to the Supplementary Schedule of Expenditures of Federal Awards.
- (b) This cluster encompasses the U.S. Department of Transportation's federal programs CFDA# 20.205 and CFDA# 20.219 and the U.S. Appalachian Regional Commission's federal program CFDA# 23.003. In accordance with OMB Uniform Guidance, CFDA# 23.003 has been included as part of the U.S. Department of Transportation's programs and excluded from the U.S. Appalachian Regional Commission's programs.
- (c) These programs receive non-cash assistance, as defined by OMB Uniform Guidance. See Note 2 to the Supplementary Schedule Awards of Expenditures of Federal Awards.
- (d) These programs receive assistance from non-federal entities. The table below represents the amounts expended with funding received from the non-federal entities.

CFDA Number	Program Title	Pass-Through Entity	Pass-through Entity Identifying Number	Expenditures	Amount Provided to Subrecipients
10.664	* Cooperative Forestry Assistance.....	Slow the Spread Foundation	18-01-08	\$ 723,975	\$ -
10.683	National Fish and Wildlife Foundation.....	National Fish and Wildlife Foundation	0407.17058236	254	-
43.001	Science.....	Space Science Institute	CON 00949	3,000	-
93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health.....	National Association of Chronic Disease Directors Association	221-1500-1	19,250	19,250
93.424	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations.....	National Association of Chronic Disease Directors Association	105-1500-5	31,433	14,337
93.817	* Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities.....	Ohio Hospital Association	U3REP150529	95,610	-

* - The State of Ohio receives a direct federal award under this same CFDA number in addition to receiving the subaward from another entity.

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**STATE OF OHIO
NOTES TO THE SUPPLEMENTARY SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Title 2 Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) require a Supplementary Schedule of Expenditures of Federal Awards (Supplementary Schedule). The State of Ohio reports this information using the following presentations:

- Supplementary Schedule of Expenditures of Federal Awards Summarized by Federal Agency
- Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program

1. Federal Financial Assistance

The Supplementary Schedules report the federal financial assistance for the State of Ohio. Federal financial assistance is defined in the Uniform Guidance as assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contribution or donations of property, direct appropriations, food commodities, loans, loan guarantees, interest subsidies, insurance, and other financial assistance.

2. Catalog of Federal Domestic Assistance

The *Catalog of Federal Domestic Assistance* (CFDA) is a government-wide compendium of individual federal financial assistance programs. Programs are assigned a five-digit program identification number (CFDA Number) and program name. The schedules report total disbursements for each federal financial assistance program, as listed in the CFDA. The State of Ohio reports each federal financial assistance program not officially assigned a CFDA number with a two-digit number that identifies the federal grantor agency number followed by a federal contract number, grant number, or 'UNKNOWN', when applicable.

3. Cluster of Programs

Closely related programs that share a common compliance requirement are considered a cluster of programs. OMB identifies those programs that comprise a program cluster. The Supplementary Schedules present federal financial assistance by cluster preceding individual programs. The Research and Development (R&D) Cluster is presented by Federal Agency and Federal Program within the Supplementary Schedule. Refer to NOTE 3 to see a consolidated view of the Federal Programs comprising the R&D Cluster.

B. Reporting Entity

The Supplementary Schedules include all federal programs the State of Ohio has administered for the fiscal year ended June 30, 2019. The State's financial reporting entity includes the primary government and its component units.

The State of Ohio's primary government includes all funds, account groups, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.



**STATE OF OHIO
 NOTES TO THE SUPPLEMENTARY SCHEDULE
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 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial accountability is defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 61 *The Financial Reporting Entity: Omnibus*. The financial accountability of a primary government for a legally separate organization is set forth in two ways as follows:

- the primary government appoints the voting majority of the organization’s governing body, and the primary government is able to impose its will upon the component unit or there is a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- the component unit is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The State has excluded federal financial assistance reported in the Discretely Presented Component Units from the Supplementary Schedules. If applicable, the respective schedules of expenditures of federal awards for the following organizations, which constitute component units of the State since they impose or potentially impose financial burdens on the primary government, are subject to separate audits under the Uniform Guidance.

Discretely Presented Component Units:

State Universities:

- Bowling Green State University
- Central State University
- Cleveland State University
- Kent State University
- Miami University
- Northeast Ohio Medical University
- Ohio State University
- Ohio University
- Shawnee State University
- University of Akron
- University of Cincinnati
- University of Toledo
- Wright State University
- Youngstown State University

State Community Colleges:

- Cincinnati State Community College
- Clark State Community College
- Columbus State Community College
- Edison State Community College
- Northwest State Community College
- Owens State Community College
- Southern State Community College
- Terra State Community College
- Washington State Community College

Other Discretely Presented Component Units:

- Ohio Air Quality Development Authority – N/A
- Jobs Ohio – N/A
- Ohio Turnpike and Infrastructure Commission – N/A

C. Basis of Accounting

The State prepares the Supplementary Schedules on the cash basis of accounting; therefore, the State recognizes expenditures when paid rather than when it incurs obligations.

1. Direct Costs

Direct costs are those made for the benefit of one federal program and are allocable to that program. The State recognizes direct costs as disbursements in the Supplementary Schedules.

2. Indirect Costs

Indirect costs benefit more than one federal program and are not directly allocable to the programs receiving the benefits. The State recovers these costs from the federal government by applying federally approved indirect cost rates or by allocating the indirect costs among benefiting programs in accordance with federally approved plans. Those entities that have not received a negotiated indirect cost rate from their federal cognizant agency may



**STATE OF OHIO
NOTES TO THE SUPPLEMENTARY SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

elect to use the 10% *de minimus* indirect cost rate, if the program permits such application. The State recognizes indirect costs as disbursements in the Supplementary Schedules. The State only applies the 10% *de minimus* indirect cost rate for the *National Cooperative Geologic Mapping (CFDA 15.810)* program and the *National Ground-Water Monitoring Network (CFDA 15.980)* program.

3. Intrastate Activity Elimination

The State excludes intrastate disbursements of federal moneys among State agencies to avoid the overstatement of federal financial assistance reported on the Supplementary Schedules.

NOTE 2 NON-CASH FEDERAL ASSISTANCE PROGRAMS

The State participated in several federal programs in which non-cash benefits were provided through the state to eligible program participants. These include:

- *National School Lunch Program (CFDA# 10.555)*

A portion of the federal assistance for this program represents the value of food the State distributes to subrecipients during the fiscal year. The U.S. Department of Agriculture assigns the prices at which the State values donated food commodities. The Supplementary Schedules include food commodity distributions of \$59,916,042. The outstanding inventory balance for food commodities as of June 30, 2019, was \$10,386,842.

- *1033 Excess Military Property (CFDA# 12.UNKNOWN)*

Federal assistance for this program represents the fair market value of donated federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair value at 22.47 percent of the property's original costs, in conformity with guidelines the U.S. General Services Administration establishes in conjunction with the U.S. Department of Defense. The Supplementary Schedules include surplus property distributions of \$1,950,487.

- *Donation of Federal Surplus Personal Property (CFDA# 39.003)*

Federal assistance for this program represents the fair market value of federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair value at 22.47 percent of the property's original acquisition costs, in conformity with guidelines the U.S. General Services Administration establishes. The Supplementary Schedules include surplus property distributions of \$13,141.

- *Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act (CFDA# 66.034)*

A portion of the federal assistance for this program represents the value of in-kind assistance the State used during the fiscal year. The U.S. Environmental Protection Agency determines the cost of the in-kind services and supplies provided to the State. The in-kind services and supplies are for specialized lab analysis of particulate matter in air sampling filters, the auditing of the air sampling monitors, and the supplying of filters for air monitors. The Supplementary Schedules include in-kind assistance, as of June 30, 2019, in the amount of \$218,262.

- *Multipurpose Grants to States and Tribes (CFDA# 66.204)*

A portion of the federal assistance for this program represents the value of in-kind assistance the State used during the fiscal year. The U.S. Environmental Protection Agency determines the cost of the in-kind services and supplies provided to the State. The in-kind services and supplies are for specialized lab analysis of particulate matter in air sampling filters, the supplying of the air filters and for shipping charges. The Supplementary Schedules include in-kind assistance, as of June 30, 2019, in the amount of \$10,400.



**STATE OF OHIO
 NOTES TO THE SUPPLEMENTARY SCHEDULE
 OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 NON-CASH FEDERAL ASSISTANCE PROGRAMS (Continued)

• *Immunization Cooperative Agreements (CFDA# 93.268)*

A portion of the federal assistance for this program represents the value of immunizations distributed, in lieu of cash, directly to the State and/or on behalf of the State to vaccinating providers. The U.S. Department of Health and Human Services determined the value of vaccines received during fiscal year 2019 to be \$134,166,829 which is included in the Supplementary Schedules. The outstanding inventory balance for immunizations as of June 30, 2019, was \$11,100,388.

NOTE 3 RESEARCH AND DEVELOPMENT CLUSTER

The State has reported the following federal programs under the Research and Development Cluster on the Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program.

CFDA #	Federal Program Title	Total Expenditures	Amount Provided to Subrecipients
15.605	Sport Fish Restoration.....	\$ 859,016	\$ 756,701
15.611	Wildlife Restoration and Basic Hunter Education.....	414,248	414,248
15.634	State Wildlife Grants.....	619,316	619,316
15.808	U.S. Geological Survey Research and Data Collection.....	120,142	-
15.810	National Cooperative Geologic Mapping.....	45,970	-
16.550	State Justice Statistics Program for Statistical Analysis Centers.....	56,942	-
16.588	Violence Against Women Formula Grants.....	11,767	-
16.593	Residential Substance Abuse Treatment for State Prisoners.....	210	-
16.609	Project Safe Neighborhoods.....	74,067	70,738
16.738	Edward Byrne Memorial Justice Assistance Grant Program.....	92,667	45,139
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program...	127,313	127,313
16.754	Harold Rogers Prescription Drug Monitoring Program.....	1,811	-
20.205	Highway Planning and Construction.....	5,801,065	-
84.002	Adult Education - Basic Grants to States.....	1,358,661	1,348,661
93.598	Services to Victims of a Severe Form of Trafficking.....	6,813	-
	Total Research and Development Cluster.....	\$ 9,590,008	\$ 3,382,116



**STATE OF OHIO
 NOTES TO THE SUPPLEMENTARY SCHEDULE
 OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2019, the State made allowable transfers of approximately \$65.1 million from the Temporary Assistance for Needy Families (93.558) program to the Social Services Block Grant (93.667) program. The Supplementary Schedule shows the State spent approximately \$603.5 million on the Temporary Assistance for Needy Families program. The amount reported for the Temporary Assistance for Needy Families program on the Supplementary Schedule excludes the amount transferred to the Social Services Block Grant program. The amount transferred to the Social Services Block Grant program is included in the federal program expenditures for this program. The following table shows the gross amount drawn for the Temporary Assistance for Needy Families program during fiscal year 2019 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families.....	\$ 668,610,559
Social Services Block Grant.....	<u>(65,070,557)</u>
Total Temporary Assistance for Needy Families...	<u>\$ 603,540,002</u>

NOTE 5 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009 GRANTS

The State has reported the following federal ARRA program on the Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program.

CFDA #	Federal Program Title	Total Expenditures	Amount Provided to Subrecipients
17.225	ARRA -- Unemployment Insurance.....	\$ 17,287	\$ -
	Total ARRA Grants.....	\$ 17,287	\$ -

NOTE 6 UNEMPLOYMENT INSURANCE – CFDA 17.225

The unemployment compensation system is a unique federal-state partnership, founded upon federal law, but implemented through state law. As prescribed by the U.S. Department of Labor in consultation with the Office of Management and Budget, certain state monies, in addition to federal monies, were considered federal awards for determining Type A programs, and were included in the Schedule of Expenditures of Federal Awards. The amount presented in the schedule consists of the following:

Non-Federal Unemployment Compensation Benefits.....	\$ 805,443,791
Federal Unemployment Compensation Benefits.....	13,822,211
Federal Administrative Costs	<u>78,170,662</u>
Total Expenditures.....	<u>\$ 897,436,664</u>

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**STATE OF OHIO
JULY 1, 2018 THROUGH JUNE 30, 2019
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

2 CFR § 200.515

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified and Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs	See pages 38 through 41
(d)(1)(viii)	Dollar Threshold: Type A/Type B Programs	A: >\$42,590,492 B: >\$10,647,623
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

The State's responses to our findings related to the financial statements are described in the accompanying Officials' Response on pages 125 through 130.

1. PUBLIC ASSISTANCE ELIGIBILITY¹

Finding Number	2019-001
State Agencies	Ohio Department of Medicaid (MCD) Ohio Department of Administrative Services (DAS) Ohio Department of Job & Family Services (JFS)
State Agency Numbers	MCD-01, DAS-01, JFS-01

NONCOMPLIANCE (MEDICAID) AND MATERIAL WEAKNESS (MEDICAID AND SNAP)

The State of Ohio provides public assistance to Ohioans who qualify through the Medicaid Cluster and Supplemental Nutrition Assistance Program Cluster (SNAP) programs which have material transactions reported in the General and Job, Family, and Other Human Services opinion units in the State of Ohio's financial statements. Funding for these programs, which are governed by many state and federal rules and regulations, is shared between the state and federal governments. These rules and regulations (defined at the end of this comment for Medicaid) include ensuring the eligibility of recipients for these programs and maintaining appropriate documentation to support these eligibility determinations and the resulting payments to or on behalf of eligible recipients. It is management's responsibility to implement sufficient controls, systems, processes, and procedures to reasonably ensure the State of Ohio is in compliance with the rules and regulations associated with these programs and only eligible recipients receive benefits.

¹ Findings 2019-005, 2019-017, and 2019-022, starting on pages 48, 73, and 89, detail noncompliance and weaknesses in internal control for each related major federal program at each related state agency.

**STATE OF OHIO
JULY 1, 2018 THROUGH JUNE 30, 2019
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1. PUBLIC ASSISTANCE ELIGIBILITY (Continued)

During state fiscal year (SFY) 2019, the State of Ohio disbursed a combined total of \$21.3 billion in public assistance payments related to the following programs:

Federal Program	Benefits Paid	# of Recipients *
93.775/93.777/93.778 – Medicaid Cluster	\$19,310,986,073	2,650,450
10.551/10.561 – SNAP Cluster	\$ 2,008,412,067	1,379,247
Combined Total	\$21,319,398,140	
* We did not separately identify recipients who could be covered under both programs		

The State of Ohio uses a multi-agency approach to administer these programs, as follows: overall compliance and administration of the Medicaid Cluster falls under the Ohio Department of Medicaid, overall compliance and administration of the SNAP Cluster falls under the Ohio Department of Job & Family Services (ODJFS), and programming and administration of the State’s eligibility determination computer system, Ohio Benefits, falls under the Ohio Department of Administrative Services. The Ohio Benefits system was first implemented for Medicaid in SFY 2014; SNAP was added in August 2018. The State also utilizes the 88 Ohio counties in the eligibility determination process to work with applicants, receive/enter eligibility documentation into the State’s system, and follow up on alerts issued by the system.

Currently, individuals applying to receive public assistance benefits complete an application through one of several input locations including the Ohio Benefits Self-Service Portal, the Federally-Funded Marketplace, Social Security, County Departments of Job & Family Services (CDJFS) offices; the Medicaid Consumer Hotline (the Hotline starts the application and sends to the CDJFS to complete); and, paper applications that are sent to the CDJFS. When applying, the CDJFS collects and maintains any documentation provided by the individual either in a paper case file or in the OnBase Electronic Documentation Management System (EDMS) maintained under contract by the Ohio Department of Administrative Services. After collecting documentation, the county caseworker enters the individual’s information into the Ohio Benefits system which determines the initial eligibility benefit amount, where applicable. This process is also used to perform eligibility redeterminations on an annual basis or when prompted through a system alert. The Ohio Benefits system is programmed with the State Plan recipient eligibility requirements to determine whether the recipient is eligible to receive the related program benefits based on the information entered by the recipient or caseworker and also assigns a benefit aid category. Once the determination is made, the Ohio Benefits system uploads the eligibility information to the MCD or ODJFS payment system to process the payment.

During SFY 2019, we noted the following weaknesses in the eligibility process:

- Alerts – The Ohio Benefits system is designed to issue alerts to county caseworkers for a variety of items which require review, evaluation, follow-up, and a determination about the impact on the related case and/or program benefits. During SFY 2019, more than 16.9 million alerts were issued according to DAS records (5.9 million related to Income Eligibility Verification Systems (IEVS) alerts and 11 million to non-IEVS alerts). This created an overwhelming volume of information being sent to the counties resulting in an unmanageable workload and ineffective application of the alert process. As a result of the extremely high number of alerts and defects detected (see below) in the Ohio Benefits system, ODJFS suspended their Fraud Control Triad Reviews until the defects can be corrected.
- Overwriting – the Ohio Benefits system maintains several pieces of key information related to a recipient’s eligibility (income, household size, age, etc.). If new or updated information is identified, the county caseworker is expected to add this information to the system. Based on our testing, in many cases, the caseworker is replacing/overwriting the existing information with new information instead of adding this new data to the case record. However, there is no system warning or other control in place to identify or prevent this overwrite. In addition, a system defect (see below) prevents caseworkers from viewing the previous case information.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

1. PUBLIC ASSISTANCE ELIGIBILITY (Continued)

- Caseworker Reliance/Training – The current process relies heavily on the knowledge and judgement of county caseworkers in the eligibility process. Although on-line job aids are made available and various trainings are provided by the state agencies for these caseworkers, this training is typically optional and/or attended by a representative of the county who is expected to relay the information to others.
- Multi-program Info – There are certain pieces of key information (i.e. name, income, age, etc.) maintained in the Ohio Benefits system which impact all public assistance programs. However, due in part to the complexities/variations of the requirements for each federal program, the system currently does not link this information between programs. Therefore, the county caseworker must manually adjust each affected program separately when a change occurs.
- System Design Weaknesses/Defects – Our testing and inquiry with both State and county personnel identified the following system design weaknesses or defects in the Ohio Benefits system:
 - Alerts:
 - Multiple and repetitive alerts (redundancy).
 - Irrelevant alerts (zero or small dollar amounts).
 - Additional steps required to complete an alert (having to leave the alert window, opening an Ohio Benefits window, and then having to go back through the Alert Inventory to clear the alert).
 - Alerts being received on persons not receiving public assistance.
 - Other defects identified in the system for eight of 80 (10%) Medicaid recipients selected for testing. Of these eight cases:
 - Three required additional caseworker procedures be performed to properly complete parts of the eligibility determination process.
 - One was not populated with the proper benefit aid category/program block to test eligibility against based on the information entered into the system. This created a situation that required a caseworker override. However, the caseworker did not identify this and the recipient's income was evaluated using the wrong aid category threshold.
 - Four didn't allow the caseworker to sufficiently view all relevant audit/case history when income overrides occurred.

In addition, we noted the following Medicaid compliance errors related to eligibility in our testing of 80 Medicaid recipients:

- Nine (11.3%) recipients were not eligible to receive benefits on the date services were performed. Since Ohio Benefits is the State's official eligibility determination system, these items will result in questioned costs for all claims paid for services provided for these individuals during the time they were ineligible totaling \$27,910 in the State's Single Audit (see finding number 2019-022).
- 12 (15%) recipients were not placed in the correct benefit aid category. Nine of these individuals are included above and were deemed ineligible. For the other three recipients, although their age and/or income deemed them to be in the incorrect benefit aid category, they were qualified to be placed in another benefit aid category; therefore the eligibility of the recipient was not questioned. The revised benefit aid category did not affect the Federal Medical Assistance Percentage (FMAP) used to draw down funds from the federal government for the recipient.
- 26 (32.5%) recipient cases either did not contain adequate documentation (in Ohio Benefits, EDMS, or the CDJFS case files) to support the Department's decision on the recipient's eligibility or incorrect recipient information was entered into Ohio Benefits. However, based on additional information we obtained from other sources, the recipient was still eligible.

**STATE OF OHIO
JULY 1, 2018 THROUGH JUNE 30, 2019
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

1. PUBLIC ASSISTANCE ELIGIBILITY (Continued)

- Eight (10%) recipient cases had an untimely eligibility redetermination. The redeterminations ranged from four to 263 days beyond the allowed 45 day processing period, with an average of 139 days late.

Without proper controls for entering, processing, and maintaining recipient information and system alerts, there is an increased risk that benefits paid to or on behalf of recipients will be inaccurate or unallowable. This risk is substantially increased if the State's eligibility determination system, Ohio Benefits, contains design or operational flaws that could impact a recipient's eligibility and, as a result, could have a material impact on the amounts reported in the State of Ohio's financial statements. These defects could allow undue subjective decisions, jeopardize accurate eligibility processing, and/or result in improper payments or federal reimbursements. Furthermore, without an effective process in place to ensure eligibility is being redetermined timely when required, the risk is also increased that a recipient's benefit amount or aid category has changed or they are ineligible to receive benefits. Overpayments or payments to or on behalf of ineligible recipients may subject the Department to penalties or sanctions which may jeopardize future funding and limit its ability to fulfill program requirements to provide benefits to those in need. In addition, control weaknesses identified also impact other public assistance programs administered by these state agencies not material to the financial statements, which will be addressed in the State of Ohio's Single Audit. Based on discussions with management, human error and systemic issues led to the issues identified.

We recommend management of the State of Ohio and the related state agencies work collectively to implement/update robust processes, procedures, and system programming to address the weaknesses in the overall eligibility process, including those associated with the Ohio Benefits system. These changes/updates should include, but not be limited to:

- Redesigning the alert process to be more effective and efficient. This could include a more centralized evaluation of alert activity and/or better use of automated tools to vet and prioritize items requiring follow-up. This would allow agency level personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both State and county personnel.
- Implementing program changes to address the system design weaknesses/defects identified above, including the issues with overwriting data and making all data stored in the system available/viewable by users. Program changes which could directly impact the eligibility determinations or benefit amounts should be given the highest priority by the State and corrected in a timely manner to prevent and detect further improper payments.
- Creating a centralized database of recipient information shared among multiple public assistance programs, or otherwise linking this information so that a change only has to be entered once in Ohio Benefits and all programs are updated accordingly.
- Require mandatory training for all CDJFS employees who are entering the assistance group information into Ohio Benefits to help ensure proper and complete information is being collected, entered, and verified prior to an individual's eligibility determination being made. The State should provide this training initially to ensure all users are knowledgeable of the process, procedures, and impacts of the work they do. As changes occur to the rules/regulations, system, or process, detailed training should be required of all users on those changes.
- Regularly evaluate selected benefit payments for all programs to verify the recipient's eligibility, verify the recipient information entered into Ohio Benefits by the CDJFS is accurate and the information is being maintained to support the State's eligibility decision, and ensure redeterminations are completed timely. Any problems noted should be promptly corrected to reduce the risk of benefit payments being made on behalf of ineligible individuals and additional training provided to the State and/or county employees affected.

**STATE OF OHIO
JULY 1, 2018 THROUGH JUNE 30, 2019
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

1. PUBLIC ASSISTANCE ELIGIBILITY (Continued)

Compliance References – Medicaid

42 C.F.R. Part 435.10 Subpart A, State Plan requirements, states:

A State plan must---

- (a) Provide that the requirements of this part are met; and
- (b) Specify the groups to whom Medicaid is provided, as specified in subparts B, C, and D of this part, and the conditions of eligibility for individuals in those groups.

42 C.F.R. Part 435.914, Case documentation, states in part:

- (a) The agency must include in each applicant's case record facts to support the agency's decision on his application.

42 C.F.R. Part 435.916, Periodic renewal of Medicaid eligibility, states in part:

- (a) *Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).* (1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months. . .
- (b) *Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income.* The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income . . . for circumstances that may change, at least every 12 months.

The Medicaid State Plan outlines the specific eligibility conditions and standards within Sections 2.2 – Coverage and Conditions of Eligibility and 2.6 A – Financial Eligibility, Eligibility Conditions and Requirements. Furthermore, it is management's responsibility to implement policies and procedures to provide reasonable assurance only individuals who meet all of the eligibility criteria are able to receive benefits.

2. MEDICAID/CHIP – DRUG REBATE MONITORING

<i>Finding Number</i>	2019-002
<i>State Agency</i>	Ohio Department of Medicaid
<i>State Agency Number</i>	MCD-02

NONCOMPLIANCE AND MATERIAL WEAKNESS

Finding Number 2019-024, MEDICAID/CHIP – DRUG REBATE MONITORING, detailed on page 100, describes noncompliance and weaknesses in the Ohio Department of Medicaid's (MCD) process for monitoring the third party administrator (TPA) contracted to perform the processing and collection of rebates due to the State of Ohio from drug manufacturers as required by federal Medicaid Cluster and Children's Health Insurance Program (CHIP) program rules and regulations. We believe this finding also represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**STATE OF OHIO
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3. OAKS SUPPLIER RECORD INTEGRITY AND ACCESS

Finding Number

2019-003

State Agency

Ohio Office of Budget and Management

State Agency Number

OBM-01

SIGNIFICANT DEFICIENCY

The supplier table is a foundational element of an accounts payable process and contains vital information about the vendors the government does business with. This file generally includes vendor names, addresses, contact information, tax identification numbers, and banking information. Changes and additions to supplier data and accounts must be approved and completed only by authorized personnel. Changes and additions must also represent actual valid suppliers. Access to the supplier table data must be appropriately restricted and monitored by authorized agency management.

The Ohio Administrative Knowledge System (OAKS) is a statewide enterprise resource planning (ERP) application that integrates five major statewide business functions: capital improvements, financials, fixed assets, human resources, and procurement for all state agencies, boards, and commissions. Any individual or entity receiving payments from the State of Ohio is defined as a supplier in OAKS. OAKS non-payroll expenditures are categorized by voucher type; single pay (one time payments and payments generated via an agency interface file) or general (all other payments). General vouchers represent approximately 60% of all Non-payroll expenditures. Only general voucher non-payroll expenditures access the supplier file to obtain payment information.

OBM Shared Services personnel complete additions or changes to the supplier file based on documented requests submitted from suppliers. Only authorized users are permitted to add, update, or maintain supplier records in the OAKS application. The OAKS application uses a role-based security model where security roles are intermediate objects that link user profiles to permission lists. Multiple roles can be assigned to a user profile. During the audit period, there were 6,456 additions or modifications to individual supplier records. However, one of 22 (4.5%) supplier record additions and changes tested was not supported by documentation to show there was an appropriate level of approval for the addition/change. In addition, of the 47 individual users with one or more of the access roles to update supplier information, one user had four roles that were not required for performance of their job duties.

Additional testing did not identify any purchase orders or payments associated with the unauthorized supplier and we confirmed the Department inactivated the supplier record in OAKS subsequent to our fieldwork. Access for the user account with inappropriate supplier roles was also removed subsequent to our fieldwork.

Effective maintenance of the supplier table is essential in order to avoid unauthorized or inappropriate activity, prevent duplicate payments, and reduce inefficiencies. Inaccurate, incomplete, or unauthorized vendor records could have a negative effect on processing vendor payments and may increase the risk of fraud or abuse. An OAKS test environment is available for performing scenario and transaction testing outside of the production environment. Management indicated the supplier record was a test supplier which was entered into the production environment to conduct end-to-end testing prior to go-live of a system update. The unneeded roles were added for a user who was working on the development of an application for the supplier module. Management indicated the user was not aware of the role access and had never logged in or utilized it.

We recommend controls be implemented to help ensure only actual approved state suppliers are entered into the production supplier table. These controls should include but not be limited to periodic monitoring and review of supplier table changes/additions, and/or management review and approval of all supplier changes/additions made to the production supplier table. We also recommend management perform a periodic review of critical role access to the supplier table to help ensure only authorized individuals have access to update vendor information. Access reviews should be performed at least annually and unneeded roles should be reduced or removed immediately upon detection.

**STATE OF OHIO
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

The findings and questioned costs are summarized by state agency and type on pages 42 through 44.

The questioned costs are summarized by federal agency, program, and amount on page 45.

The findings and questioned costs are detailed by state agency on pages 46 through 128.

The State's responses to our noncompliance findings and findings on internal control over compliance are described in the accompanying Corrective Action Plan on pages 131 through 156.

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

1. FINDING FOR RECOVERY RESOLVED UNDER AUDIT – PAYROLL OVERPAYMENT

<i>Finding Number</i>	2019-037
<i>State Agency</i>	Ohio Department of Commerce
<i>State Agency Number</i>	COM-01

Regarding exempt employees, Ohio Rev. Code §124.134 (C) states in part, “an employee may be paid for up to eighty hours of vacation leave each fiscal year if the employee requested and was denied the use of vacation leave during that fiscal year. No employee shall receive payment for more than eighty (80) hours of denied vacation leave in a single fiscal year.” Payouts of denied leave for collective bargaining employees are governed by their respective agreements and may have different limits.

In order to receive a leave payout for vacation leave denied by their supervisor, employees complete and submit the Vacation Cash Out Request Form to their supervisor who approves and signs the form confirming the vacation leave was denied. The form is then provided to Human Resources for entry into the Ohio Administrative Knowledge System (OAKS) for payment. Additionally, the Ohio Department of Administrative Services (DAS) provides agencies vacation leave refused accumulated reports via the OAKS Business Intelligence (BI) module. However, the Department did not utilize these reports or other internal reports to monitor the total vacation leave hours denied and paid within a fiscal year.

During state fiscal year 2019, Anne Moorehead Petit, an exempt employee, requested and received a cash payment for 160 hours of vacation leave refused (VLR) for pay periods ending September 1, 2018 and January 19, 2019. However, both forms submitted for Ms. Petit contained inaccuracies. One form was signed by the employee and dated in 2016 instead of 2018 and one form was signed and dated by the supervisor before the employee. As a result of the lack of internal controls over vacation leave refused, the Department overpaid Ms. Petit \$3,827 [80 hours X \$47.84 per hour] for 80 hours of denied vacation leave during state fiscal year 2019. Ms. Petit resolved the \$3,827 overpayment on January 8, 2020, by signing a repayment agreement requiring withholdings from each bi-weekly pay of \$96, effective pay period January 18, 2020. As of pay period ending March 14, 2020, Ms. Moorehead Petit has repaid a total of \$364 into the Department's 4H90 (\$57), 5490 (\$96), 5SU0 (\$96), and 5X60 (\$115) Funds.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery resolved under audit is hereby issued for public monies illegally expended against Anne Moorehead Petit in the amount of \$3,827 in favor of the Ohio Department of Commerce funds 4H90 (\$765), 5490 (\$957), 5SU0 (\$957), 5X60 (\$383), and 6A40 (\$765).

**STATE OF OHIO
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1. FINDING FOR RECOVERY RESOLVED UNDER AUDIT – PAYROLL OVERPAYMENT (Continued)

We recommend the Department take the necessary steps to ensure Anne Moorehead Petit fulfills the requirements of her repayment agreement. We further recommend the Department develop policies and procedures to monitor vacation leave denied to ensure employees are not paid for hours beyond the limits set forth in the Ohio Revised Code and/or collective bargaining agreements. Specifically, the Department should obtain and review the vacation leave refused reports from OAKS BI each pay period and when approving the Vacation Cash Out Request Forms to ensure they are not paying employees for more than 80 hours per ORC §124.34 (C). Management should periodically monitor these internal controls to ensure they are operating as intended.

2. FINDING FOR RECOVERY REPAID UNDER AUDIT – PAYROLL OVERPAYMENT

<i>Finding Number</i>	2019-038
<i>State Agency</i>	Ohio Environmental Protection Agency
<i>State Agency Number</i>	EPA-01

Ohio Revised Code Chapter 124 promulgates laws related to state employment. To help comply with those laws and related state payroll administrative policies, the Ohio Environmental Protection Agency (the Agency) requires state employees to complete Time Accountability Logs and biweekly timesheets to document hours worked and to attest to the accuracy of those reported hours. The Agency's Time Accounting System (TAS) policy states, in part:

4. Employee responsibilities:
 - a. Accurately sign in and out in chronological order at the start and end of their work day, at lunch, and at any time they leave the facility.
 - b. Document on TAS Notes Option or on the sign-in/sign-out logs all exceptions to required signing in and out.
 - c. Verify that work hours are accurately entered in TAS.
 - d. Pinning their time cards, which establishes employee accountability for the accuracy of their timecard...
5. Supervisor (or Exempt designees) responsibilities:
 - a. Verify that employees are accurately pinning their time card as recorded on the sign-in/sign-out logs...
6. Employee hours not substantiated by the sign-in/sign-out logs may be subject to appropriate discipline and/or time deduction.

During state fiscal years 2018 and 2019, Joshua Adams and John Hujar worked as Environmental Specialists for the Agency. On Monday, October 30, 2017, having worked continuously since 9:00 p.m. the previous evening through 8:30 a.m. monitoring an emergency at an Agency cleanup site, Mr. Adams and Mr. Hujar reported directly to the Agency's Twinsburg office for their regularly scheduled 8:30 – 5:00 shifts. Later that morning, after having provided an update on the situation at the cleanup site Mr. Adams and Mr. Hujar were instructed by their supervisors to go home (Mr. Adams left at 10:15 and Mr. Hujar left at 11:30) and that they were not required to use leave time to cover the remainder of their regularly scheduled work day. Mr. Adams and Mr. Hujar were also instructed to include their hours worked since midnight, as well as the scheduled hours through 5:00 they had not worked, on their sign-in/sign-out logs and electronic time cards (although it should be noted that Mr. Adams completed his time card incorrectly). These misstatements were allowed and/or not noted by their supervisors, all of whom indicated they were unsure how to handle such situations.

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2. FINDING FOR RECOVERY REPAID UNDER AUDIT – PAYROLL OVERPAYMENT (Continued)

Per Agency policy, employees do not earn overtime pay until they have worked 40 hours for a week. Mr. Adams and Mr. Hujar each exceeded 40 hours for the work week beginning October 29, 2017. Therefore, the improperly compensated hours they submitted but did not work on October 30, 2017 were considered overtime hours (paid at time and a half), as summarized below:

Employee	Total Hours Paid for Week	Actual Hours Worked	OT Hours Improperly Paid	OT Amount Improperly Paid
Joshua Adams	52.3	46	6.3	\$ 338
John Hujar	66.5	61.5	5	268
Total				\$ 606

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for monies illegally expended is hereby issued against Joshua Adams in the amount of \$338, and John Hujar in the amount of \$268, both in favor of the Ohio Environmental Protection Agency Fund 4K30, in the amount of \$606. On February 15, 2019, \$359 was recovered from Mr. Adams and \$268 was recovered from Mr. Hujar by the Agency via a one-time payroll withholding.

We recommend the Agency periodically remind employees and supervisors - through training, e-mails, and other methods - about their responsibilities under State and Agency TAS policies regarding payroll record keeping and subsequent reviews. Management should periodically monitor these on-going procedures to ensure that they are occurring as intended. We also recommend the Agency consider updating their TAS policies to address situations such as this where employees are required to work overnight shifts followed by regularly scheduled shifts.

3. FINDING FOR RECOVERY – GRANT AWARD PAYMENTS

<i>Finding Number</i>	2019-039
<i>State Agency</i>	Ohio Department of Natural Resources
<i>State Agency/Number</i>	DNR-05

The Ohio Department of Natural Resources (the Department) has a Wildlife program where individuals and organizations can apply for grants to hold conservation related events. In March 2017, the Department awarded Plugg One Outdoors “LLC” (the LLC) two grants (Rod & Reel and Aquatic Education) totaling \$2,499 and \$4,829 to hold such events. These awards were related to the fiscal year 2018 grant cycle.

Based on the application received from the LLC, the Rod & Reel grant had five events scheduled from July 2017 to the summer of 2018. The Aquatic Education grant had four events scheduled from August 2017 to June 2018. When the grant was awarded in March, the Department sent an award notice to the LLC, along with the grant agreement and other documentation required to be completed and returned within 60 days to finalize the grant. After receiving the completed paperwork in March 2017, the Department processed the grant applications, but was not able to process the checks until the start of fiscal year 2018. The two checks were sent to the LLC in July 2017; however, these checks did not contain any additional documentation/correspondence from the Department regarding the grant program. The checks were cashed on July 26, 2017 and August 1, 2017. As stated in the grant agreement, the LLC was required to provide a grant report to the Department within 60 days of the last event detailing how the grant money was utilized. However, the Department never received any such documentation prompting the Department to follow-up with the LLC. In January 2019, the Department’s internal investigator began to investigate the case.

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3. FINDING FOR RECOVERY – GRANT AWARD PAYMENTS (Continued)

The Department's internal investigator determined the Chief Executive Officer (CEO) of the LLC had passed away on May 15, 2017; prior to the checks being disbursed and cashed. The internal investigator also determined the CEO's wife, Tamara Brown, a co-incorporator of the LLC, had cashed the grant checks. When the Department's investigator contacted Ms. Brown informing her the Department needed the final grant documentation or the money needed to be returned, she stated she did not have the money nor any grant documentation for the money expended. Based on support provided by the Department, there is no documentation to indicate these monies were spent for the purposes of the grant.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Tamara Brown in the amount of \$7,328 (\$2,499 plus \$4,829) in favor of the Ohio Department of Natural Resources' Fund 7015.

We recommend the Department review and evaluate the existing procedures over grant expenditures and ensure documentation is included with checks sent to grant recipients re-asserting the purpose and restrictions of the money being awarded to them. Management should periodically monitor these procedures to ensure they are operating as intended.

4. FINDING FOR RECOVERY REPAID UNDER AUDIT – PAYROLL OVERPAYMENT

<i>Finding Number</i>	2019-040
<i>State Agency</i>	Ohio Occupational Therapy, Physical Therapy, and Athletic Trainers Board
<i>State Agency Number</i>	PYT-01

The Ohio Occupational Therapy, Physical Therapy, and Athletic Trainers Board (the Board) requires state employees to complete a timesheet for the hours worked and attest to the accuracy of those reported hours. The Board's Employee Policy Manual states in part:

Policy 18 – Work Rules:

- (I) Use of State Property and Equipment,
 - (3) All state-owned property, equipment, and intangible items shall be used for work related purposes. In addition, state-owned equipment, property, or intangible items shall only be used in accordance with state laws and in the manner directed by the employee's immediate supervisor. This includes, but is not limited to, telephones, fax machines, photocopiers, computers, computer systems, computer networks, computer services, and computer software.

- (J) Falsification of Records:
 - (1) An employee is required to complete all official documents accurately and honestly. This includes, but is not limited to, forms used in the employee's day-to-day activities, travel vouchers, and payroll documents.
 - (2) In accordance with Ohio law, an employee shall not falsify, destroy, remove, conceal, alter, deface, or mutilate any writing, data, or record, including, but not limited to, computer systems records, with intent to commit fraud.

Policy 49 – Use of Internet, E-mail, and Other IT Resources:

- (B) Unacceptable Personal Use,
 - Any personal use of IT resources that disrupts or interferes with government business, incurs

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4. FINDING FOR RECOVERY REPAID UNDER AUDIT – PAYROLL OVERPAYMENT (Continued)

an undue cost to the state, could potentially embarrass or harm the state, or has the appearance of impropriety is strictly prohibited. Personal use that is strictly prohibited includes, but is not limited to, the following:

- (3) Operating a business, directly or indirectly, for personal gain is strictly prohibited.

During the audit period, Lisa Navarro was engaged in a secondary employment activity while working as an employee of the Board. In her secondary employment, Ms. Navarro was a quality assurance manager and home health RN at Continental Home Health Care (CHHC). During the period of October 7, 2015 through June 7, 2018, web browser activity indicated various dates and times where distinct actions were taken concerning patient records related to secondary employment at the same time Ms. Navarro claimed to perform work for the Board. The time spent on performing these activities totaled approximately 149 hours from February 22, 2016 through June 6, 2018. In addition to the wages the Board paid Ms. Navarro for this time, she also received employer paid benefits. Employer paid benefits consisted of premiums for health, vision, dental and life insurance, as well as retirement payments made to the Ohio Public Employees Retirement System.

As a result, overpayments were made to, or on behalf of, Lisa Navarro for work not performed for the Board, which are summarized below.

Description	Amount
Wages	\$ 5,689
Employer Paid Benefits	2,293
Total	<u>\$ 7,982</u>

Additionally, Ms. Navarro misused state resources (i.e. state-issued computer) to perform secondary employment outside of working hours claimed, totaling approximately 9 hours. These hours did not result in a financial loss to the State of Ohio and are not included in the finding amount.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for monies illegally expended is hereby issued against Lisa Navarro in the amount of \$7,982, and in favor of Ohio Occupational Therapy, Physical Therapy, and Athletic Trainers Board, the Occupational Licensing Fund 4K90, in the amount of \$7,982. On December 11, 2019, Ms. Navarro entered a guilty plea to the charge of Unauthorized Use of a Computer and was ordered by the court to pay restitution to the Board, totaling \$8,119.53. This amount was received by the Board on January 7, 2020.

We recommend the Board periodically remind employees - through training, e-mails, and other methods- about reporting secondary employment to the Board and reinforce that they are prohibited from completing work for secondary employment during their regular work hours for the Board, and using state resources to complete such work. Management should periodically monitor these on-going procedures to ensure that they are occurring as intended.

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MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<u>U.S. Department of Agriculture</u>			
<u>SNAP Cluster</u>			
10.551 / 10.561			
	Ohio Department of Job & Family Services	\$ 2,154,214,904	
	Other Agencies (Not Tested as a Major Program)	\$ 586,852	
	Total SNAP Cluster	\$ 2,154,801,756	7.59%
<u>Child Nutrition Cluster</u>			
10.553 / 10.555 / 10.556 / 10.559			
	Ohio Department of Education	\$ 566,690,875	
	Other Agencies (Not Tested as a Major Program)	\$ 1,024,390	
	Total Child Nutrition Cluster	\$ 567,715,265	2.00%
10.558	Child and Adult Care Food Program		
	Ohio Department of Education	\$ 98,875,799	
	Total CFDA # 10.558	\$ 98,875,799	0.35%
<u>U.S. Department of Defense</u>			
12.401	National Guard Military Operations and Maintenance (O&M) Projects		
	Ohio Adjutant General	\$ 47,270,247	
	Total CFDA # 12.401	\$ 47,270,247	0.17%
<u>U.S. Department of the Interior</u>			
<u>Fish and Wildlife Cluster</u>			
15.605 / 15.611			
	Ohio Department of Natural Resources	\$ 19,149,952	
	Total Fish and Wildlife Cluster	\$ 19,149,952	0.07%
<u>U.S. Department of Labor</u>			
17.225	Unemployment Insurance		
	Ohio Department of Job & Family Services	\$ 897,436,664	
	Total CFDA # 17.225	\$ 897,436,664	3.16%
<u>WIOA Cluster</u>			
17.258 / 17.259 / 17.278			
	Ohio Department of Job & Family Services	\$ 83,387,594	
	Other Agencies (Not Tested as a Major Program)	\$ 576,007	
	Total WIOA Cluster	\$ 83,963,601	0.30%

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MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<u>U.S. Department of Transportation</u>			
<u>Highway Planning and Construction Cluster</u>			
20.205 / 20.219 / 23.003			
	Ohio Department of Transportation	\$ 1,506,012,849	
	Other Agencies (Not Tested as a Major Program)	\$ 1,370,010	
	Total Highway Planning and Construction Cluster	\$ 1,507,382,859	5.31%
<u>U.S. Environmental Protection Agency</u>			
<u>Clean Water State Revolving Fund Cluster</u>			
66.458			
	Ohio Environmental Protection Agency	\$ 93,264,819	
	Total Clean Water State Revolving Fund Cluster	\$ 93,264,819	0.33%
<u>U.S. Department of Education</u>			
84.010	Title I Grants to Local Educational Agencies		
	Ohio Department of Education	\$ 529,347,710	
	Total CFDA # 84.010	\$ 529,347,710	1.86%
<u>Special Education Cluster (IDEA)</u>			
84.027 / 84.173			
	Ohio Department of Education	\$ 481,650,903	
	Other Agencies (Not Tested as a Major Program)	\$ 485,603	
	Total Special Education Cluster (IDEA)	\$ 482,136,506	1.70%
84.048	Career and Technical Education – Basic Grants to States		
	Ohio Department of Education	\$ 41,836,867	
	Other Agencies (Not tested as a major program)	\$ 1,563,340	
	Total CFDA #84.048	\$ 43,400,207	0.15%
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		
	Opportunities for Ohioans with Disabilities	\$ 114,024,421	
	Total CFDA # 84.126	\$ 114,024,421	0.40%
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)		
	Ohio Department of Education	\$ 74,823,760	
	Other Agencies (Not Tested as a Major Program)	\$ 654,777	
	Total CFDA #84.367	\$ 75,478,537	0.27%
<u>U.S. Department of Health and Human Services</u>			
<u>Aging Cluster</u>			
93.044 / 93.045 / 93.053			
	Ohio Department of Aging	\$ 47,803,476	
	Total Aging Cluster	\$ 47,803,476	0.17%

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MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<u>U.S. Department of Health and Human Services (continued)</u>			
<u>TANF Cluster</u>			
93.558			
	Ohio Department of Job & Family Services	\$ 603,425,262	
	Other Agencies (Not tested as a Major Program)	\$ 114,740	
	Total TANF Cluster	\$ 603,540,002	2.13%
93.563	Child Support Enforcement		
	Ohio Department of Job & Family Services	\$ 142,529,657	
	Total CFDA # 93.563	\$ 142,529,657	0.50%
93.568	Low-Income Home Energy Assistance		
	Ohio Development Services Agency	\$ 139,166,098	
	Other Agencies (Not Tested as a Major Program)	\$ 403,952	
	Total CFDA # 93.568	\$ 139,570,050	0.49%
<u>CCDF Cluster</u>			
93.575 / 93.596			
	Ohio Department of Job & Family Services	\$ 292,958,967	
	Total CCDF Cluster	\$ 292,958,967	1.03%
93.658	Foster Care Title IV-E		
	Ohio Department of Job & Family Services	\$ 245,251,098	
	Other Agencies (Not Tested as a Major Program)	\$ 1,561,792	
	Total CFDA # 93.658	\$ 246,812,890	0.87%
93.667	Social Services Block Grant		
	Ohio Department of Job & Family Services	\$ 102,761,237	
	Ohio Department of Mental Health and Addiction Services	\$ 7,639,430	
	Ohio Department of Developmental Disabilities	\$ 8,396,450	
	Total CFDA # 93.667	\$ 118,797,117	0.42%
93.767	Children's Health Insurance Program		
	Ohio Department of Medicaid	\$ 578,265,436	
	Other Agencies (Not Tested as a Major Program)	\$ 3,847,186	
	Total CFDA # 93.767	\$ 582,112,622	2.05%
<u>Medicaid Cluster</u>			
93.775 / 93.777 / 93.778			
	Ohio Department of Medicaid	\$ 15,993,176,988	
	Ohio Department of Developmental Disabilities	\$ 1,679,599,710	
	Other Agencies (Not Tested as a Major Program)	\$ 48,723,209	
	Total Medicaid Cluster	\$ 17,721,499,907	62.41%

**STATE OF OHIO
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MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<u>U.S. Department of Health and Human Services (continued)</u>			
93.791	Money Follows the Person Rebalancing Demonstration		
	Ohio Department of Medicaid	\$ 24,418,491	
	Ohio Department of Developmental Disabilities	\$ 23,780,229	
	Other Agencies (Not Tested as a Major Program)	\$ 29,000	
	Total CFDA # 93.791	<u>\$ 48,227,720</u>	<u>0.17%</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse		
	Ohio Department of Mental Health and Addiction Services	\$ 63,849,034	
	Total CFDA # 93.959	<u>\$ 63,849,034</u>	<u>0.22%</u>
<u>Social Security Administration</u>			
<u>Disability Insurance/SSI Cluster</u>			
96.001	Opportunities for Ohioans with Disabilities	\$ 72,425,998	
	Total Disability/SSI Cluster	<u>\$ 72,425,998</u>	<u>0.26%</u>
Total Major Federal Programs		<u>\$ 26,794,375,783</u>	<u>94.37%</u>
Other Federal Programs		<u>\$ 1,599,285,709</u>	<u>5.63%</u>
Total Federal Awards Expenditures		<u>\$ 28,393,661,492</u>	<u>100.00%</u>

**STATE OF OHIO
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SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The findings listed below represent items which are being reported in the *Independent Auditor's Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance Required by the Uniform Guidance*.

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Adjutant (ADJ)			
1. NGMOMP - Cash Management	2019-004	Noncompliance/ Material Weakness	46
Ohio Development of Administrative Services (DAS)			
1. IT – Ohio Benefits System – Medicaid/CHIP/MFP/SNAP/TANF	2019-005	Material Weakness	48
Ohio Department of Aging (AGE)			
1. UG Policies and Procedures	2019-006	Noncompliance/ Material Weakness	53
Ohio Development Services Agency (DEV)			
1. HEAP – Cash Management	2019-007	Noncompliance/ Material Weakness	55
Ohio Department Developmental Disabilities (DDD)			
1. IT – Inappropriate Application Administrator Account Access	2019-008	Material Weakness	57
Ohio Department of Education (EDU)			
1. Timely Allocation to Charter Schools – Various Programs	2019-009	Noncompliance/ Material Weakness	59
2. Special Education Cluster – Subrecipient Monitoring	2019-010	Noncompliance/ Material Weakness	61
3. CNC – Inventory	2019-011	Noncompliance/ Material Weakness	62
4. CACFP – Reporting	2019-012	Noncompliance/ Material Weakness	64
5. CACFP – Sponsor Reviews	2019-013	Noncompliance/ Material Weakness	65
6. Charter School Monitoring – Various Programs	2019-014	Noncompliance/ Material Weakness	67
7. Title I & Supporting Effective Instruction – Maintenance of Effort	2019-015	Significant Deficiency	69
Ohio Department of Job & Family Services (JFS)			
1. CCDF Cluster/ TANF/ SSBG – Ineligible Recipient & Missing Documentation	2019-016	Questioned Costs/ Noncompliance/ Material Weakness	71
2. SNAP & TANF Cluster – Eligibility System	2019-017	Noncompliance/ Material Weakness	73
3. IEVS Alerts – SNAP and TANF	2019-018	Noncompliance/ Material Weakness	78
4. Foster Care and Child Support Enforcement – Federal Reporting	2019-019	Noncompliance/ Material Weakness	81

**STATE OF OHIO
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AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Job & Family Services (JFS) (continued)			
5. Cash Management – Various Programs	2019-020	Noncompliance/ Material Weakness/ Significant Deficiency	84
6. Subrecipient Monitoring – Various Programs	2019-021	Noncompliance/ Material Weakness	86
Ohio Department of Medicaid (MCD)			
1. Medicaid/CHIP/MFP – Eligibility	2019-022	Questioned Costs/ Noncompliance/ Material Weakness	89
2. Medicaid/CHIP/MFP – IEVS Monitoring	2019-023	Noncompliance/ Material Weakness	96
3. Medicaid /CHIP – Drug Rebate Monitoring	2019-024	Noncompliance/ Material Weakness	100
4. IT – Lack of Internal Testing of IT Security Systems	2019-025	Noncompliance/ Material Weakness	102
5. Medicaid/CHIP – Managed Care/MyCare Ohio Provider Panel Reports	2019-026	Noncompliance/ Material Weakness	104
6. MFP – Payroll Reconciliations	2019-027	Significant Deficiency	107
Ohio Department of Mental Health and Addiction Services (MHA)			
1. SABG – SF-425 Report Submission	2019-028	Noncompliance/ Material Weakness	109
2. SABG – Payroll	2019-029	Material Weakness	110
3. SABG – Coding Errors	2019-030	Significant Deficiency	112
Ohio Department of Natural Resources (DNR)			
1. Fish & Wildlife Cluster – Suspension & Debarment	2019-031	Noncompliance/ Material Weakness	114
2. Fish & Wildlife Cluster – Equipment & Real Property Management	2019-032	Noncompliance/ Material Weakness	115
3. Fish & Wildlife Cluster – Subrecipient Monitoring	2019-033	Noncompliance/ Material Weakness	117
4. IT – Lack of SOC1 Audit for Service Organizations	2019-034	Material Weakness	119
Opportunities for Ohioans with Disabilities (OOD)			
1. VR – Maintenance of Effort	2019-035	Noncompliance/ Significant Deficiency	121
Ohio Department of Transportation (DOT)			
1. Highway Planning & Construction Cluster – Subrecipient Monitoring	2019-036	Noncompliance/ Material Weakness	122

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SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The findings listed below are also reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Medicaid (MCD)			
1. Public Assistance Eligibility*	2019-001	Noncompliance/ Material Weakness	27
2. Medicaid/CHIP - Drug Rebate Monitoring	2019-002	Noncompliance/ Material Weakness	31

* Findings 2019-005, 2019-017, and 2019-022, starting on pages 48, 73, and 89, detail noncompliance and weaknesses in internal control for each related major federal program at each related state agency.

The finding listed below is only reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Office of Budget and Management (OBM)			
1. OAKS Supplier Record Integrity and Access	2019-003	Significant Deficiency	32

The findings listed below represent other issues related to Findings for Recovery (FFR). They do not impact the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* or the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance.

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Commerce (COM)			
1. FFR Resolved Under Audit – Payroll Overpayment	2019-037	FFR	33
Ohio Environmental Protection Agency (EPA)			
1. FFR – Repaid Under Audit – Payroll Overpayment	2019-038	FFR	34
Ohio Department of Natural Resources (DNR)			
1. FFR – Grant Award Payments	2019-039	FFR	35
Ohio Occupational Therapy, Physical Therapy, and Athletic Trainers Board (PYT)			
1. FFR Repaid Under Audit – Payroll Overpayments	2019-040	FFR	36

**STATE OF OHIO
 JULY 1, 2018 THROUGH JUNE 30, 2019
 SUMMARY OF QUESTIONED COSTS BY FEDERAL AGENCY AND PROGRAM**

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE	PAGE NUMBER	QUESTIONED COSTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.558 – TANF Cluster	71	\$ 1,080
93.767 – Children's Health Insurance Program	89	\$ 162,571
93.775 / 93.777 / 93.778 – Medicaid Cluster	89	\$ 27,910
Total U.S. Department of Health and Human Services		\$ 191,561
TOTAL QUESTIONED COSTS – STATE OF OHIO		\$ 191,561

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADJUTANT GENERAL

1. NGMOMP – CASH MANAGEMENT

Finding Number:	2019-004
State Agency Number:	ADJ-01
CFDA Number and Title:	12.401 – National Guard Military Operations and Maintenance (O&M) Projects
Federal Award Identification Number / Year:	W91364-16-2-1001 / 2019
Federal Agency:	Department of Defense
Compliance Requirement:	Cash Management
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

31 C.F.R Part 205.33(a) states, in part:

A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs...

National Guard Regulations (NGR) 5 -1, Chapter 11 – states, in part:

11-4. Payment Processing:

a. The National Guard Bureau (NGB) Cooperative Agreement program operates on the basis that the grantee expends State government funds first and then submits request (vouchers) for reimbursement from NGB for allowable CA costs. All approved CA agreement payments (to include Advances) made to the grantee by NGB are reimbursable payments. To process reimbursement payments the grantee shall provide an OMB Standard Form (SF) 270 (Request for Advance or Reimbursement) with supporting documentation to the CA PM. The supporting documentation will itemize, by AMSCO and EEIC, the amount of funds expended and the corresponding grantee accounting classification to be reimbursed.

...

g. The USPFO/Asst USPFO Air (Fiscal) will process reimbursement request from the grantee to DFAS so as to meet the requirements of U.S. Treasury, 31 Code of Federal Regulation, Part 205, Rules and Procedures for Efficient Federal-State Funds Transfers 31 CFR Part 205 and the Cash Management Information Act Treasury-State Agreements.

11-5. Advance Payment Method (a)(5):

A statement that the grantee agrees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement by the State. (No more than 45 days)

It is management's responsibility to implement control policies and procedures to reasonably ensure advance requests of federal funds are for immediate cash needs, processed accurately, and disbursed timely in accordance with applicable laws and regulations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADJUTANT GENERAL

1. NGMOMP – CASH MANAGEMENT (Continued)

During state fiscal year 2019, the Department received approximately \$52.5 million in advance federal funding for the National Guard Military Operations and Maintenance Projects program (NGMOMP). The Department utilizes the SF-270 form to request the advances of funds in accordance with 31 C.F.R. Part 205.33(a) and N.G.R. 5-1 - National Guard Grants and Cooperative Agreements. To monitor the cash flow of each cooperative agreement (CA), the State Finance Office and Federal Program Managers track the funding by creating spreadsheets to ensure the revenues, expenditures, cash balance, percent spent, and liquidation percentages are all in accordance with each CA by Program and Department. However, the Department's controls did not detect or prevent noncompliance with the time limits established in 31 C.F.R. Part 205.33(a) and N.G.R. 5-1. For one of eight (12.5%) disbursements from 8 advance requests selected for testing, the Department did not disburse one payment within 45 days of the receipt of the federal funds, as required by 31 C.F.R. Part 205.33(a) and N.G.R. 5-1. The Department disbursed the funds 33 days after the required disbursement date.

Not having effective controls over the timely disbursement of federal funds could lead to the Department not limiting funds based on immediate cash needs and not expending funds timely. This could result in noncompliance with 31 C.F.R. Part 205.33(a) and N.G.R. 5-1. These conditions could subject the Department to sanctions or other penalties and a repayment of part of the cooperative agreement amounts. In addition, noncompliance could subject the Department to paying interest charges on these draws. Based on discussions with management, the error was due to oversight.

We recommend the Department evaluate its existing cash management control procedures and update them as necessary to reasonably ensure all federal advance requests are disbursed timely and are only for immediate cash needs, as established in accordance with 31 C.F.R. Part 205.33(a) and N.G.R. 5-1. We also recommend the Department establish procedures to periodically monitor its compliance with the cash management requirements and initiate necessary actions to resolve any noncompliance that results.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES

1. IT – OHIO BENEFITS SYSTEM – MEDICAID/CHIP/MFP/SNAP/TANF

Finding Number:	2019-005
State Agency Number:	DAS-02
CFDA Number and Title:	10.551/10.561 SNAP Cluster 93.558 TANF Cluster 93.767 – Children’s Health Insurance Program (CHIP) 93.775/93.777/93.778 – Medicaid Cluster 93.791 – Money Follows the Person Rebalancing Demonstration (MFP)
Federal Award Identification Number/Year:	172OH102S8026 / 2017 (SNAP Cluster) 172OH102S8069 / 2017 (SNAP Cluster) 182OH102S8026 / 2018 (SNAP Cluster) 182OH102S8069 / 2018 (SNAP Cluster) 192OH102S8026 / 2019 (SNAP Cluster) 192OH102S8069 / 2019 (SNAP Cluster) 1701OHTANF / 2017 (TANF Cluster) 1801OHTANF / 2018 (TANF Cluster) 1901OHTANF / 2019 (TANF Cluster) 1805OH5021 / 2018 (CHIP) 1905OH5021 / 2019 (CHIP) 1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid) 1LICMS331360 / 2014-2020 (MFP)
Federal Agencies:	Department of Agriculture Department of Health and Human Services
Compliance Requirements:	Eligibility, Special Tests and Provisions – Income Eligibility Verification System
Repeat Finding from Prior Audit:	No

MATERIAL WEAKNESS

NOTE: Finding numbers 2019-001², 2019-017, 2019-018, 2019-022, and 2019-023 contain additional information which is integral to and should be read in conjunction with this finding.

Applications/systems must be properly designed to achieve the business and IT goals of the organization. External factors effecting eligibility must be appropriately considered and properly evaluated to ensure eligibility for benefits is properly determined, and appropriate updates to eligibility are made when applicable. It is critical the appropriate monitoring controls are designed and implemented to reasonably ensure the organization has adequate controls to achieve management’s goals and objectives.

² Finding number 2019-001, starting on page 27, represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards* related to the State of Ohio’s eligibility process for the Medicaid Cluster and SNAP Cluster federal programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES

1. IT – OHIO BENEFITS SYSTEM – MEDICAID/CHIP/MFP/SNAP/TANF (Continued)

During state fiscal year (SFY) 2019, the State of Ohio disbursed a combined total of \$22 billion in public assistance payments related to the following programs:

Federal Program	Benefits Paid	# of Recipients*
93.767 - CHIP	\$543,910,640	214,981
93.775/93.777/93.778 – Medicaid Cluster	\$19,310,986,073	2,650,450
93.791 – Money Follows the Person	\$6,779,281	2,188
10.551/10.561 – SNAP Cluster	\$2,008,412,067	1,379,247
93.558 – TANF Cluster	\$210,156,426	91,506
Combined Total	\$22,080,244,487	4,338,372
*We did not separately identify recipients who could be covered by multiple programs		

The information below summarizes Finding 2019-001 as it relates to the control process and weaknesses identified related to eligibility for the SNAP Cluster and Medicaid Cluster. These issues also apply to the CHIP, MFP, and TANF Cluster programs and additional information was added, where necessary, to identify any errors related to these programs.

The State of Ohio uses a multi-agency approach to administer these programs, as follows: overall compliance and administration of the Medicaid Cluster, CHIP, and MFP falls under the Ohio Department of Medicaid (MCD), overall compliance and administration of the SNAP Cluster and TANF Cluster falls under the Ohio Department of Job & Family Services (ODJFS), and programming and administration of the State’s eligibility determination computer system, Ohio Benefits (OB), falls under the Ohio Department of Administrative Services (DAS). The OB system was first implemented for Medicaid in SFY 2014; CHIP was added in August 2016; and, SNAP and TANF were added in August 2018. One of several factors in determining eligibility for the MFP program is based upon the recipient’s eligibility for the Medicaid Cluster program. The OB system includes the Income Eligibility Verification System (IEVS) functionality which compares reported recipient income to income information maintained by outside data sources (SSA, IRS, etc.). The State also utilizes the 88 Ohio counties in the eligibility determination process to work with applicants, receive/enter eligibility documentation into the State’s system, and follow up on alerts issued by the system.

Currently, individuals applying to receive public assistance benefits complete an application through one of several input locations including the Ohio Benefits Self-Service Portal, the Federally-Funded Marketplace, Social Security, County Departments of Job & Family Services (CDJFS) offices; the Medicaid Consumer Hotline (the Hotline starts the application and sends to the CDJFS to complete); and, paper applications that are sent to the CDJFS. When applying, the CDJFS collects and maintains any documentation provided by the individual either in a paper case file or in the OnBase Electronic Documentation Management System (EDMS) maintained under contract by DAS. After collecting documentation, the county caseworker enters the individual’s information into the OB system which determines the initial eligibility benefit amount, where applicable. This process is also used to perform eligibility redeterminations on an annual basis or when prompted through a system alert. The OB system is programmed with the State Plan recipient eligibility requirements to determine whether the recipient is eligible to receive the related program benefits based on the information entered by the recipient or caseworker and also assigns a benefit aid category. Once the determination is made, the OB system uploads the eligibility information to the MCD or ODJFS payment system to process the payment.

During SFY 2019, we noted several weaknesses/defects in the eligibility process, as listed below:

- Overwriting – the OB system maintains several pieces of key information related to a recipient’s eligibility (income, household size, age, etc.). However, there is no system warning or other control in place to identify or prevent caseworkers from overwriting this data when new information is identified instead of adding the new information, as intended. In addition, a system defect prevents caseworkers from viewing the previous case information.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES

1. IT – OHIO BENEFITS SYSTEM – MEDICAID/CHIP/MFP/SNAP/TANF (Continued)

- Multi-program Info – There are certain pieces of key information (i.e. name, income, age, etc.) maintained in the OB system which impact all public assistance programs, including SNAP, TANF, Medicaid, and CHIP. However, the system currently does not link this information between programs, but relies on county caseworkers to manually adjust each affected program separately when a change occurs.
- System Design Weaknesses/Defects in the OB system:
 - Alerts - The related state agencies identified and reported to DAS an error in the IEVS filtering logic which created an overwhelming volume of information being sent to the counties resulting in an unmanageable workload and ineffective application of the alert process (more than 16.9 million alerts were issued according to DAS records; 5.9 million related to IEVS alerts and 11 million to non-IEVS alerts). Based on discussions with management, IEVS filtering logic was not properly communicated to the OB contractor when IEVS was initially implemented. In addition, the OB System had the following design defects/weaknesses related to alerts:
 - Multiple and repetitive alerts (redundancy).
 - Irrelevant alerts (zero or small dollar amounts).
 - Additional steps required to complete an alert (having to leave the alert window, opening an OB window, and then having to go back through the Alert Inventory to clear the alert).
 - Alerts being received on persons not receiving public assistance.
 - For eight of 80 (10%) Medicaid recipients and 12 of 80 (15%) CHIP recipients selected for testing, a systemic issue within OB that either impacted the eligibility process and/or eligibility determination for the recipient existed, which are detailed in the findings for the Ohio Department of Medicaid.
 - Additional system design weaknesses/defects in the OB system brought to our attention by the Ohio Department of Medicaid included the following:
 - The system was not properly tracking/submitted the required 1095-B (Health Coverage) tax forms for Medicaid recipients to the Internal Revenue Service resulting in late filings by the Department.
 - The system auto-populated a new browser window/case with incorrect data if a case worker did not close a prior case file.
 - The system sometimes incorrectly linked newborns to individuals who are not their actual parents. In one instance, this resulted in a newborn being linked to an eleven-year old child.
 - The system was not generating a PDF for a case worker to access within the system when an e-app was filed by a recipient.
 - The system had issues sending information to the Medicaid Information Technology System (MITS) for cases with a discontinuance resulting in case information not being properly updated within MITS.
 - The system was not end-dating pregnancy records over 10 months. An alert is generated for the worker to investigate this issue, but if the alert is not worked, the individual will remain open as a pregnant woman until the next eligibility determination.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES

1. IT – OHIO BENEFITS SYSTEM – MEDICAID/CHIP/MFP/SNAP/TANF (Continued)

Additionally, we noted the following weakness/issues regarding the contract and monitoring related to the OB system:

- DAS and ODJFS entered into a contract agreement with the developing vendor during SFY 2013 to integrate eligibility systems across public assistance programs, resulting in the implementation of OB. In SFY 2014, MCD and ODJFS were separated into two different departments. However, signed amendments did not include MCD as a separate agency. Since the original contract was signed, there have been numerous amendments to the contract, also not signed by MCD or ODJFS, making organization of the additional deliverables difficult to monitor.
- Although operating protocols were available defining DAS' responsibilities, signed interagency agreements have not been prepared to define the roles and responsibilities of each agency and naming DAS as the administrator for OB. No data governance structure was in place to ensure reliability for management. As a result, it was not always clear if/how program objectives were being met/monitored and program compliance was being achieved.
- DAS engaged a third party evaluator to provide a variety of Quality Assurance and Independent Verification and Validation (QA/IV&V) professional services. One of the services included providing monthly and quarterly IV&V reports. These reports provided a summary of project progress during the reporting period, along with detailed findings, risks, and recommendation items. These reports were provided to DAS, who distributed them to MCD and ODJFS. However DAS questioned the reports' usefulness and informational content and there was no evidence of monitoring related to the remediation of the recommendations/issues noted.
- There was no comprehensive inventory or other documentation and tracking of internal or external reviews/evaluations/certifications performed for the OB system, or those required to ensure they were completed timely. Such reviews could include a gate review, annual security and privacy control assessments, or other internal or external reviews.

Without proper controls for entering, processing, and maintaining recipient information and system alerts, there is an increased risk that benefits paid to or on behalf of recipients will be inaccurate or unallowable. This risk is substantially increased if the State's eligibility determination system, Ohio Benefits, contains design or operational flaws that could impact a recipient's eligibility and, as a result, could have a material impact on the amounts reimbursed by the federal government. These weaknesses/defects could allow undue subjective decisions, jeopardize accurate eligibility processing, and/or result in improper payments or federal reimbursements. Overpayments or payments to or on behalf of ineligible recipients may subject the State to penalties or sanctions which may jeopardize future funding and limit its ability to fulfill program requirements to provide benefits to those in need. Lack of monitoring the IV&V progress reports, contract amendments, and outside evaluations and assessments could result in a lack of confidence that financial and compliance goals will be achieved. Failure to obtain signed agreements from related agencies could result in agreed upon functions not being met. Based on discussions with management, human error/oversight and systemic issues led to the issues identified.

Recommendations

We recommend the DAS work collectively with the related state agencies to implement/update robust processes, procedures, and system controls to address the weaknesses associated with the IEVS process within the OB system. These changes/updates should include, but not be limited to:

- Redesigning the alert process to be more effective and efficient. This could include a more centralized evaluation of alert activity and/or better use of automated tools to analyze and prioritize items requiring follow-up. This would allow related state agency level personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both related state agency and county personnel.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES

1. IT – OHIO BENEFITS SYSTEM – MEDICAID/CHIP/MFP/SNAP/TANF (Continued)

- Identifying and coordinating program changes to address the system design weaknesses/defects identified above. This should include working collaboratively with the related state agencies to prioritize program changes which could directly impact the eligibility determinations or benefit amounts to ensure they are corrected in a timely manner to prevent and detect further improper payments.
- Creating a centralized database of recipient information shared among multiple public assistance programs, or otherwise linking this information so that a change only has to be entered once in OB and all programs are updated accordingly.
- Ensuring vendor contacts/amendments, and interagency agreements are formalized, contain all parties of the agreements, and fully and clearly define the roles, responsibilities, and expectations related to each party, including completion of required risk assessments and evaluations, and any other specific tasks designed to achieve program compliance.
- Ensuring appropriate and coordinated monitoring and tracking procedures are in place regarding reviews required and performed, and the timely remediation of issues identified, including, but not limited to:
 - A data governance structure designed to ensure data quality and reliability for management, the grantor agencies, and other users of this information. This should include data subject experts from each related agency to help ensure quality of data requests before external and internal users rely on the data, issues are addressed with a clear escalation path, and establishing accountabilities and alignment between the related agencies.
 - Reviewing and monitoring the IV&V reports prepared by the third party evaluator and to prioritize and develop a remediation plan, along with MCD and ODJFS, to help track and ensure necessary changes to the OB application are completed accurately and timely, and the system is operating as intended.
 - Coordinating and managing the contract contents with the developing vendor to help ensure all contract and amendment deliverables are being met.
 - Ensuring documentation related to all internal and external evaluations and assessments of the Ohio Benefits eligibility environment be tracked, monitored and maintained to ensure all appropriate monitoring and remediation efforts are completed timely and in compliance with standards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF AGING

1. UNIFORM GUIDANCE POLICIES AND PROCEDURES

Finding Number:	2019-006
State Agency Number:	AGE-01
CFDA Number and Title:	93.044 / 93.045 / 93.053 – Aging Cluster
Federal Award Identification Number / Year:	17AAOHT3SS / 2017
	17AAOHT3CM / 2017
	17AAOHT3HD / 2017
	17AAOHNSIP / 2017
	18AAOHT3SS / 2018
	18AAOHT3CM / 2018
	18AAOHT3HD / 2018
	18AAOHNSIP / 2018
	1901OHOASS / 2019
	1901OHOACM / 2019
	1901OHOAHD / 2019
	1901OHOANS / 2019
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 C.F.R. Part 75 establishes uniform administrative requirements, cost principles, and audit requirements for federal awards provided by the Department of Health and Human Services and requires an entity receiving federal funds establish written policies in order to comply with certain requirements. Specifically, 45 C.F.R. Part 75.302(b)(6) and 45 C.F.R. Part 75.305, 45 C.F.R. Part 75.302(b)(7), and 45 C.F.R. Part 75.430(a) relate to written policies for cash management, allowability of costs, and time and effort, respectively. Furthermore, an entity's system of internal controls consists of the policies and procedures established by management to provide reasonable assurance that it complies with applicable rules and regulations and that specific operational objectives are achieved. These policies establish the authorization level for financial and operational transactions to be executed and are meant to accomplish management's goals and professional and statutory requirements. The policies and procedures must be officially approved and distributed to all applicable employees to ensure they are aware of the policies and procedures, and are adhering to them.

During the audit period, the Department disbursed approximately \$48 million in federal funds related to the Aging Cluster, with 96% distributed to subgrantees. The Department had written policies and procedures in place regarding the general purchase of goods, unallowable costs for contracts and agreements, and time and attendance, but did not address specific allowability of costs and cost principles of 45 C.F.R. Part 75, Subparts D and E, cash management, and the terms and conditions of the federal award. In addition, they were not current (most recent was 2017) and inconsistent with statutory requirements, referenced repealed OMB (Office of Management and Budget) Circulars and defunct accounting systems, and did not contain evidence of formal approval by management.

Without complete, accurate, updated, and formally approved policies and procedures, the Department subjects itself to risk that transactions will not be processed timely, accurately, consistently, or in accordance with federal requirements. This risk is increased if there is turnover in staff and new employees

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF AGING

1. UNIFORM GUIDANCE POLICIES AND PROCEDURES (Continued)

do not have formal policies and procedures as a guide to define processes and requirements. This could lead to the Department not complying with the requirements and could result in decreased future funding, repayment of grant awards, sanctions, and/or fines imposed by the federal grantor agency. Based on discussion with management and review of documents, the Department didn't have the human resources until recently to devote to updating the policies.

We recommend the Department finalize, formally approve, and implement updated written policies and procedures over the compliance areas noted above. These policies and procedures should be reflective of the current accounting policies and approaches related to all significant federal funds, including the Aging Cluster. We also recommend management provide these procedures to all employees and periodically monitor them to ensure they are operating as intended and updated as necessary. Lastly, we recommend the Department review, evaluate, and update its policies and procedures on a regular basis to ensure they remain current and are meeting management's objectives and federal requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEVELOPMENT SERVICES AGENCY

1. HEAP – CASH MANAGEMENT

Finding Number:	2019-007
State Agency Number:	DEV-01
CFDA Number and Title:	93.568 – Low-Income Home Energy Assistance Program
Federal Award Identification Number / Year:	2018G99201 / 2018 2019G99201 / 2019
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Cash Management
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-003

NONCOMPLIANCE AND MATERIAL WEAKNESS

31 C.F.R. Part 205.11 states, in part:

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

...

To define these allowable timeframes, the State of Ohio and the U.S. Department of the Treasury entered into a Cash Management Improvement Act (CMIA) Agreement which requires the Agency to utilize the Modified Pre-Issuance Methodology when requesting federal funds for the Low-Income Home Energy Assistance Program (HEAP). Section 6.2.4 of the agreement regarding the Modified Pre-Issuance Methodology states, in part:

. . . The State shall request funds such that they are deposited in a State account not more than eight business days prior to the day the State makes a disbursement. . . The amount of the request shall be the amount the State expects to disburse. . .

In addition, 45 C.F.R. Part 75.302 and .305 give regulatory effect to the Department of Health and Human Services for 2 C.F.R. Part 200.302(b)(6) which requires states to have written procedures to implement the requirements of 2 C.F.R. Part 200.305. 2 C.F.R. Part 200.305(a) indicates for states, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 C.F.R. Part 205 "Rules and Procedures for Efficient Federal-State Funds Transfers" and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies.

Furthermore, an entity's system of internal controls consists of the policies and procedures established by management to provide reasonable assurance that it complies with applicable rules and regulations and those specific operational objectives are achieved. These policies establish the authorization level for financial and operational transactions to be executed and are meant to accomplish management's goals and professional and statutory requirements.

During state fiscal year 2019, the Agency drew down approximately \$140 million in federal funding for the HEAP program. The Agency utilizes the CMIA Agreement, as well as internal policies and procedures as a guide for completing federal draws; however, these policies and procedures do not specifically address the timeliness of the disbursement/draw process as required by 2 C.F.R. Part 200.302(b)(6). The Agency

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEVELOPMENT SERVICES AGENCY

1. HEAP – CASH MANAGEMENT (Continued)

compiles a worksheet of all payment requests for administrative and program costs associated with providing HEAP assistance in order to determine the amount of federal funds to be drawn. This evaluation includes year-to-date disbursements, year-to-date revenues, and any refunds received and/or pending. However, as noted above, the Agency's internal control policies do not contain procedures which allow disbursements to be tied to a specific draw. Due to this, it is not possible to test if draws were disbursed in compliance with the applicable funding techniques specified in the Treasury-State Agreement (within eight business days).

Without procedures in place which allow for ensuring timely disbursement of funds in accordance with federal requirements and the CMIA Agreement, interest penalties may be incurred by the State of Ohio. This could also subject the Agency to sanctions or other penalties by the federal grantor agency. Based on discussions with management, they have not considered developing a methodology which allows them to trace federal draw amounts to subsequent disbursements since their focus is to draw federal funds based on an amount calculated from disbursements already made.

We recommend the Agency update its written policies and procedures for the cash management process to provide a methodology which allows for disbursements to be tied to related federal draws to help ensure compliance with 2 C.F.R. Part 200.302(b)(6). These policies and procedures should be formally approved and adopted by management, provided to all employees, and monitored periodically by management to ensure the procedures are operating as intended and updated as necessary.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

1. IT – INAPPROPRIATE APPLICATION ADMINISTRATOR ACCOUNT ACCESS

Finding Number:	2019-008
State Agency Number:	DDD-01
CFDA Number and Title:	93.775/93.777/93.778 – Medicaid Cluster 93.791 – Money Follows the Person
Federal Award Identification Number / Year:	1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid) 1LICMS331360 / 2014 – 2020 (MFP)
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions – Provider Eligibility
Repeat Finding from Prior Audit?	No

MATERIAL WEAKNESS

Organizations logically restrict access to their computer systems, programs, and data to help reduce the risk of unauthorized use of key computer resources. They establish levels of access commensurate to a specific user’s job responsibilities. Access to administrative privileges, which may be used to override other controls, is tightly restricted. Computer systems are regularly monitored for possible misuse and periodic reviews of user access are performed to ensure all access is authorized.

The Department’s Information Policies include the following, which govern implementation of the controls described above:

- Completion of Information Technology Services Security Affidavit (ITS-001).
- System Access and User Authentication (ITS-002) Section IV.C: Access Control for DODD Web Applications.

The Medicaid Billing System (MBS) is designed to process Medicaid claims for waiver and targeted case management (TCM) services provided by eligible providers. During state fiscal year (SFY) 2019, approximately \$1.6 billion in payments were processed through MBS. MBS is supported by several ancillary systems, including the Medicaid Services System (MSS) and Provider Services Management (PSM). MSS enrolls clients onto the various waivers and records individual service plans (which ultimately authorize waiver claims) while PSM certifies providers of Medicaid services. During (SFY 2019, approximately 15,000 new or renewed providers were certified. The internal controls in the PSM and MSS systems are significant to the Department’s efforts to prevent unauthorized disbursements of Medicaid funds. The following MSS, PSM, and MBS accounts did not require access for the performance of their job functions:

- Nine of 33 (27.3%) MSS users had administrative access allowing them to submit a Payment Application Waiver Plan and enroll a provider.
- Three of 14 (21.4%) PSM users had administrative access allowing them to update or change provider application data.
- Three of 23 (13%) MBS users had administrative access allowing them to upload data, edit the billing schedule, and delete no match claims (claims previously uploaded that could not be processed during the billing cycle they were uploaded; typically a claim on a pending-prior report). A non-matched claim might be deleted if notified by the provider they did not want the subsequent claim to process.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

1. IT – INAPPROPRIATE APPLICATION ADMINISTRATOR ACCOUNT ACCESS (Continued)

Inappropriate access increases the risk that users have inappropriate access to programs and data which could jeopardize the integrity of departmental data. This could result in the transmission of inaccurate transactions, which may misstate federal or state expenditure activity, or result in the misuse or fraudulent misappropriation of state resources or federal program monies. Based on discussions with management, these access exceptions were due to inadequate review processes and updating of access.

We recommend the Department evaluate the roles for these accounts and remove all unnecessary access not required for the job function. We also recommend management follow the formal policies in place which prescribe the process for performing periodic reviews of all user accounts, especially administrator accounts. We also recommend the Department update IT policies to reflect approved changes governing how IT security is administered.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

1. TIMELY ALLOCATIONS TO CHARTER SCHOOLS – VARIOUS PROGRAMS

Finding Number:	2019-009
State Agency Number:	EDU-01
CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies 84.027/84.173 – Special Education Cluster (IDEA) 84.367 – Supporting Effective Instruction State Grant
Federal Award Identification Number / Year:	S010A170035 / 2017 (Title I) S010A180035 / 2018 (Title I) H027A170111-17A / 2017 (IDEA) H027A180111-18A / 2018 (IDEA) S367A170034 / 2017 (SEI) S367A180034 / 2018 (SEI)
Federal Agency:	Department of Education
Compliance Requirement:	Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-004

NONCOMPLIANCE AND MATERIAL WEAKNESS (SPECIAL EDUCATION CLUSTER AND SUPPORTING EFFECTIVE INSTRUCTION STATE GRANT)

MATERIAL WEAKNESS (TITLE I GRANTS TO LEAs)

34 C.F.R. Part 76, Subpart H, requires that SEAs (state educational agencies) take measures to ensure each charter school in the state receives the funds for which it is eligible under a covered program during its first year of operation and during subsequent years in which the charter school expands its enrollment. Specifically, 34 C.F.R. Part 76.793(a) states:

For each eligible charter school LEA [local educational agency] that opens or significantly expands its enrollment on or before November 1 of an academic year, the SEA must allocate funds to the charter school LEA within five months of the date the charter school LEA opens or significantly expands its enrollment;

In addition, 34 C.F.R. Part 76.796 states:

(a) An SEA that allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data when the charter school LEA opens or significantly expands its enrollment, must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under the applicable program.

(b) Any adjustments to allocations to charter school LEAs under this subpart must be based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA first opens or significantly expands its enrollment, even if allocations or adjustments to allocations to other LEAs in the State are based on enrollment or eligibility data from a prior year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

1. TIMELY ALLOCATIONS TO CHARTER SCHOOLS – VARIOUS PROGRAMS (Continued)

It is management's responsibility to implement control policies and procedures to reasonably ensure compliance with these requirements.

During state fiscal year (SFY) 2019, the Department expended approximately \$529.4 million in Title I Grants to LEAs funds, of which approximately \$523 million were subsidy payments to LEAs; \$481.7 million in Special Education Cluster funds, of which approximately \$462 million were subsidy payments to LEAs; and, \$74.8 million in Supporting Effective Instruction State Grant funds, of which approximately \$71.9 million were subsidy payments to LEAs. In addition, during SFY 2019, ten new charter schools (called community schools in Ohio) opened and nine community schools significantly expanded by adding two or more grade levels during the school year.

The Department had controls in place during SFY 2019 for allocating funding to new and significantly expanded community schools for all three federal programs. The controls consisted of either making an initial estimated allocation and then adjusting it when the LEA reported actual data or making only one allocation based on the actual data. Once the allocations are made, the community schools must submit an application and obtain all necessary approvals at the community school and Department level in order to have access to the new or additional funding, which can take several days or weeks. However, the controls were not designed to ensure the Department made the amounts due to each LEA available within five months of the LEA's start or expansion date. The Department did not start allocating additional funds for all three programs until January, 15, 2019, which is near the due date because most schools begin classes the third week of August. As a result, one of four (25%) new and significantly expanded community schools selected for testing was not provided the required new funding for Special Education Cluster and Supporting Effective Instruction State Grant in a timely manner as required by 34 C.F.R. Part 76.793(a). The LEA started operations on August 22, 2018 and was due the Special Education Cluster and Supporting Effective Instruction State Grant funds by January 22, 2019. However, the Special Education Cluster funding was not allocated until February 6, 2019 and the Supporting Effective Instruction State Grant funding was not allocated until April 5, 2019. The community school did not have access to the funds until 96 days beyond the required timeframe.

If controls do not exist or are not applied consistently, then program objectives may not be achieved. If community schools do not receive all funding they are eligible for in a timely manner, they may not be able to provide services at the appropriate level to the detriment of the students impacted for the Special Education Cluster, Title I Grants to LEAs, and Supporting Effective Instruction State Grant programs. In addition, this could subject the Department to sanctions or other penalties for these programs. Based on discussion with management and review of various documents, the issue was caused by the amount of time necessary for the Department to obtain the necessary data from the Education Management Information System (EMIS) and verify accurate poverty data was submitted by the community school during school year 2018-2019.

We recommend the Department evaluate its current control procedures over the allocation of Special Education Cluster, Title I Grants to LEAs, and Supporting Effective Instruction State Grant funds to new and significantly expanded community schools and update them as necessary to reasonably ensure compliance with the requirements, specifically ensuring that community schools receive all funding they are eligible for in a timely manner.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

2. SPECIAL EDUCATION CLUSTER – SUBRECIPIENT MONITORING

Finding Number:	2019-010
State Agency Number:	EDU-02
CFDA Number and Title:	84.027/84.173 – Special Education Cluster (IDEA)
Federal Award Identification Number / Year:	H027A170111-17A / 2017 H027A180111-18A / 2018
Federal Agency:	Department of Education
Compliance Requirement:	Subrecipient Monitoring
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 3474.1 gives regulatory effect to the Department of Education for 2 C.F.R. Part 200.331, which establishes requirements over subawards for pass-through entities and states, in part:

All pass-through entities must:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, . . .

. . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. . . .

It is management's responsibility to implement control policies and procedures to reasonably ensure compliance with program requirements. Effective controls require the Department evaluate each subrecipient's risk of noncompliance and complete effective monitoring of subrecipient activities.

During state fiscal year (SFY) 2019, the Department entered into 1,625 subaward agreements with 985 local educational agencies (LEAs) for the two programs in the Special Education Cluster, totaling approximately \$442.4 million. The Office of Exceptional Children (OEC) uses a three-tiered (Self Survey, Desk Review, and On-site Review) risk assessment approach to monitor and assist LEAs in determining whether they are compliant with program requirements. Under this approach the Department is to annually monitor each LEA via one of these methods; those LEAs not selected for a desk or on-site review must complete a self-assessment review. However, OEC completed only five reviews (four on-site and one self-assessment) and started two other LEA reviews during SFY19. Therefore, the Department did not have effective internal controls designed to provide reasonable assurance that Special Education Cluster subawards were used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subawards, and that subaward performance goals were achieved.

Without proper controls and monitoring over subrecipients, management cannot be reasonably assured that subawards are being used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subawards; or that subaward performance goals are being achieved.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

2. SPECIAL EDUCATION CLUSTER – SUBRECIPIENT MONITORING (Continued)

This could result in a misuse of funds and noncompliance with federal requirements, which could subject the Department to sanctions, other penalties, or having to repay part of the federal grant awards. Based on discussions with management and review of various documents, OEC management decided to focus on completing reviews of the 12 high risk LEAs remaining from the 2018 review cycle. As a result, OEC started only seven LEA reviews for SFY 2019.

We recommend the Department evaluate its current control procedures and processes over Special Education Cluster subrecipient monitoring and update them as necessary to reasonably ensure compliance with 2 CFR 200.331(b) and (d). These procedures should include an accurate assessment of the risk of noncompliance for each LEA receiving Special Education Cluster funds and include appropriate reviews to monitor the activities of the LEAs to ensure the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved. In addition, management should periodically monitor these activities to help ensure the procedures are performed timely and functioning as intended.

3. CHILD NUTRITION CLUSTER – INVENTORY

Finding Number:	2019-011
State Agency Number:	EDU-03
CFDA Number and Title:	10.553/10.555/10.556/10.559 – Child Nutrition Cluster
Federal Award Identification Number / Year:	201818N109942 / 2018 201919N109942 / 2019
Federal Agency:	Department of Agriculture
Compliance Requirement:	Special Tests and Provisions – Accountability for USDA-Donated Foods
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-005

NONCOMPLIANCE AND MATERIAL WEAKNESS

7 C.F.R. Part 250 contains rules and regulations for entities that receive donated foods from the United States Department of Agriculture (USDA) for use in child nutrition programs, including the National School Lunch Program (NSLP), part of the Child Nutrition Cluster (CNC). Specifically, 7 C.F.R. Part 250.19(a) requires that distributing agencies, recipient agencies, processors, and other entities must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods and warns that failure to maintain required records must be considered prima facie evidence of improper distribution or loss of donated foods and may result in a claim against such party for the loss or misuse of donated foods per 7 C.F.R. Part 250.16.

It is management's responsibility to implement control procedures to reasonably ensure compliance with these requirements. It is also management's responsibility to implement an adequate system of internal controls to monitor the accuracy and completeness of accounting and inventory records pertaining to federal programs.

As the pass-through entity of the CNC federal program for the State of Ohio, the Department oversees the distribution of USDA-donated food goods to various local schools throughout the year. Local schools order food from two USDA web systems - Web Based Supply Chain Management (WBSCM) and Fresh Fruit and

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

3. CHILD NUTRITION CLUSTER – INVENTORY (Continued)

Vegetables Order Receipt System (FFAVORS). The food is distributed either directly from USDA to the school (FFAVORS orders) or first to a storage facility or processor before being delivered to the school (WBSCM orders). For the NSLP, the Department contracted with two storage facilities to house these foods during the fiscal year and also contracted with a company to perform physical inventory counts of the donated foods in the facilities at year-end. The total value of all food distributed during state fiscal year (SFY) 2019 was \$59.9 million dollars, while the value of the food distributed by the storage facilities was \$12.3 million dollars; this is approximately 10.6 % and 2.2%, respectively, of the reported total CNC program expenditures.

The Department receives data about the schools' food orders directly from WBSCM and FFAVORS and uploads the data into its Commodities Allocation Tracking System (CATS), an automated inventory process for administering and monitoring the foods donated by USDA. The Department's procedures require it receive monthly activity reports from the storage facilities which are to be reconciled to CATS. The Department procedures also require that CATS is reconciled to the physical inventory counts of the donated foods in the storage facilities at year-end. However, the Department did not complete these reconciliations during the audit period due to a CATS issue that began in December 2017 and is still ongoing. Specifically, when school districts ordered foods from storage facilities and the number of units shipped by the storage facility differed from the number of units ordered, the shipment was not recorded in CATS. As a result, storage facility inventory in CATS as of June 30, 2019 was overstated by \$7.3 million (651.5%) when compared to the physical inventory of foods on hand at the facilities. In addition, storage facility distributions in CATS during the audit period were understated by \$7.9 million (64.5%) when compared to the storage facility's portion of food commodity distributions recorded on the Schedule of Expenditures of Federal Awards for SFY 2019. Although the USDA data on food orders reconciled with food orders in CATS, the ending inventory and distributions by the storage facilities did not.

A second aspect of the CATS system and the CNC program is that schools are reimbursed for the number of meals served and the type of students served, based upon the number of meals served in the prior year multiplied by the USDA commodity reimbursement rate, which only USDA can enter into WBSCM. However, Department staff incorrectly entered the reimbursement rate into CATS; \$0.3450 instead of the USDA approved rate of \$0.3425. As a result, approximately 160 million lunches were improperly valued at a higher rate, equaling approximately \$400,000. The Department could not spend more in total to reimburse the schools than the amount it was allocated by USDA. However, this could affect an individual school district because the Department reallocates unused funds from one school district to another district that has a need greater than its initial allocation.

Based on the conditions noted above, it appears the CATS system is not operating as intended, because the Department added a new File Transfer Protocol site that caused problems with importing the monthly activity delivery reports from the warehouses, and the Department did not maintain accurate and complete inventory records during SFY 2019 as required by 7 C.F.R. Part 250.19(a).

If the Department does not maintain accurate and complete records of the donated foods, it is not complying with 7 C.F.R. Part 250.19(a). This could subject the Department to repayment for the value of any misplaced food to the USDA or replacement of the goods in-kind, or other sanctions and penalties. Inaccurate inventory records could also prevent schools from placing orders for available foods and lead to misuse or abuse of donated foods to the detriment of those who benefit from the program. In addition, an individual school may not be reimbursed for the appropriate amount it is due. Based on discussion with management and review of support documents, the Department did not have the resources to maintain accurate and complete inventory records after the CATS system failure and entry of the wrong rate was due to an oversight.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

3. CHILD NUTRITION CLUSTER – INVENTORY (Continued)

We recommend the Department evaluate and strengthen its existing policies, procedures, and CATS system to ensure it updates and maintains complete and accurate inventory records. Management should periodically perform and review inventory reconciliations to ensure accuracy, completeness, and proper and timely resolution of variances or reconciling items noted. In addition, the Department should formally document and communicate these policies and procedures to all employees involved in the process and re-evaluate and update the procedures on a regular basis to address any necessary changes.

4. CACFP – REPORTING

Finding Number:	2019-012
State Agency Number:	EDU-04
CFDA Number and Title:	10.558 – Child and Adult Care Food Program
Federal Award Identification Number / Year:	201818N109942 / 2018 201919N109942 / 2019
Federal Agency:	Department of Agriculture
Compliance Requirement:	Reporting
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-006

NONCOMPLIANCE AND MATERIAL WEAKNESS

As part of administering the Child and Adult Care Food Program (CACFP), 7 C.F.R. Part 226.7(d) requires a final FNS-44, *Report of the Child and Adult Care Food Program*, report be submitted for each month “no later than 90 days following the last day of the month covered by the report.” In addition to this “90-day report”, which contains actual data only, instructions to the report state a “30-day report”, which may contain actual and estimated data, is due “on the last day of the month following the month being reported.” Report instructions also define “Estimated” as “Projection of the number of meals that were served and are expected to be approved for reimbursement for which claims have not been received or approved by the reporting due date.” In addition, Parts A - Day Care Homes (reported monthly) and B - Participation (reported quarterly) of the report instructions state “Estimates for missing data should be included on the 30-Day report.”

It is management’s responsibility to implement control policies and procedures to reasonably ensure compliance with program requirements. Effective controls require management review reports for accuracy, completeness, and compliance with program rules and regulations prior to submission to the federal grantor agency.

During 2019, the Department disbursed approximately \$98.9 million in subsidy expenditures for CACFP. The Department had controls in place during the fiscal year for reviewing and submitting the required reports. When preparing reports for submission to the U. S. Department of Agriculture via the Food Program Reporting System (FPRS), the Management Analyst generates the support documents in the Claims Reimbursement and Reporting System (CRRS), which aggregates estimated and actual reporting data, including meals served and number of sponsors and sites. The Management Analyst enters the data into FPRS and checks it for validity. The Fiscal Manager then reviews the data to ensure its accuracy and completeness before certifying the report in FPRS. However, the Department included only actual data, but failed to also include projections/estimates for the number of participating entities and recipients in the

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

4. CACFP – REPORTING (Continued)

Day Care Homes (Part A) and Participation (Part B) sections for three of three (100%) 30-day FNS-44 reports selected for testing. As a result, all three reports were significantly understated (10% or more) compared to the 90-day report.

Without including estimated data for Parts A and B of the 30-day FNS-44 reports, the Department is not submitting accurate and complete reports to the federal grantor agency per the instructions provided. Providing significantly understated information to the federal grantor agency on interim reports makes them less effective for the federal grantor agency for monitoring and planning purposes. Any noncompliance could result in repayment, reduction, or elimination of federal funding or sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, it appears the Department interpreted the report instructions to mean that if any sponsor does not submit the data by the report due date, the state-wide data available in CRRS is incomplete (not missing) and therefore, not required to be included in the report. It also appears the Department's approach for not including estimates in Parts A and B of the report has been in place for several years although the federal grantor agency has not provided guidance that it is acceptable.

We recommend the Department contact the federal grantor agency to obtain guidance on what is considered "missing data" versus "incomplete data", as well as how to approach/report estimates for Parts A and B of the 30-day FNS-44 reports. We also recommend the Department evaluate existing procedures and implement new procedures, if necessary, to provide reasonable assurance the 30-day FNS-44 reports submitted in FPRS are accurate and complete per the report instructions and guidance obtained from the federal grantor agency. Lastly, we recommend the Department establish procedures to periodically monitor its compliance with the report submission requirements and initiate necessary actions to resolve any noncompliance that results.

5. CACFP – SPONSOR REVIEWS

Finding Number:	2019-013
State Agency Number:	EDU-05
CFDA Number and Title:	10.558 – Child and Adult Care Food Program
Federal Award Identification Number / Year:	201818N109942 / 2018 201919N109942 / 2019
Federal Agency:	Department of Agriculture
Compliance Requirement:	Subrecipient Monitoring
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-007

NONCOMPLIANCE AND MATERIAL WEAKNESS

As part of administering the Child and Adult Care Food Program (CACFP), 7 C.F.R. Part 226.6 requires the Department provide technical and supervisory assistance to institutions and facilities to facilitate effective program operations; monitor progress toward achieving program goals; ensure compliance with all requirements of the program; and maintain documentation of supervisory assistance activities, including reviews conducted, corrective actions prescribed, and follow-up efforts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

5. CACFP – SPONSOR REVIEWS (Continued)

Specifically, 7 C.F.R. Part 226.6(m)(6) prescribes the frequency and number of required institution reviews and states, in part:

- (i) Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization's facilities;

It is management's responsibility to implement control policies and procedures to reasonably ensure compliance with program requirements. Effective controls require the Department monitor the frequency of each sponsor's reviews to ensure they are completed in accordance with program rules and regulations.

During state fiscal year (SFY) 2019, the Department completed reviews of 303 sponsors that participated in CACFP. Education Program Specialists are responsible for visiting these institutions, performing the required reviews, and completing various documents within the Claims Reimbursement Reporting System (CRRS) to evidence what they reviewed and the results. In addition, the Department maintains a CRRS tracking module that lists all participants of the program and when they were reviewed or are scheduled for review. However, the Department's controls did not prevent noncompliance with the review requirements. As a result, for two of 25 (8%) reviews selected for testing (all sponsors with between 1 and 100 facilities), the Department performed the reviews four years after the previous review, which is not within the required three-year period.

Not properly monitoring sponsor reviews could result in noncompliance with federal regulations. Noncompliance with the review requirements could subject the Department to sanctions or other penalties and a repayment of part of the grant award amount. Based on discussions with management and review of support documents, one review was not completed timely due to a staffing issue. The second review was not completed timely due to an oversight by the Education Program Specialist.

We recommend the Department evaluate its existing sponsor review control procedures and update them as necessary to reasonably ensure all reviews are performed within the timeframes prescribed in 7 C.F.R. Part 226.6(m)(6). We also recommend the Department establish procedures to periodically monitor its compliance with the review requirements and initiate necessary actions to resolve any noncompliance that results.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

6. CHARTER SCHOOL MONITORING – VARIOUS PROGRAMS

Finding Number:	2019-014
State Agency Number:	EDU-06
CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies 84.027 / 84.173 – Special Education Cluster (IDEA) 84.367 – Supporting Effective Instruction State Grants
Federal Award Identification Number / Year:	S010A170035 / 2017 (Title I) S010A180035 / 2018 (Title I) H027A170111 / 2017 (IDEA) H027A180111 / 2018 (IDEA) H173A170119 / 2017 (IDEA) H173A180119 / 2018 (IDEA) S367A170034 / 2017 (SEI) S367A180034 / 2018 (SEI)
Federal Agency:	Department of Education
Compliance Requirement:	Special Tests and Provisions - Oversight and Monitoring Responsibilities with Respect to Charter Schools with relationships with Charter Management Organizations
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 3474.1 gives regulatory effect to the Department of Education for 2 C.F.R. Part 200.331, which establishes requirements over subawards for pass-through entities and states, in part:

All pass-through entities must:

...

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, . . .

...

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. . . .

Additionally, Part N.3, *Oversight and Monitoring Responsibilities with Respect to Charter Schools with Relationships with Charter Management Organizations [CMOs]*, of the ED-Cross-Cutting Section (2019 OMB Compliance Supplement) states:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

6. CHARTER SCHOOL MONITORING – VARIOUS PROGRAMS (Continued)

Additional requirements applicable to non-federal entities receiving federal funds include: (1) the Code of Federal Regulations requirements regarding conflicts of interest [2 C.F.R. 200.112 and 200.318], (2) the American Institute of Certified Public Accountants guidance regarding related-party transactions [AU Section 334], and (3) the GAO Green Book and COSO framework guidance regarding segregation of duties [Page 50] applicable to charter schools with relationships with CMOs.

It is management's responsibility to implement control policies and procedures to reasonably ensure compliance with program requirements. Effective controls require the Department complete a review of charter (community) schools with relationships with CMOs, including procedures to assess the risk posed by conflicts of interest, related party transactions, and insufficient segregation of duties.

During state fiscal year (SFY) 2019, the Department had agreements with approximately 950 local educational agencies (LEAs), including 237 community schools with CMOs. The Department completed 922 reviews of the LEAs for the Title I Grants to Local Educational Agencies and Supporting Effective Instruction State Grants programs and five reviews for the Special Education Cluster during SFY 2019. The Department uses a three-tiered (Self Survey, Desk Review, and On-site Review) risk assessment approach to monitor and assist LEAs in determining whether they are compliant with program requirements. However, monitoring by the program divisions did not include procedures to assess the risk posed by conflicts of interest, related party transactions, and insufficient segregation of duties for community schools with relationships with CMOs as required by the federal grantor agency, although the Grants Management office did complete additional monitoring over 21 of the LEA's that included procedures over conflicts of interest. Furthermore, the Department did not have effective internal controls designed to provide reasonable assurance that community schools with relationships with CMOs have effective controls to mitigate financial risks, provide for accountability over federal funds, and mitigate performance risks.

Without proper controls and monitoring over community schools with CMOs, management is not complying with the federal grantor agency's requirements for these programs and cannot be reasonably assured that the community schools have effective controls to mitigate financial risks, provide for accountability over federal funds, and mitigate performance risks. This could result in a misuse of funds and noncompliance with federal requirements, which could subject the Department to sanctions, other penalties, or having to repay part of the federal grant awards. Based on discussions with management and review of various documents, this issue was caused by the amount of time needed to develop and implement new risk assessment procedures, which the Department is currently developing.

We recommend the Department evaluate its current control procedures and processes over subrecipient monitoring and update them as necessary to include specific procedures for community schools with CMOs. These procedures should include an assessment of the risk posed by conflicts of interest, related party transactions, and insufficient segregation of duties. The Department should also monitor these community schools to ensure controls are in place to mitigate financial risks, provide for accountability over federal funds, and mitigate performance risks, as well as track the correction of any identified non-compliance that results. In addition, management should periodically monitor these activities to help ensure the procedures are performed timely and functioning as intended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

7. TITLE I AND SUPPORTING EFFECTIVE INSTRUCTION – MAINTENANCE OF EFFORT

Finding Number:	2019-015
State Agency Number:	EDU-07
CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies 84.367 – Supporting Effective Instruction State Grant
Federal Award Identification Number / Year:	S010A170035 / 2017 (Title I) S010A180035 / 2018 (Title I) S367A170034 / 2017 (SEI) S367A180034 / 2018 (SEI)
Federal Agency:	Department of Education
Compliance Requirement:	Matching, Level of Effort, and Earmarking
Repeat Finding from Prior Audit?	No

SIGNIFICANT DEFICIENCY

34 C.F.R. Part 299.5 established maintenance of effort (MOE) compliance standard requirements for the Title I Grants to Local Educational Agencies (LEA) and the Supporting Effective Instruction State Grants federal programs. 34 C.F.R. Part 299.5 states, in part:

(a) *General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year.

(b) *Applicable programs.* This subpart is applicable to the following programs:

(1) Part A of title I (Improving Basic Programs Operated by Local Educational Agencies).

...

(3) Part A of title II (Supporting Effective Instruction).

...

If an LEA fails the MOE requirement for a program in the current year's calculation, the Department is to reduce the LEA's program allocation by a proportionate share if the LEA also failed the requirement in one or more of the previous five years, unless the LEA qualifies for a waiver. It is management's responsibility to implement control policies and procedures to reasonably ensure an LEA has met the MOE compliance requirement and is eligible to receive the full allocation of program funds. Effective controls require the Department document its determination of how the LEA complied with the MOE requirement based on the LEA's expenditures, as allowed by 34 C.F.R. Part 299.5(a).

During state fiscal year (SFY) 2019, the Department's Office of Federal Programs (OFF) monitored LEA compliance with MOE requirements for the Title I Grants to Local Educational Agencies and Supporting Effective Instruction State Grants programs through data uploaded from EMIS (Education Management Information System) into the CCIP (Continuous Comprehensive Improvement Plan) system's MOE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF EDUCATION

7. TITLE I AND SUPPORTING EFFECTIVE INSTRUCTION – MAINTENANCE OF EFFORT (Continued)

Application module. EMIS is the statewide data collection system by which LEAs are required to report data, including all LEA expenditures and Average Daily Membership, to the Department. The Department's Information Technology Office (ITO) notifies OFP when EMIS is closed and the data is available for entry into the MOE Application module.

Using this data, OFP determines whether LEAs met the MOE requirement. The Education Program Specialist contacts and investigates only those LEAs that do not meet the MOE requirement for additional information and support to help with the MOE determination. However, the Department did not have a control to verify the comparisons included all necessary expenditures for the 27 LEAs that participate in school-wide pooling and use local Fund 598. As a result, for these 27 of 1,012 (2.7%) LEAs for which calculations were completed, the Department did not include all the expenditures for both years of the MOE comparison; the 2017 local Fund 598 expenditures were not included. After the Department was notified of the error, it made the MOE comparisons again with the correct data to confirm the affected LEAs had met the MOE requirement, as originally determined.

Not using complete and accurate data in the MOE comparisons may result in the Department determining that LEAs met the MOE requirement when they did not. This could result in LEAs receiving the full allocation of federal funds instead of a reduced amount. Noncompliance on the part of the LEA or the Department could result in federal funds being reduced, taken away, or other sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, these conditions were the result of an IT error. The IT Specialist mistakenly calculated the Fund 598 logic which reduced the 2017 Fund 598 expenditure amounts to \$0 for the 27 LEAs using Fund 598.

We recommend the Department evaluate its current control procedures and processes over determining whether LEAs met the MOE requirement for the Title I Grants to Local Educational Agencies and Supporting Effective Instruction State Grants programs and update them as necessary to reasonably ensure MOE determinations are made based on complete and accurate data. We recommend the Department ensure future MOE determinations include all of the corresponding expenditures for both years of the comparison, specifically for LEAs that have local Fund 598 expenditures. This entails the Department test any coding enhancements to the MOE system prior to placing the changes into production. We also recommend the Department establish procedures to periodically monitor its compliance with the related controls and MOE requirements, and initiate necessary actions to resolve any noncompliance that results.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

1. CCDF CLUSTER / TANF / SSBG – INELIGIBLE RECIPIENT AND MISSING DOCUMENTATION

Finding Number:	2019-016
State Agency Number:	JFS-02
CFDA Number and Title:	93.575/93.596 – CCDF Cluster 93.558 – TANF Cluster 93.667 – Social Services Block Grant
Federal Award Identification Number / Year:	1701OHCCDF / 2017 (CCDF Cluster) 1801OHCCDF / 2018 (CCDF Cluster) 1901OHCCDD / 2019 (CCDF Cluster) 1901OHCCDM / 2019 (CCDF Cluster) 1701OHTANF / 2017 (TANF Cluster) 1801OHTANF / 2018 (TANF Cluster) 1901OHTANF / 2019 (TANF Cluster) 1801OHSOSR / 2018 (SSBG) 1901OHSOSR / 2019 (SSBG)
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Eligibility
Repeat Finding from Prior Audit?	No

QUESTIONED COSTS, NONCOMPLIANCE, & MATERIAL WEAKNESS (TANF CLUSTER) \$1,080

MATERIAL WEAKNESS (CCDF CLUSTER AND SOCIAL SERVICES BLOCK GRANT)

45 C.F.R. Part 98.20, A Child's Eligibility for Child Care Services states, in part:

(a) To be eligible for services under § 98.50, a child shall, at the time of eligibility determination or redetermination:

(1)(i) Be under 13 years of age; or, (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;

...

(3)(i) Reside with a parent or parents who are working or attending a job training or educational program; or (ii) Receive, or need to receive, protective services, which may include specific populations of vulnerable children as identified by the Lead Agency, and reside with a parent or parents other than the parent(s) described in paragraph (a)(3)(i) of this section.

(A) At grantee option, the requirements in paragraph (a)(2) of this section may be waived for families eligible for child care pursuant to this paragraph, if determined to be necessary on a case-by-case basis.

...

In addition, 45 C.F.R. Part 98.45(k) states that "Lead Agencies shall establish, and periodically revise, by rule, a sliding fee scale(s) for families that receive CCDF child care services..."

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

1. CCDF CLUSTER / TANF / SSBG – INELIGIBLE RECIPIENT AND MISSING DOCUMENTATION (Continued)

45 C.F.R. Part 260, General Temporary Assistance for Needy Families (TANF) Provisions states, in section 31(a):

(1) The term “assistance” includes cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses). (2) It includes such benefits even when they are: (i) Provided in the form of payments by a TANF agency, or other agency on its behalf, to individual recipients; and (ii) Conditioned on participation in work experience or community service (or any other work activity under § 261.30 of this chapter). (3) Except where excluded under paragraph (b) of this section, it also includes supportive services such as transportation and child care provided to families who are not employed. . .

42 U.S.C. Part 1397a relates to payments to States for the Social Services Block Grant (SSBG) and states in section (a)(2), in part:

...
(A) services which are directed at the goals set forth in section 1397 of this title include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, family planning services, training and related services, employment services, information, referral, and counseling services,...

It is management’s responsibility to design and implement internal controls to reasonably ensure compliance with federal and state laws and regulations.

During state fiscal year (SFY) 2019, the Department disbursed approximately \$658.8 million in federal assistance to child care providers for eligible recipients from the CCDF Cluster, TANF Cluster, and SSBG programs based on information provided by the 88 County Department of Job and Family Services (CDJFS). The CDJFS case workers are to obtain and maintain a completed and signed application, determine the income and other key information from each applicant, and enter this information into the State’s Child Care Information Data System (CCIDS) for eligibility and benefit/co-pay amount determinations. The CCIDS eligibility module analyzes the recipient’s information entered into the application screens and utilizes it to determine the applicable federal program eligibility, as identified in the system by pay source codes. However, the controls did not prevent or detect the following errors noted during testing of 60 CCDF Cluster case files for compliance with federal and state eligibility rules and regulations at 10 selected CDJFS:

- For five (8.3%) cases, supporting documentation could not be located/provided for child support services/income reported in CCIDS for the CCDF, TANF, or SSBG programs. These cases (three at Montgomery, one at Lorain, and one at Lucas) had missing verifications or missing applications and/or no signed applications on file; however, the benefit/co-pay was not affected.
- For one (1.7%) case (Butler), the CDJFS utilized incorrect income verifications causing the benefit/co-pay to be affected for the TANF program. As a result, we will question all benefits paid to the child care provider on the recipient’s behalf, totaling \$1,080 (projected to an amount greater than \$25,000).

Without obtaining, maintaining, or reviewing the required documentation on file, the Department may not be able to fully support or ensure benefit payments are made for the proper amounts to or on behalf of eligible recipients. This could result in questioned payments or fines, penalties, or other sanctions imposed

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

1. CCDF CLUSTER / TANF / SSBG – INELIGIBLE RECIPIENT AND MISSING DOCUMENTATION (Continued)

by the federal grantor agency. Based on discussions with Department and CDJFS management, the missing documents were not maintained upon application intake was an oversight by the case worker. The overpayment was due to the caseworker not accurately completing the appropriate screens within CCIDS based on the supporting documentation provided by the recipient.

We recommend Department management evaluate and strengthen the existing controls at both the State and CDJFS levels to identify where improvements can be made to minimize the risks of inaccurate co-payment and benefit determinations. We also recommend the Department periodically monitor the established controls to determine if they are working as intended by management. In addition, Department management should perform periodic reviews of the case files to reasonably ensure case file information is properly maintained and accurately entered into the system.

2. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY SYSTEM

Finding Number:	2019-017
State Agency Number	JFS-03
CFDA Number and Title:	10.551/10.561 SNAP Cluster 93.558 TANF Cluster
Federal Award Identification Number / Year:	172OH102S8026 / 2017 (SNAP Cluster) 172OH102S8069 / 2017 (SNAP Cluster) 182OH102S8026 / 2018 (SNAP Cluster) 182OH102S8069 / 2018 (SNAP Cluster) 192OH102S8026 / 2019 (SNAP Cluster) 192OH102S8069 / 2019 (SNAP Cluster) 1701OHTANF / 2017 (TANF Cluster) 1801OHTANF / 2018 (TANF Cluster) 1901OHTANF / 2019 (TANF Cluster)
Federal Agencies:	Department of Agriculture Department of Health and Human Services
Compliance Requirement:	Eligibility
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

NOTE: Finding numbers 2019-001³, 2019-005, 2019-018, and 2019-022 contain additional information which is integral to and should be read in conjunction with this finding.

7 C.F.R. Part 272.10(b)(1)(i), pertaining to the SNAP Cluster, states in part, that a State's system should:

Determine eligibility and calculate benefits or validate the eligibility worker's calculations by processing and storing all casefile information necessary for the eligibility determination and benefit

³ Finding number 2019-001, starting on page 27, represents a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards* related to the State of Ohio's eligibility process for the SNAP Cluster federal program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

2. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY SYSTEM (Continued)

computation (including but not limited to all household members' names, addresses, dates of birth, social security numbers, individual household members' earned and unearned income by source, deductions, resources and household size)...

45 C.F.R. Part 206.10(a), pertaining to public assistance programs, including TANF, states in part:

...

(8) Each decision regarding eligibility or ineligibility will be supported by facts in the applicant's or recipient's case record...

...

(12) The State agency shall establish and maintain methods by which it shall be kept currently informed about local agencies' adherence to the State plan provisions and to the State agency's procedural requirements for determining eligibility, and it shall take corrective action when necessary.

As the lead agency responsible for administering the SNAP and TANF federal grant awards for the State of Ohio, the Department is responsible for providing reasonable assurance only eligible individuals receive assistance and documentation maintained is accurate, complete, and properly recorded in the Ohio Benefits system to ensure appropriate eligibility determinations. It is the Department's responsibility to implement sufficient controls, systems, processes, and procedures to reasonably ensure compliance with the rules and regulations associated with these programs and only eligible recipients receive benefits. The Department is responsible for overall program compliance and must have appropriate oversight and monitoring procedures in place to ensure those they rely on are operating in accordance with all expectations, guidelines, and requirements related to their tasks.

During state fiscal year (SFY) 2019, the Department disbursed a combined total of \$2.2 billion in public assistance payments, to recipients processed through the Ohio Benefits system related to the following programs:

Federal Program	Benefits Paid	# of Recipients *
10.551/10.561 – SNAP Cluster	\$2,008,412,067	1,379,247
93.558 – TANF Cluster	\$210,156,426	91,506
Combined Total	\$2,218,568,493	1,470,753
* We did not separately identify recipients who could be covered under both programs		

The information below summarizes Finding 2019-001 as it relates to the control process and weaknesses identified related to eligibility for the SNAP Cluster. These issues also apply to the TANF Cluster and additional information was added, where necessary, to identify any errors related to the TANF Cluster.

These programs are administered using a multi-agency approach, as follows: overall compliance and administration of the SNAP and TANF Clusters fall under the Department, and programming and administration of the State's eligibility determination computer system, Ohio Benefits, falls under the Ohio Department of Administrative Services. In August 2018, the SNAP and TANF Clusters were added to the Ohio Benefits system. The Department also utilizes the 88 Ohio counties in the eligibility determination process to work with applicants, receive/enter eligibility documentation into the Ohio Benefits system, and follow up on alerts issued by the system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

2. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY SYSTEM (Continued)

SYSTEM/CONTROL ISSUES

Currently, individuals applying to receive public assistance benefits complete an application through various methods. The County Departments of Job & Family Services (CDJFS) offices collect and maintain any documentation provided by the individual either in a paper case file or in the OnBase Electronic Documentation Management System (EDMS), which is maintained under contract by the Ohio Department of Administrative Services. After collecting documentation, the county caseworker enters the individual's information into the Ohio Benefits system which determines the initial eligibility benefit amount and assigns the benefit aid category, where applicable. Once the determination is made, the Ohio Benefits system uploads the eligibility information to the Department's payment system to process the payment. During SFY 2019, we noted the several weaknesses/defects in the eligibility process, as listed below:

- Alerts –During SFY 2019, an overwhelming volume alerts were sent to the counties for investigation and follow-up (more than 5.3 million alerts were issued according to DAS records; 1.6 million related to Income Eligibility Verification Systems (IEVS) alerts and 3.7 million to non-IEVS alerts). This resulted in an unmanageable workload and ineffective application of the alert process. As a result of the extremely high number of alerts and defects in the Ohio Benefits system, the Department suspended their Fraud Control Triad Reviews until the defects can be corrected. In addition, the Ohio Benefits System had the following design defects/weaknesses related to alerts:
 - Multiple and repetitive alerts (redundancy).
 - Irrelevant alerts (zero or small dollar amounts).
 - Additional steps required to complete an alert (having to leave the alert window, opening an Ohio Benefits window, and then having to go back through the Alert Inventory to clear the alert).
 - Alerts being received on persons not receiving public assistance.
- Overwriting – the Ohio Benefits system maintains several pieces of key information related to a recipient's eligibility (income, household size, age, etc.). However, there is no system warning or other control in place to identify or prevent caseworkers from overwriting this data when new information is identified instead of adding the new information, as intended. In addition, a system defect prevents caseworkers from viewing the previous case information.
- Caseworker Reliance/Training – Training for county caseworkers, whose knowledge and judgement are relied heavily upon, is typically optional and/or attended by a representative of the county who is expected to relay the information to others.
- Multi-program Info – There are certain pieces of key information (i.e. name, income, age, etc.) maintained in the Ohio Benefits system which impact all public assistance programs, including SNAP, TANF, Medicaid, and Children's Health Insurance Program (CHIP). However, the system currently does not link this information between programs, but relies on county caseworkers to manually adjust each affected program separately when a change occurs.
- Additionally, the following system design weaknesses/defects in the Ohio Benefits system were brought to our attention by the Department of Medicaid which could have an impact on the SNAP and TANF programs:
 - The system auto-populated a new browser window/case with incorrect data if a case worker did not close a prior case file.
 - The system sometimes incorrectly linked newborns to individuals who were not their actual parents. In one instance, this resulted in a newborn being linked to an eleven-year old child.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

2. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY SYSTEM (Continued)

- The system was not generating a PDF for a case worker to access within the system when an e-app was filed by a recipient.
 - The system was not end-dating pregnancy records over 10 months, but did generate an alert for the county worker to investigate. However, if the alert was not resolved, the individual remained open as a pregnant woman until the next eligibility determination.
- We noted several weaknesses/issues regarding the contract and monitoring related to the OB system in Finding Number 2019-005 for the Department of Administrative Services. These issues, which impact the Department's responsibilities regarding monitoring, updates, and program compliance, are summarized below:
 - The signed agreements/amendments did not separately require MCD signatures, and ODJFS was not included on amendments.
 - Signed interagency agreements defining each agency's responsibilities and the data governance structure have not been completed.
 - No evidence of monitoring procedures related to the Independent Verification and Validation (IV&V) reports prepared by a third-party evaluator.
 - No formalized documentation/tracking of reviews/evaluations/certifications performed or required for the OB system by outside or internal reviewers.

NONCOMPLIANCE ISSUES

In addition, our testing identified the following noncompliance with the documentation required to support eligibility for these programs:

- For three of 60 (5%) TANF Cluster case files tested at 10 CDJFS, the CDJFS (Franklin County) did not maintain proper eligibility documentation in either the case file or EDMS, specifically the application; however, the benefit amount was not affected.
- For two of 60 (3.3%) SNAP Cluster case files tested at the 10 CDJFS, the CDJFS (Summit and Butler) did not maintain proper eligibility documentation in either the case file or EDMS, specifically the application, however the benefit amount was not affected. In addition, one case identified through non-sampling procedures identified an income amount not supported by proper documentation at the CDJFS (Hamilton) in either the case file or EDMS. As a result, benefits were overpaid to this recipient for an amount below the questioned cost threshold.

Without proper controls for entering, processing, and maintaining recipient information and system alerts, there is an increased risk that benefits paid to or on behalf of recipients will be inaccurate or unallowable. This risk is substantially increased if the State's eligibility determination system, Ohio Benefits, contains design or operational flaws that could impact a recipient's eligibility and, as a result, could have a material impact on the amounts reimbursed by the federal government. These weaknesses/defects could allow undue subjective decisions, jeopardize accurate eligibility processing, and/or result in improper payments or federal reimbursements. Overpayments or payments to or on behalf of ineligible recipients may subject the Department to penalties or sanctions which may jeopardize future funding and limit its ability to fulfill program requirements to provide benefits to those in need. Based on discussions with management, human error and systemic issues led to the issues identified.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

2. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY SYSTEM (Continued)

RECOMMENDATIONS

We recommend management of the Department work collectively with the related state agencies to implement/update robust processes, procedures, and system programming to address the weaknesses in the overall eligibility process, including those associated with the Ohio Benefits system. These changes/updates should include, but not be limited to:

- Redesigning the alert process to be more effective and efficient. This could include a more centralized evaluation of alert activity and/or better use of automated tools to vet and prioritize items requiring follow-up. This would allow Department level personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both Department and county personnel.
- Identifying and coordinating program changes to address the system design weaknesses/defects identified above, including the issues with overwriting data and ensuring all data stored in the system is available/viewable by users. Working collaboratively with the related state agencies to prioritize program changes which could directly impact the eligibility determinations or benefit amounts to ensure they are corrected in a timely manner to prevent and detect improper payments.
- Creating a centralized database of recipient information shared among multiple public assistance programs, or otherwise linking this information so that a change only has to be entered once in Ohio Benefits and all programs are updated accordingly.
- Requiring mandatory training for all CDJFS employees who are entering the assistance group information into Ohio Benefits to help ensure proper and complete information is being collected, entered, and verified prior to an individual's eligibility determination being made. An initial training should be provide to ensure all users are knowledgeable of the process, procedures, and impacts of the work they do. As changes occur to the rules/regulations, system, or process, detailed training should be required of all users on those changes.
- Regularly evaluate selected benefit payments for all programs to verify the recipient's eligibility, verify the recipient information entered into Ohio Benefits by the CDJFS is accurate and the information is being maintained to support the Department's eligibility decision. Any problems noted should be promptly corrected to reduce the risk of benefit payments being made to or on behalf of ineligible individuals and additional training provided to the Department and/or county employees affected.
- Ensuring that vendor contacts/amendments, and interagency agreements are formalized, contain all parties of the agreements, and fully and clearly define the roles, responsibilities, and expectations related to each party.
- Ensuring that appropriate and coordinated monitoring and tracking procedures are in place regarding reviews and the timely remediation of issues identified, including, but not limited to:
 - A data governance structure designed to ensure data quality and reliability for management, the grantor agencies, and other users of this information. This should include data subject matter experts from each related agency to help ensure quality of data requests before external and internal users rely on the data, issues are addressed with a clear escalation path, and establishing accountabilities and alignment between the related agencies.
 - Appropriate monitoring procedures related to the IV&V reports prepared by the third-party evaluator.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

2. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY SYSTEM (Continued)

- Coordinating and managing the contract contents with the developing vendor to help ensure all contract and amendment deliverables are being met.
- A formalized documentation/tracking process of reviews/evaluations/certifications performed or required for the OB system.

3. IEVS ALERTS – SNAP AND TANF

Finding Number:	2019-018
State Agency Number	JFS-04
CFDA Number and Title:	10.551/10.561 SNAP Cluster 93.558 TANF Cluster
Federal Award Identification Number / Year:	172OH102S8026 / 2017 (SNAP Cluster) 172OH102S8069 / 2017 (SNAP Cluster) 182OH102S8026 / 2018 (SNAP Cluster) 182OH102S8069 / 2018 (SNAP Cluster) 192OH102S8026 / 2019 (SNAP Cluster) 192OH102S8069 / 2019 (SNAP Cluster) 1701OHTANF / 2017 (TANF Cluster) 1801OHTANF / 2018 (TANF Cluster) 1901OHTANF / 2019 (TANF Cluster)
Federal Agencies:	Department of Agriculture Department of Health and Human Services
Compliance Requirements:	Eligibility, Special Tests and Provisions – Income Eligibility Verification System
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-011

NONCOMPLIANCE AND MATERIAL WEAKNESS

NOTE: Finding numbers 2019-001, 2019-005, and 2019-017 contain additional information which is integral to and should be read in conjunction with this finding.

7 C.F.R. Part 272.8(c), states the following regarding the Supplemental Nutrition Assistance Program (SNAP) Cluster:

- (1) State agency action on information items about recipient households shall include: (i) Review of the information and comparison of it to case record information; (ii) For all new or previously unverified information received, contact with the households and/or collateral contacts to resolve discrepancies as specified in §§ 273.2(f)(4)(iv) and 273.2 (f)(9)(iii) and (f)(9)(iv); and (iii) If discrepancies warrant reducing benefits or terminating eligibility, notices of adverse action.
- (2) State agencies must initiate and pursue the actions on recipient households specified in paragraph (c)(1) of this section so that the actions are completed within 45 days of receipt of the information items. Actions may be completed later than 45 days from the receipt of information if:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

3. IEVS ALERTS – SNAP AND TANF (Continued)

- (A) The only reason that the actions cannot be completed is the nonreceipt of verification requested from collateral contacts; and
 - (B) The actions are completed as specified in § 273.12 of this chapter when verification from a collateral contact is received or in conjunction with the next case action when such verification is not received, whichever is earlier.
- (3) When the actions specified in paragraph (c)(1) of this section substantiate an over issuance, State agencies must establish and take actions on claims as specified in § 273.18 of this chapter.
- (4) State agencies must use appropriate procedures to monitor the timeliness requirements in paragraph (c)(2) of this section.

45 C.F.R. Part 205.56(a)(1)(iv) states the following regarding the Temporary Assistance for Needy Families (TANF) Cluster:

For individuals who are recipients when the information is received or for whom a decision could not be made prior to authorization of benefits, the State agency shall within forty-five (45) days of its receipt, initiate a notice of case action or an entry in the case record that no case action is necessary, except that: Completion of action may be delayed beyond forty-five (45) days on no more than twenty (20) percent of the information items targeted for follow-up, if:

- (A) The reason that the action cannot be completed within forty-five (45) days is the nonreceipt of requested third-party verification; and
- (B) Action is completed promptly, when third party verification is received or at the next time eligibility is redetermined, whichever is earlier. If action is completed when eligibility is redetermined and third party verification has not been received, the State agency shall make its decision based on information provided by the recipient and any other information in its possession.

It is management's responsibility to implement controls, processes, and procedures to ensure compliance with these regulations. When automated systems are utilized to perform certain functions related to this compliance, management must ensure the system is properly designed and operating effectively.

In August 2018, the Department fully converted from the old CRIS-E system to the Ohio Benefits system for processing eligibility for the SNAP Cluster and TANF Cluster programs with total expenditures to recipients of approximately \$2 billion and \$210 million, respectively, in state fiscal year (SFY) 2019. Ohio Benefits, administered by the Ohio Department of Administrative Services (DAS) for various public assistance programs, includes an Income Eligibility Verification System (IEVS) which compares income, as reported by the recipients, to information maintained by outside sources. Information that does not appear to agree is communicated in the form of an Ohio Benefits system alert, which is forwarded to the appropriate county for investigation and resolution.

During SFY 2019, for the SNAP and TANF programs, more than 5.3 million alerts were issued (1.6 million related to IEVS alerts and 3.7 million to non-IEVS alerts). The Department's programs were not included in the initial launch of the Ohio Benefits system; therefore, the Department began by testing the Ohio Benefits system at five pilot counties in SFY 2018. The Department indicated that, during this testing period, they identified and reported to DAS an error in the IEVS filtering logic which created an overwhelming volume of information being sent to the counties resulting in an unmanageable workload and ineffective application of the alert process. They instructed the caseworkers to continue their efforts to work and clear these alerts while the Department worked with DAS and the Ohio Benefits contractor to identify and remedy the reason for the large increase in alerts. However, the Department made a business decision to move forward with the full roll-out of Ohio Benefits to all counties in August 2018, even though a remedy was not

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

3. IEVS ALERTS – SNAP AND TANF (Continued)

in place for the filtering defect. They also determined an updated IEVS processing guide and additional monitoring procedures would not be completed until the defects were corrected in Ohio Benefits. Therefore, as a result of the new eligibility system, staffing turnover/shortages, the caseworkers not being provided appropriate training, the large increase in alerts, the Department did not have controls or procedures in place to review and monitor the IEVS alerts generated and processed by the Ohio Benefits system to ensure they were being completed by the counties in accordance with the requirements and timeframes established in 7 C.F.R. Part 272.8, and 45 C.F.R. Part 205.56. Furthermore, an Ohio Benefits report showed 507,886 of the 940,918 (54%) IEVS alerts sent to the counties during the audit period were not cleared within 45 days as required. The alerts were cleared between one and 514 days beyond the 45-day requirement, for an average of 254 days late.

Failure to provide CDJFS with guidance/procedures for working IEVS alerts, perform monitoring activities, and complete IEVS alerts within the established timeframes increases the risk benefits given to ineligible recipients or for inappropriate amounts will not be identified timely. This condition could adversely affect the Department's ability to comply with requirements of these federal programs. Failure to comply with the requirements related to IEVS could also result in federal sanctions or penalties. Based on discussions with management, IEVS filtering logic was not properly communicated to the Ohio Benefits contractor when IEVS was initially implemented.

We recommend the Department work collectively with the related state agencies to implement/update robust processes, procedures, and system controls to address the weaknesses associated with the IEVS process within the Ohio Benefits system. These changes/updates should include, but not be limited to:

- Working with DAS and the Ohio Benefits contractor to take steps to ensure the IEVS filtering logic is properly programmed in the Ohio Benefits system; since the Department and counties rely upon it to ensure only relevant SNAP and TANF IEVS alerts are generated so they can be worked within the established due dates defined in the Code of Federal Regulations.
- Developing an IEVS alert processing procedures guide for the alerts issued by the Ohio Benefits system to ensure alerts are properly documented within the system, worked within the proper timeframes, and proper verification documentation is obtained and maintained by the counties for resolved alerts.
- Performing periodic and timely reviews at the Department level to monitor the status and completion of IEVS alerts. Such procedures should also include required monitoring by each County IEVS Coordinator or other supervisory personnel (through the eligibility system), which should be explicitly identified in the sub-grant agreements with the counties and include appropriate ramifications for noncompliance with the stated requirements.
- Implementing in-depth IEVS training for county caseworkers to ensure they have the knowledge to properly document and resolve IEVS alerts generated by the Ohio Benefits system.
- Including a more centralized evaluation of alert activity and/or better use of automated tools to vet and prioritize items requiring follow-up at the county level. This would allow Department level personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both Department and county personnel.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

4. FOSTER CARE AND CHILD SUPPORT ENFORCEMENT – FEDERAL REPORTING

Finding Number:	2019-019
State Agency Number:	JFS-05
CFDA Number and Title:	93.563 – Child Support Enforcement 93.658 – Foster Care – Title IV-E Assistance
Federal Award Identification Number / Year:	1804OHCSES / 2018 (Child Support) 1904OHCSES / 2019 (Child Support) 1801OHFOST / 2018 (Foster Care)
Federal Agency:	Department of Health & Human Services
Compliance Requirement:	Reporting
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-013

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 C.F.R. Part 75.302 contains the Department of Health and Human Services uniform administrative requirements for grants to state and local governments relating to financial administration and standards for financial management systems and states, in part:

- (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific
- (b) terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.
- (b) The financial management system of each non-Federal entity must provide for the following (see also Part 75.361, .362, .363, .364, and .365):
 - (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in Part 75.341 and .342...
 - (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

It is management's responsibility to implement control policies and procedures to reasonably ensure the federal reports they submit are accurate, complete, and in compliance with program requirements. It is imperative that management be able to provide the underlying data and related program documentation required to prepare and support these reports.

The Department's Bureau of Grants Management and Federal Reporting Services (the Bureau) is responsible for the preparation of various federal financial expenditure reports, including the quarterly Foster Care CB-496 and Child Support Enforcement OCSE-396. The Bureau runs reports from various computer systems, transfers this information to the applicable federal reports, and submits them for a two

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

4. FOSTER CARE AND CHILD SUPPORT ENFORCEMENT – FEDERAL REPORTING (Continued)

level review process prior to submitting them to the federal grantor agency. However, the Bureau's review of federal reports was not adequate and/or operating effectively, which resulted in some reports being subsequently corrected. In addition, the following errors were identified in the reports tested during state fiscal year 2019:

- For the two (100%) Child Support Enforcement OCSE-396 reports selected for testing:
 - The September 2018 report included the following errors:
 - Line 4 ADP Development with ADP Required Current Quarter Total and Federal Share was overstated by \$2,746,276 / \$1,812,542. The Bureau incorrectly reported the \$3,761,424 in ADP Operations with ADP in the ADP Development Required line instead of the \$1,015,148 in the ADP Development with ADP Required costs.
 - Line 5 ADP Operational with ADP Required Current Quarter Total and Federal Share was understated by \$234,362 / \$154,679. The Bureau incorrectly reported the \$3,527,062 in the ADP Operational with ADP Required line from the June 2018 OCSE-396 report instead of the \$3,761,424 in the current quarter's ADP Operational with ADP Required.
 - Line 2b Program Income, Other was understated by \$21,924 / \$14,470. One of the items included in Line 2b includes the Star Ohio Interest Income. However, the Bureau only reported the \$10,944 in interest income in September 2018 instead of the \$32,868 in interest income for the three months ending in September 2018. The Bureau caught this error and included the \$21,924 in the March 2019 report; however, this adjustment was included within the Current Quarter Claims instead of the Prior Quarter Adjustments.
 - The December 2018 quarterly report included the following errors:
 - Line 1b Administrative Costs: Regular Current Quarter Total and Federal Share was overstated by \$84,026 / \$55,457.
 - Line 2b Program Income, Other Current Quarter Total and Federal Share was understated by \$23,461 / \$15,484. One of the items included in Line 2b includes the Star Ohio Interest Income. However, the Bureau only reported the \$12,407 in interest income for December 2018 instead of the \$35,867 in interest income for the three months ending in December 2018. The Bureau caught this error and included the \$23,460 in the March 2019 report; however, this adjustment was included within the Current Quarter Claims instead of the Prior Quarter Adjustments.
- For one of the two (50%) Foster Care CB-496 quarterly reports selected for testing (September 2018):
 - Line 15 Training Costs – Staff and Provider (FFP 75%) Current Quarter Total and Federal Share columns were overstated by \$4,552,423. The Bureau incorrectly reported \$5,337,982 instead of \$785,559.
 - Line 6 In-Placement Administrative Costs – Eligibility Determination Current Quarter Total & Federal Share were understated by \$12,196 / \$6,098 and the Prior Quarter Claims and Federal Share were overstated by \$12,196 / \$6,098. The Bureau incorrectly included totals for the Current Quarter Total and Federal Share columns in the Prior Quarter Claims and Federal Share amounts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

4. FOSTER CARE AND CHILD SUPPORT ENFORCEMENT – FEDERAL REPORTING (Continued)

A lack of adequate internal controls over federal reporting increases the risk that reports submitted to the federal grantor agency are inaccurate. If the underlying data for the submitted reports cannot be readily verified, the Department and the federal government may not be reasonably assured the information is accurate and complete. Reporting inaccurate or incomplete information could subject the Department to federal sanctions, limiting the amount of funding for program activities. Based on discussions with management, these errors were due to technical issues with various systems, transferring incorrect information, and oversight.

We recommend the Department evaluate current procedures and implement additional policies and procedures as necessary to provide reasonable assurance the data being reported for all federal programs is reasonable and accurate and agrees to supporting documentation. Specifically, the Department should implement procedures to ensure the various subtotals are complete and accurate and the amounts included in the report are properly classified. The Department should ensure all reports (and any necessary corrections to reports) are reviewed and approved by the appropriate level of management.

5. CASH MANAGEMENT – VARIOUS PROGRAMS

Finding Number:	2019-020
State Agency Number:	JFS-06
CFDA Number and Title:	17.207/17.801/17.804 – Employment Services Cluster 93.558 – TANF Cluster 93.563 – Child Support Enforcement
Federal Award Identification Number / Year:	ES318671855A39 / 2018 (ES Cluster) 1801OHTANF / 2018 (TANF Cluster) 1804OHCSES / 2018 (Child Support)
Federal Agencies:	Department of Labor Department of Health and Human Services
Compliance Requirement:	Cash Management
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-014

NONCOMPLIANCE AND MATERIAL WEAKNESS – EMPLOYMENT SERVICES CLUSTER AND CHILD SUPPORT ENFORCEMENT

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY – TANF CLUSTER

U.S. Treasury regulations, 31 C.F.R. Part 205, which implemented the Cash Management Improvement Act of 1990 (CMIA), require state recipients enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The Department's Temporary Assistance for Needy Families (TANF) cluster and Child Support Enforcement programs are covered by such an agreement. The state fiscal year (SFY) 2019 CMIA Agreement between the State of Ohio and the United States Department of the Treasury specifically requires the State use the Modified Pre-Issuance technique of drawing federal funds for certain types of draws related to these programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

5. CASH MANAGEMENT – VARIOUS PROGRAMS (Continued)

Paragraph 6.2.4 of the CMIA agreement requires the following for the Modified Pre-Issuance funding technique:

The State of Ohio's accounting system requires funding to be available prior to initiating a disbursement. In addition, disbursements take two business days to produce a payment. Given this fact pattern, State of Ohio agencies are typically unable to meet the three business day requirement and an eight business day requirement is necessary for agency compliance with this agreement. The State shall request funds such that they are deposited in a State account not more than eight business days prior to the day the State makes a disbursement. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be the amount the State expects to disburse. This funding technique is not interest neutral.

The Employment Services Cluster (ES) was not included in the SFY 2019 CMIA Agreement; therefore, 31 C.F.R. Part 205.33(a) sets guidelines which state the following:

A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs...

The Department draws federal funds for the ES Cluster similarly to those which follow the Modified Pre-Issuance funding technique and considers eight business days a reasonable amount of time to disburse the drawn federal funds for program expenses.

It is management's responsibility to implement control policies and procedures to reasonably ensure draws of federal funds are for immediate cash needs, processed accurately, and disbursed timely in accordance with applicable laws and regulations.

During SFY 2019, the Department drew down approximately \$830 million for the major federal programs listed above. The Department has partnered with the Office of Budget and Management (OBM)'s Office of Shared Services (OSS) to process transactions. OSS enters the information for these transactions into the Ohio Administrative Knowledge System (OAKS), after which the Department and OBM review and approve them. The Department then draws down the funds to pay these expenditures. Generally, a Fiscal Specialist in the Federal Cash Draw Unit of the Bureau of Cash and Cost Reporting Services calculates the amount of funds to be drawn based on the Department's cash needs (payroll, administrative costs, county advances, etc.) and the current cash on hand. In addition, the Cash Management Section Supervisor reviews and investigates any discrepancies on the Summary Tracking Report, which lists the grant activities (award amounts, revenue draws, expenditures, and remaining balances) for the federal programs monthly. This document provides a mechanism for the Department to monitor its draws with expenditures on a cumulative basis although it does not match up specific draws and expenditures. However, the Department's controls did not prevent noncompliance with the cash management requirements.

- Of 25 disbursements tested from 25 draws, the Department did not disburse two ES Cluster payments (8%) within eight business days of the receipt of the federal funds, as required by 31 C.F.R. Part 205.33(a). The Department disbursed the funds two and seven days after the required disbursement date.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

5. CASH MANAGEMENT – VARIOUS PROGRAMS (Continued)

- Of 25 disbursements tested from 25 draws, the Department did not disburse two Child Support Enforcement payments (8%) within eight days of the receipt of the federal funds, as required by the CMIA agreement. The Department disbursed the funds one and two days after the required disbursement date.
- Of 25 disbursements tested from 25 draws, the Department did not disburse one TANF Cluster payment (4%) within eight days of the receipt of the federal funds, as required by the CMIA agreement. The Department disbursed the funds seven days after the required disbursement date.

Not having effective controls over the timely disbursement of federal funds could lead to the Department not limiting draws to immediate cash needs and not expending funds timely. This could result in noncompliance with the CMIA Agreement and 31 C.F.R. Part 205.33(a). These conditions could subject the Department to sanctions or other penalties and a repayment of part of the grant award amounts. In addition, noncompliance could subject the Department to paying interest charges on these draws. Based on discussions with management and review of supporting documents, the errors were due to processing and approval delays.

We recommend the Department evaluate its existing cash management control procedures and update them as necessary to reasonably ensure all federal draw requests are disbursed timely and are drawn only for immediate cash needs, based on the funding technique established for each federal program in the CMIA Agreement or in accordance with 31 C.F.R. Part 205.33(a). If delays in the disbursements are caused by external factors, we recommend the Department communicate with other entities to develop reasonable solutions and follow established protocols, including reinforcing the time period in which their payments should be entered, approved, and paid. We also recommend the Department establish procedures to periodically monitor its compliance with the cash management requirements and initiate necessary actions to resolve any noncompliance that results.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

6. SUBRECIPIENT MONITORING – VARIOUS PROGRAMS

Finding Number:	2019-021
State Agency Number:	JFS-07
CFDA Number and Title:	10.551/10.561 – SNAP Cluster 17.258/17.259/17.278 WIOA Cluster 93.558 – TANF Cluster 93.563 – Child Support Enforcement 93.575/93.596 – CCDF Cluster 93.667 – Social Services Block Grant
Federal Award Identification Number / Year:	182OH102S2514 / 2018 (SNAP Cluster) 192OH102S2514 / 2019 (SNAP Cluster) AA283361655A39 / 2017 (WIOA Cluster) AA307421755A39 / 2018 (WIOA Cluster) 1801OHTANF / 2018 (TANF Cluster) 1901OHTANF / 2019 (TANF Cluster) 1804OHCSES / 2018 (Child Support) 1904OHCSES / 2019 (Child Support) 1701OHCCDF / 2017 (CCDF Cluster) 1801OHCCDF / 2018 (CCDF Cluster) 1901OHCCDD / 2019 (CCDF Cluster) 1801OHSOSR / 2018 (SSBG) 1901OHSOSR / 2019 (SSBG)
Federal Agencies:	Department of Agriculture Department of Labor Department of Health and Human Services
Compliance Requirement:	Subrecipient Monitoring
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 C.F.R. Part 75.521 gives regulatory effect to the Department of Health and Human Services uniform administrative requirements for grants to states and local governments relating to financial administration and standards for financial management systems. In addition, similar administrative requirements were implemented for the Department of Labor in 2 C.F.R. Part 2900.4 and the Department of Agriculture implemented 2 C.F.R. Part 200.1. Specifically, 2 C.F.R. Part 200.331(d) and 45 CFR 75.352 state, in part:

. . . Pass-through entity monitoring of the subrecipient must include:

. . .

- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the passthrough entity detected through audits, on-site reviews, and other means. . .

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

6. SUBRECIPIENT MONITORING – VARIOUS PROGRAMS (Continued)

Additionally, 2 C.F.R. Part 200.521 and 45 CFR 75.521 state, in part:

. . .

- (c) . . . the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (d) The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC [Federal Audit Clearinghouse]. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report. . .

It is management's responsibility to ensure a management decision is made on audit findings related to the federal programs it administers within the time requirements outlined by the C.F.R. Management must also ensure subrecipients are taking appropriate and timely action to resolve any deficiencies noted within their audit report.

The Department's Office of Fiscal and Monitoring Services, Audit Resolution Section (ARS) is responsible for ensuring that subrecipients who expend \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of 2 C.F.R. Part 200. ARS maintains three different spreadsheets: County Department of Job and Family Services (CDJFS), Non-County, and Workforce Innovation and Opportunity Act (WIOA) in order to track the receipt, review, and conclusion of audits. The Department's procedures include: searches of the Federal Audit Clearinghouse (FAC) website to identify and obtain subrecipient audit reports; review of the audit/management letter reports; completion of an audit review checklist; and, issuance of final closure letters within six months for all subrecipient audit reports. During the audit period, the Department reviewed 161 audit reports. However, for one of 20 (5%) audit reports selected for testing, the Department did not issue a management decision on the audit findings within six months of the report being accepted by the FAC in accordance with 2 C.F.R. Part 521; the management decision was 19 days late. In addition, for one of 20 (5%) audit reports selected for testing, the Department did not issue a closure letter within six months of the report being accepted by the FAC per internal procedures; the closure letter was 93 days late.

Failure to adequately monitor subrecipients and the status of compliance issues noted during their audit increases the risk that subrecipients may not properly utilize federal funds or adhere to program requirements, potentially jeopardizing federal funding. In addition, without appropriate management oversight of the review of subrecipient audit reports, there is an increased risk that audit findings may not be addressed appropriately. Noncompliance by the Department could cause federal funding to be reduced, taken away, or sanctions imposed by the federal grantor agency. Based on discussion with management, the delay in completing the management decision for one of the audit reports was because the Department chooses to hold-off on report reviews until the final report is officially released by the Auditor of State although the requirement is based on the FAC acceptance date. The delay in completing the management decision for the remaining audit report was due to unresponsiveness by the subrecipient to provide requested documents and information.

We recommend the Department continue to utilize the Federal Audit Clearinghouse as a tool to identify and obtain subrecipient audit reports and issue a management decision in accordance with the timeline set forth in 2 C.F.R. Part 200.521(c) and (d). We also recommend the Department evaluate existing policies and procedures related to subrecipient monitoring, and revise where necessary, to ensure they are adequate for ensuring timely management decisions. This could include reviewing the audit report upon acceptance by the FAC and comparing it to the Auditor of State released version for any changes.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

6. SUBRECIPIENT MONITORING – VARIOUS PROGRAMS (Continued)

Additionally, management should review and evaluate existing policies and procedures, and revise or implement new ones where necessary, to ensure timely and appropriate corrective action has been taken by subrecipients to address the findings. Procedures performed by the Department should be adequately documented to provide management reasonable assurance they have been performed. Management should periodically monitor these procedures to ensure they are operating as intended.

Auditor of State's Conclusion

The State of Ohio's Corrective Action Plan for this finding required an Auditor of State's Conclusion.

The Department's internal procedures indicate all subrecipient single audit report reviews should occur within six months of acceptance from the FAC, regardless if findings are identified in any of the Department's federal programs. In addition, 2 C.F.R. 200.521 indicates all reports should be reviewed upon acceptance by the FAC, not when the Auditor of State releases the report. Therefore, the finding remains as stated above.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY

Finding Number:	2019-022
State Agency Number	MCD-03
CFDA Number and Title:	93.767 – Children’s Health Insurance Program 93.775/93.777/93.778 – Medicaid Cluster 93.791 – Money Follows the Person Rebalancing Demonstration
Federal Award Identification Number / Year:	1805OH5021 / 2018 (CHIP) 1905OH5021 / 2019 (CHIP) 1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid) 1LICMS331360 / 2014-2020 (MFP)
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-017

QUESTIONED COSTS, NONCOMPLIANCE, AND MATERIAL WEAKNESS (CHIP) **\$162,571**

QUESTIONED COSTS, NONCOMPLIANCE, AND MATERIAL WEAKNESS (MEDICAID CLUSTER) **\$27,910**

MATERIAL WEAKNESS (MFP)

NOTE: Finding numbers 2019-001⁴, 2019-005, 2019-017, and 2019-023 contain additional information which is integral to and should be read in conjunction with this finding.

42 C.F.R. Part 435.10 Subpart A, State Plan requirements, pertaining to the Medicaid Cluster states:

A State plan must---

- ...
- (c) Provide that the requirements of this part are met; and
- (d) Specify the groups to whom Medicaid is provided, as specified in subparts B, C, and D of this part, and the conditions of eligibility for individuals in those groups.

42 C.F.R. Part 435.914, Case documentation, pertaining to the Medicaid Cluster states, in part:

- (b) The agency must include in each applicant's case record facts to support the agency's decision on his application.

42 C.F.R. Part 435.916, Periodic renewal of Medicaid eligibility, states, in part:

⁴ Finding number 2019-001, starting on page 27, represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards* related to the State of Ohio’s eligibility process for the Medicaid Cluster federal program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY (Continued)

(b) *Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).* (1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months. . .

(c) *Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income.* The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income . . . for circumstances that may change, at least every 12 months. . .

42 U.S.C. §1397bb (b), pertaining to the Children’s Health Insurance Program (CHIP) states, in part:

(1) Eligibility Standards

(A) In general the plan shall include a description of the standards used to determine the eligibility of targeted low-income children for child health assistance under the plan.

42 C.F.R. Part 457.343, Periodic renewal of CHIP eligibility, states:

The renewal procedures described in 435.916 of this chapter apply equally to the State in administering a separate CHIP. . .

The Medicaid State Plan and CHIP State Plan outline the specific eligibility conditions and standards within Sections 2.2 – Coverage and Conditions of Eligibility and 2.6 A – Financial Eligibility, Eligibility Conditions and Requirements for Medicaid and Section 4 – Eligibility Standards and Methodology for CHIP. It is management’s responsibility to implement policies and procedures to provide reasonable assurance they have complied with these requirements.

As the lead agency responsible for administering the CHIP and Medicaid federal grant awards for the State of Ohio, the Department is responsible for providing reasonable assurance that only eligible individuals receive assistance and documentation maintained is accurate, complete, and properly recorded in the Ohio Benefits (OB) system to ensure appropriate eligibility determinations. It is also the Department’s responsibility to implement sufficient controls, systems, processes, and procedures to reasonably ensure compliance with the rules and regulations associated with these programs so that only eligible recipients receive benefits. The Department is responsible for overall program compliance and must have appropriate oversight and monitoring procedures in place to ensure those they rely on are operating in accordance with all expectations, guidelines, and requirements related to their tasks.

During state fiscal year (SFY) 2019, the Department disbursed a combined total of \$19.9 billion in public assistance payments, to recipients processed through the Ohio Benefits system related to the following programs:

Federal Program	Benefits Paid	# of Recipients*
93.767 - CHIP	\$543,910,640	214,981
93.7775/93.777/93.778 – Medicaid Cluster	\$19,310,986,073	2,650,450
93.791 – Money Follows the Person	\$6,779,281	2,188
Combined Total	\$19,861,675,994	2,867,619

*We did not separately identify recipients who could be covered by more than one program.

The information below summarizes Finding 2019-001 as it relates to the control process and weaknesses identified related to eligibility for the Medicaid Cluster. These issues also apply to the CHIP and MFP programs and additional information was added, where necessary, to identify any errors related to MFP and CHIP.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY (Continued)

These programs are administered using a multi-agency approach, as follows: overall compliance and administration of CHIP and the Medicaid Cluster fall under the Department, and programming and administration of the State's eligibility determination computer system, Ohio Benefits, falls under the Ohio Department of Administrative Services. The Department, through a Memorandum of Understanding with the Ohio Department of Job & Family Services, also utilizes the 88 Ohio counties in the eligibility determination process to work with applicants, receive/enter eligibility documentation into the Ohio Benefits system, and follow up on alerts issued by the system.

SYSTEM/CONTROL ISSUES

Currently, individuals applying to receive public assistance benefits complete an application through various methods. The County Departments of Job & Family Services (CDJFS) offices collect and maintain any documentation provided by the individual either in a paper case file or in the OnBase Electronic Documentation Management System (EDMS) maintained under contract by the Ohio Department of Administrative Services (DAS). After collecting documentation, the county caseworker enters the individual's information into the Ohio Benefits system which determines the initial eligibility benefit amount and assigns the benefit aid category. This process is also used to perform eligibility redeterminations on an annual basis or when prompted through a system alert. Once the determination is made, the Ohio Benefits system uploads the eligibility information to the Department's payment system to process the payment. During SFY 2019, we noted the several weaknesses/defects in the eligibility process, as listed below:

- Alerts – During SFY 2019, an overwhelming volume of alerts were sent to the counties for investigation and follow-up (more than 11.7 million alerts were issued according to DAS records; 4.4 million related to Income Eligibility Verification Systems (IEVS) alerts and 7.3 million to non-IEVS alerts). This resulted in an unmanageable workload and ineffective application of the alert process.
- Overwriting – the Ohio Benefits system maintains several pieces of key information related to a recipient's eligibility (income, household size, age, etc.). However, there is no system warning or other control in place to identify or prevent caseworkers from overwriting this data when new information is identified instead of adding the new information, as intended. In addition, a system defect prevents caseworkers from viewing the previous case information.
- Caseworker Reliance/Training – Training for county caseworkers, whose knowledge and judgement are relied heavily upon, is typically optional and/or attended by a representative of the county who is expected to relay the information to others.
- Multi-program Info – There are certain pieces of key information (i.e. name, income, age, etc.) maintained in the Ohio Benefits system which impact all public assistance programs, including SNAP, TANF, Medicaid, and CHIP. However, the system currently does not link this information between programs, but relies on county caseworkers to manually adjust each affected program separately when a change occurs.
- System Design Weaknesses/Defects in the Ohio Benefits system:
 - Alerts:
 - Multiple and repetitive alerts (redundancy).
 - Irrelevant alerts (zero or small dollar amounts).
 - Additional steps required to complete an alert (having to leave the alert window, opening an Ohio Benefits window, and then having to go back through the Alert Inventory to clear the alert).
 - Alerts being received on persons not receiving public assistance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY (Continued)

- For eight of 80 (10%) Medicaid recipients and 12 of 80 (15%) CHIP recipients selected for testing, a systemic issue within Ohio Benefits that either impacted the eligibility process and/or eligibility determination for the recipient existed.
 - Of the eight Medicaid cases:
 - Three required additional caseworker procedures to be performed to properly complete parts of the eligibility determination process.
 - One was not populated with the proper benefit aid category/program block to test eligibility against based on the information entered into the system. This created a situation that required a caseworker override. However, the caseworker did not identify this and the recipient's income was evaluated using the wrong aid category threshold.
 - Four didn't allow the caseworker to sufficiently view all relevant audit/case history when income overrides occurred.
 - Of the 12 CHIP cases:
 - One wasn't assigned to the proper aid category because the 5% income disregard was not properly deducted from the income.
 - Six didn't indicate a completion reason and completion date for a redetermination on the Medicaid History screen.
 - One didn't show dependents for tax records entered prior to December 2016.
 - Four didn't allow the caseworker to sufficiently view all relevant audit/case history when income overrides occurred.
- Additionally, the following system design weaknesses/defects in the Ohio Benefits system were brought to our attention by the Department:
 - The system was not properly tracking/submitted the required 1095-B (Health Coverage) tax forms for Medicaid recipients to the Internal Revenue Service resulting in late filings by the Department.
 - The system auto-populated a new browser window/case with incorrect data if a case worker did not close a prior case file.
 - The system sometimes incorrectly linked newborns to individuals who were not their actual parents. In one instance, this resulted in a newborn being linked to an eleven-year old child.
 - The system was not generating a PDF for a case worker to access within the system when an e-app was filed by a recipient.
 - The system had issues sending information to the Medicaid Information Technology System (MITS) for cases with a discontinuance resulting in case information not being properly updated within MITS.
 - The system was not end-dating pregnancy records over 10 months, but did generate an alert for the county worker to investigate. However, if the alert was not resolved, the individual remained open as a pregnant woman until the next eligibility determination.
- We noted several weaknesses/issues regarding the contract and monitoring related to the OB system in Finding Number 2019-005 for the Department of Administrative Services. These issues, which impact the Department's responsibilities regarding monitoring, updates, and program compliance, are summarized below:
 - The signed agreements/amendments did not separately require MCD signatures, and ODJFS was not included on amendments.
 - Signed interagency agreements defining each agency's responsibilities and the data governance structure have not been completed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY (Continued)

- No evidence of monitoring procedures related to the Independent Verification and Validation (IV&V) reports prepared by a third-party evaluator.
- No formalized documentation/tracking of reviews/evaluations/certifications performed or required for the OB system by outside or internal reviewers.

One of several factors in determining eligibility for the MFP program is the recipient's eligibility for the Medicaid Cluster program. Although, noncompliance was not identified for the MFP program, the weaknesses/defects identified above in the Medicaid eligibility process could also impact the MFP program, resulting in a material weakness for the program.

NONCOMPLIANCE ISSUES

The following noncompliance was noted related to eligibility for the Medicaid and CHIP programs:

- Nine of 80 (11.3%) Medicaid recipients and 13 of 80 (16.3%) CHIP recipients selected for testing were not eligible to receive benefits on the date services were performed. Since Ohio Benefits is the State's official eligibility determination system, these items will result in questioned costs for all claims paid for services provided for these individuals during the time they were ineligible, totaling \$27,910 for Medicaid and \$125,102 for CHIP. The items noted included issues such as:
 - The recipient was incarcerated.
 - The eligibility period for Transitional Medicaid or Continuing Eligibility was incorrect.
 - The household size was incorrectly determined.
 - The recipient was covered by other health insurance.
 - The recipient exceeded the eligibility period for Continuing Eligibility.
- 12 of 80 (15%) Medicaid recipients and 24 of 80 (30%) CHIP recipients selected for testing were not placed in the correct benefit aid category. Nine of the 12 Medicaid individuals and 13 of the 24 CHIP individuals are included in the preceding bullet as being deemed ineligible. For the other three Medicaid recipients, although their age and/or income deemed them to be in the incorrect benefit aid category, they were qualified to be placed in another benefit aid category; therefore the eligibility of the recipient was not questioned. The revised benefit aid category did not affect the Federal Medical Assistance Percentage (FMAP) used to draw down funds from the federal government for the recipient. For the other 11 CHIP recipients, their age and/or income deemed them to be in the incorrect benefit aid category and ineligible for the CHIP program; however, they were qualified to be placed in a Medicaid benefit aid category. Since Ohio Benefits is the State's official eligibility determination system, these items will result in questioned costs for all claims paid under the CHIP program for services provided for these individuals during the time they were ineligible, totaling \$37,469.
- 26 of 80 (32.5%) Medicaid recipient cases and 28 of 80 (35%) CHIP recipient cases selected for testing either did not contain adequate documentation to support the Department's decision on the recipient's eligibility or incorrect recipient information was entered into Ohio Benefits. However, based on additional information we obtained from other sources, the recipient was still eligible. The items noted generally related to the following documentation categories:
 - Income verification and documentation
 - Household size
 - Tax filing status
 - Resource verification and documentation
 - Caseworker processing error
 - Social Security Number verification and documentation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY (Continued)

- Eight of 80 (10%) Medicaid recipient cases and five of 80 (6.3%) CHIP recipient cases selected for testing had an untimely redetermination. The Medicaid redeterminations ranged from four to 263 days beyond the allowed 45 day processing period, with an average of 139 days late. The CHIP redeterminations ranged from 58 to 383 days beyond the allowed 45 day processing period, with an average of 149 days late.

Without proper controls for entering, processing and maintaining recipient information and system alerts, there is an increased risk that benefits paid on behalf of recipients will be inaccurate or unallowable. This risk is substantially increased if the State's eligibility determination system, Ohio Benefits, contains design or operational flaws that could impact a recipient's eligibility and, as a result, could have a material impact on the amounts reimbursed by the federal government. These weaknesses/defects could allow undue subjective decisions, jeopardize accurate eligibility processing, and/or result in improper payments or federal reimbursements. Furthermore, without an effective process in place to ensure eligibility is being redetermined timely when required, the risk is also increased that a recipient's benefit amount or aid category has changed or they are ineligible to receive benefits. Overpayments or payments to or on behalf of ineligible recipients may subject the Department to penalties or sanctions which may jeopardize future funding and limit its ability to fulfill program requirements to provide benefits to those in need. Based on discussions with management, human error and systemic issues lead to the issues identified.

RECOMMENDATIONS

We recommend the Department evaluate and seek reimbursement for all claims that were incorrectly paid. We also recommend management work collectively with the related state agencies to implement/update robust processes, procedures, and system programming to address the weaknesses in the overall eligibility process, including those associated with the Ohio Benefits system. These changes/updates should include, but not be limited to:

- Redesigning the alert process to be more effective and efficient. This could include a more centralized evaluation of alert activity and/or better use of automated tools to vet and prioritize items requiring follow-up. This would allow Department level personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both Department and county personnel.
- Identifying and coordinating program changes to address the system design weaknesses/defects identified above, including the issues with overwriting data and ensuring all data stored in the system is available/viewable by users. This should include working collaboratively with the related state agencies to prioritize program changes which could directly impact the eligibility determinations or benefit amounts to ensure they are corrected in a timely manner to prevent and detect further improper payments.
- Creating a centralized database of recipient information shared among multiple public assistance programs, or otherwise linking this information so that a change only has to be entered once in Ohio Benefits and all programs are updated accordingly.
- Requiring mandatory training for all CDJFS employees who are entering the assistance group information into Ohio Benefits to help ensure proper and complete information is being collected, entered, and verified prior to an individual's eligibility determination being made. An initial training should be provided to ensure all users are knowledgeable of the process, procedures, and impact of the work they do. As changes occur to the rules/regulations, system, or process, detailed training should be required of all users on those changes.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. MEDICAID / CHIP / MFP – ELIGIBILITY (Continued)

- Regularly evaluate selected benefit payments for all programs to verify the recipient's eligibility, verify the recipient information entered into Ohio Benefits by the CDJFS is accurate, and the information is being maintained to support the Department's eligibility decision, and ensure redeterminations are completed timely. Any problems noted should be promptly corrected to reduce the risk of benefit payments being made on behalf of ineligible individuals and additional training provided to the Department and/or county employees affected.
- Ensuring that vendor contacts/amendments, and interagency agreements are formalized, contain all parties of the agreements, and fully and clearly define the roles, responsibilities, and expectations related to each party.
- Ensuring that appropriate and coordinated monitoring and tracking procedures are in place regarding reviews and the timely remediation of issues identified, including, but not limited to:
 - A data governance structure designed to ensure data quality and reliability for management, the grantor agencies, and other users of this information. This should include data subject matter experts from each related agency to help ensure quality of data requests before external and internal users rely on the data, issues are addressed with a clear escalation path, and establishing accountabilities and alignment between the related agencies.
 - Appropriate monitoring procedures related to the IV&V reports prepared by the third-party evaluator.
 - Coordinating and managing the contract contents with the developing vendor to help ensure all contract and amendment deliverables are being met.
 - A formalized documentation/tracking process of reviews/evaluations/certifications performed or required for the OB system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

2. MEDICAID/CHIP/MFP – IEVS MONITORING

Finding Number:	2019-023
State Agency Number:	MCD-04
CFDA Number and Title:	93.767 – Children’s Health Insurance Program 93.775/93.777/93.778 – Medicaid Cluster 93.791 – Money Follows the Person Rebalancing Demonstration
Federal Award Identification Number/Year:	1805OH5021 / 2018 (CHIP) 1905OH5021 / 2019 (CHIP) 1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid) 1LICMS331360 / 2014-2020 (MFP)
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Eligibility
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-021

NONCOMPLIANCE AND MATERIAL WEAKNESS

NOTE: Finding numbers 2019-001, 2019-005, and 2019-022 contain additional information which is integral to and should be read in conjunction with this finding.

42 C.F.R. Part 435.945 states, in part, the following regarding the Medicaid Cluster program:

- (a) Except where the law requires other procedures . . . the agency may accept attestation of information needed to determine the eligibility of an individual for Medicaid . . . without requiring further information (including documentation) from the individual.
- (b) The agency must request and use information relevant to verifying an individual's eligibility for Medicaid in accordance with § 435.948 through 435.956. . .

42 C.F.R. Part 457.380, states, in part, the following regarding the Children’s Health Insurance Program (CHIP):

- (a) *General requirements.* Except where law requires other procedures. . . the State may accept attestation of information needed to determine the eligibility of an individual for CHIP. . . without requiring further information (including documentation) from the individual.
- (b) *Status as a citizen, national or a non-citizen.* (1) Except for newborns identified in § 435.406(a)(1)(iii)(E) of this chapter, who are exempt from any requirement to verify citizenship, the agency must—
.
.
.
(ii) Provide a reasonable opportunity period to verify such status in accordance with § 435.956(a)(5) and (b) of this chapter and provide benefits during such reasonable opportunity period to individuals determined to be otherwise eligible for CHIP.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

2. MEDICAID/CHIP/MFP – IEVS MONITORING (Continued)

Public Law 109-171 Deficit Reduction Act 2005, Subpart B, section 6071 – Money Follows the Person Rebalancing Demonstration (MFP), states, in part:

(b) Definitions.— For purposes of this section:

. . .

(2) Eligible Individual.—The term “eligible individual” means, with respect to an MFP demonstration project of a State, an individual in the State –

(A) who, immediately before beginning participation in the MFP demonstration project—

(i) resides (and has resided, for a period of not less than 6 months or for such longer minimum period, not to exceed 2 years, as may be specified by the State) in an inpatient facility;

(ii) is receiving Medicaid benefits for inpatient services furnished by such inpatient facility...

Furthermore, 42 U.S.C. § 1320b-7(a) Requirements of State eligibility systems states, in part:

In order to meet the requirements of this section, a State must have in effect an income and eligibility verification system which meets the requirements of subsection (d) and under which—

(1) the State shall require, as a condition of eligibility for benefits under any program listed in subsection (b), that each applicant for or recipient of benefits under that program furnish to the State his social security account number (or numbers, if he has more than one such number), and the State shall utilize such account numbers in the administration of that program so as to enable the association of the records pertaining to the applicant or recipient with his account number;

(2) wage information from agencies administering State unemployment compensation laws available pursuant to section 3304(a)(16) of the Internal Revenue Code of 1986, wage information reported pursuant to paragraph (3) of this subsection, and wage, income, and other information from the Social Security Administration and the Internal Revenue Service available pursuant to section 6103(l)(7) of such Code, shall be requested and utilized to the extent that such information may be useful in verifying eligibility for, and the amount of, benefits available under any program listed in subsection (b), as determined by the Secretary of Health and Human Services . . .

. . .

(4) the State agencies administering the programs. . . adhere to standardized formats and procedures . . . under which —

(A) the agencies will exchange with each other information in their possession which may be of use in establishing or verifying eligibility or benefit amounts under any other such program;

. . .

(C) the use of such information shall be targeted to those uses which are most likely to be productive in identifying and preventing ineligibility and incorrect payments. . .

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

2. MEDICAID/CHIP/MFP – IEVS MONITORING (Continued)

In order to comply with 42 C.F.R. Part 435.945 and 42 U.S.C. § 1320b-7, the State of Ohio codified specific rules related to its Income Eligibility Verification System (IEVS) in the Ohio Administrative Code (OAC).

Ohio Admin. Code §5160:1-1-04 states, in part:

(A) This rule describes the requirements in section 1137 of the Social Security Act and in section 42 C.F.R. 435.945. . . requiring state agencies administering certain federally funded, state administered public assistance programs, to establish procedures for obtaining, using and verifying information relevant to determinations of eligibility. The Ohio Department of Medicaid shall obtain and share income and benefit information with the following sources:

- (1) The social security administration (SSA).
- (2) The internal revenue service (IRS).
- (3) The state wage information collection agency (SWICA).
- (4) The agencies administering the State unemployment compensation (UC) laws.

...

(C) Administrative agency responsibilities. The administrative agency shall:

...

(3) Within forty-five days of receipt of the information, review and compare against the case record all information received to determine whether it affects the individual's eligibility. Obtain verification, if appropriate, to determine eligibility and initiate appropriate action in accordance with 42 C.F.R. 435.952(c). . . For applicants, if the information is received during the application period, it must be used to the extent possible to make eligibility determinations, in accordance with 42 C.F.R. 435.952(b) . . .

(4) Verify the information, in accordance with 42 C.F.R. 435.948... and 42 C.F.R. 435.949 ...

It is management's responsibility to implement controls, processes, and procedures to ensure compliance with these regulations. When automated systems are utilized to perform certain functions related to this compliance, management must ensure the system is properly designed and operating effectively.

During state fiscal year 2019, the Department disbursed approximately \$19.3 billion, \$543.9 million, and \$6.8 million on behalf of eligible recipients for the Medicaid Cluster, CHIP, and MFP programs, respectively. The Ohio Benefits (OB) system determines eligibility for the Medicaid Cluster and CHIP programs. One of several factors in determining eligibility for the MFP program is based upon the recipient's eligibility for the Medicaid Cluster program. The OB system also includes the IEVS functionality which compares reported recipient income to income information maintained by outside data sources (i.e. SSA, IRS, etc.). Income information that does not agree to the OB amount is communicated as an IEVS alert and forwarded to the appropriate county for investigation.

The Department's Medicaid Eligibility Quality Control (MEQC) unit began monitoring the status of IEVS alerts in March 2019 within their standard recipient case reviews. However, the reviews did not document the timeliness of clearing the alerts, only if they were complete or incomplete. Additionally, no reports were sent to the counties to communicate the results of the reviews. No additional monitoring was performed by the Department over IEVS alerts during the audit period. In addition, the Department relies heavily on the Ohio Department of Job and Family Services to coordinate with and provide training to the counties;

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OHIO DEPARTMENT OF MEDICAID

2. MEDICAID/CHIP/MFP – IEVS MONITORING (Continued)

however, control weaknesses regarding the IEVS filtering logic and county training were also identified in that process (see finding 2019-018). Therefore, it appears the Department did not have sufficient or effective controls or procedures in place to review and monitor the IEVS alerts generated and processed by the Ohio Benefits system during state fiscal year 2019 to ensure they were being completed by the counties in accordance with the requirements and timeframes established in 42 C.F.R. Part 435.945, 42 U.S.C. § 1320b-7, and OAC § 5160:1-1-04. Furthermore, an OB report showed 1,452,054 of the 4,368,706 (33.2%) IEVS alerts sent to the counties during the audit period were not cleared within 45 days as required. The alerts were cleared between one and 475 days beyond the 45-day requirement, with an average of 147 days late.

A lack of effective monitoring and ensuring IEVS alerts are completed accurately and timely increases the risk that benefits could be calculated and paid for inappropriate amounts or paid on behalf of ineligible recipients. This could adversely affect the Department's ability to comply with requirements of these federal programs which could result in federal sanctions or penalties. Based on discussions with management, the Department had not fully implemented its corrective action plan for the prior year audit finding within the audit period.

We recommend the Department should work collectively with the related state agencies to implement/update robust processes, procedures and system controls to address the weaknesses associated with the IEVs process within the Ohio Benefits system. These changes/updates should include, but not be limited to:

- Working with DAS and the Ohio Benefits contractor to take steps to ensure the IEVS filtering logic is properly programmed in the Ohio Benefits system; since the Department and counties rely upon it to ensure only relevant Medicaid and CHIP IEVS alerts are generated so they can be worked within the established due dates defined in the Code of Federal Regulations.
- Developing an IEVS alert processing procedures guide for the alerts issued by the Ohio Benefits system to ensure alerts are properly documented within the system, worked within the proper timeframes, and proper verification documentation is obtained and maintained by the counties for resolved alerts.
- Designing and implementing appropriate and effective control procedures for monitoring IEVS alerts generated and processed in the Ohio Benefits system to help ensure the counties are completing them properly and timely. These monitoring procedures should be performed frequently, include appropriate follow up with the counties if alerts are not being completed properly and timely, and be documented in some manner. Management should periodically review this documentation to ensure the control procedures are being performed timely and as intended.
- Implementing in-depth IEVS training for county caseworkers to ensure they have the knowledge to properly document and resolve IEVS alerts generated by the Ohio Benefits system.
- Including a more centralized evaluation of alert activity and/or better use of automated tools to vet and prioritize items requiring follow-up at the county level. This would allow Department level personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both Department and county personnel.

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OHIO DEPARTMENT OF MEDICAID

3. MEDICAID/CHIP – DRUG REBATE MONITORING

Finding Number:	2019-024
State Agency Number:	MCD-05
CFDA Number and Title:	93.767 – Children’s Health Insurance Program 93.775/93.777/93.778 – Medicaid Cluster
Federal Award Identification Number/Year:	1805OH5021 / 2018 (CHIP) 1905OH5021 / 2019 (CHIP) 1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid)
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Allowable Costs/Cost Principles
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-020

NONCOMPLIANCE AND MATERIAL WEAKNESS

Section 1927 of the Social Security Act (42 USC 1396r-8) allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers are required to provide a listing to the Center for Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer’s price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide drug utilization data to manufacturers. Manufacturers have 30 days after receiving the drug utilization data to pay rebates on the units or provide the State with written notice of disputed items. Department of Medicaid policy indicates that interest shall accrue beginning with the 38th day from the invoice postmark date, so manufacturers are encouraged to allow time for postage and processing before interest starts to accrue.

Many entities use outside service organizations to process transactions as part of the entity’s information system. Service organizations provide services ranging from performing a specific task under the direction of an entity to replacing entire business units or functions of the entity. When the operating activity is not directly administered by the entity, such as when utilizing a service organization, it is critical the appropriate monitoring controls are designed and implemented to reasonably ensure the service organization has adequate controls to achieve management’s goals and objectives and complies with applicable laws and regulations. System and Organization Controls (SOC), are performed over these service organizations to provide information about their internal controls to management and to auditors who rely on the results for the audit of the user entity’s financial statements and IT systems.

2 CFR 200.303(a) requires recipients to maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws, regulations, and the provisions of contracts or grant agreements. It is management’s responsibility to monitor these control procedures to verify they are designed and operating in a manner consistent with federal regulations and program objectives. Furthermore, sound internal control procedures require management to monitor and oversee operations of contractors responsible for carrying out federal requirements to provide assurance procedures performed by the contractor are functioning as intended. It is also management’s responsibility to create and

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

3. MEDICAID/CHIP – DRUG REBATE MONITORING (Continued)

implement control policies and procedures to monitor contractor performance to ensure completeness of the drug rebate revenue received from drug manufacturers and that they are in compliance with federal regulations and contractual obligations.

During state fiscal year (SFY) 2019, the Department received drug rebates totaling approximately \$2 billion which were recorded in the General and Job, Family, and Other Human Services opinion units on the State of Ohio's financial statements. The Department contracts with a third party administrator (TPA) to perform the processing and collection of these rebates. However:

- Although a SOC 1 audit had been commissioned over the TPA covering the period of July 1, 2018 through June 30, 2019, the report was not completed at the time of our testing and, therefore, had not been reviewed by the Department. As such, the Department could not utilize the report to determine if any deficiencies were noted over the TPA as well as demonstrate it had sufficient controls in place during the audit period to address the complementary user entity controls identified in the SOC 1 report. The prior SOC 1 report the Department received and reviewed covered the period April 1, 2017 through December 15, 2017.
- The Department did not reconcile the drug rebate revenue received to the TPA reports indicating the amount of revenue that should have been posted.
- Although the contract required the TPA to provide many electronic reports to the Department, it did not appear the Department was utilizing the reports to monitor the TPA or drug rebate activity.
- The Department executed an amendment to the contract with the TPA to include a requirement to have an independent public accounting firm perform agreed-upon procedures (AUP) testing to verify completeness of the State of Ohio's drug rebate revenue, in that rebate revenue and interest was properly collected from all applicable manufacturers and that revenue was received timely, as had been previously required in TPA contracts. However, the report for the AUP testing was not completed and submitted to the Department until August 2019, which is not within the audit period. In addition, the AUP covered SFY18 giving no assurance over compliance by the TPA during the audit period. As such, the Department did not have procedures in place during the audit period to ensure the requirements of Section 1927 of the Social Security Act over drug rebates were being met.

Without adequate monitoring controls, management cannot be reasonably assured the TPA is complying with applicable laws and regulations and contract requirements, as well as meeting management's goals and objectives. Not properly ensuring completeness of drug rebate revenue and interest due to the Department is properly received could lead to lost drug rebate revenue to the detriment of the recipients of the Medicaid and CHIP programs. Furthermore, if drug rebate revenue is not properly reported, the risk is increased that the State of Ohio's financial statements may be materially misstated and those using the statements could be relying on inaccurate information. Based on discussions with management, it appears that personnel transitions led to the control weaknesses noted. Management indicated they would work with the vendors performing the SOC 1 and AUP engagements to adjust the audit scope to ensure the vendors are covering a significant part of the audit period and complete them in time for the Department to review and react to the reports during the audit period.

We recommend the Department strengthen current internal control procedures over drug rebate contract monitoring which should include, but not be limited to:

- Implementing appropriate control procedures to address each of the complementary user control considerations identified in the SOC 1 report.
- Reviewing the AUP and SOC 1 reports to ensure any issues identified are properly addressed.
- Reconciling the drug rebate revenue received to TPA reports to ensure accuracy.
- Utilizing the electronic reports available from the TPA to further enhance the monitoring over the TPA and drug rebate activity.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

3. MEDICAID/CHIP – DRUG REBATE MONITORING (Continued)

Management should continually monitor the AUP procedures to ensure the compliance requirements of the drug rebate program are being met and if not, implement additional procedures or revise the requirements of the AUP engagement as necessary. Lastly, management should periodically monitor and update internal procedures to ensure management’s objectives are being met.

4. IT – LACK OF INTERNAL TESTING OF IT SECURITY SYSTEMS

Finding Number:	2019-025
State Agency Number:	MCD-06
CFDA Number and Title:	93.767 – Children’s Health Insurance Program 93.775/93.777/93.778 – Medicaid Cluster 93.791 – Money Follows the Person Rebalancing Demonstration
Federal Award Identification Number / Year:	1805OH5021 / 2018 (CHIP) 1905OH5021 / 2019 (CHIP) 1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid) 1LICMS331360 / 2014 – 2020 (MFP)
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-022

NONCOMPLIANCE AND MATERIAL WEAKNESS

To help meet the conditions under which the Department of Health and Human Services will approve federal financial participation with various programs, 45 C.F.R. Part 95.621 states, in part:

- (f) **ADP System Security Requirements and Review Process -**
 - (1) **ADP System Security Requirement.** State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing.
 - (2) **ADP Security Program.** State ADP Security requirements shall include the following components:
 - ...
 - (iii) Periodic risk analyses. State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur.
 - (3) **ADP System Security Reviews.** State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.
 - ...

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

4. IT – LACK OF INTERNAL TESTING OF IT SECURITY SYSTEMS (Continued)

- (5) The security requirements of this section apply to all ADP systems used by State and local governments to administer programs covered under 45 CFR part 95, subpart F.

It is management's responsibility to design and implement control procedures to ensure compliance with these federal rules and regulations related to all automated systems impacting their programs.

During state fiscal year (SFY) 2019, the Department placed significant reliance on a number of complex information systems, including the Medicaid Information Technology System (MITS), which is an automated application to determine if the services provided to eligible recipients were by an eligible provider and allowable prior to payment; and Ohio Benefits (OB), which is an automated system designed to determine recipient eligibility. The Department disbursed approximately \$20.8 billion in Medicaid Cluster funds, \$575.8 million in Children's Health Insurance Program (CHIP) funds, and \$7.2 million in Money Follows the Person (MFP) funds.

Although a System and Organization Controls (SOC 1) audit of the physical and environmental IT controls of the MITS processing environment was conducted during SFY19, the Department did not conduct security reviews within the current or previous fiscal year to satisfy the minimum requirements codified within 45 C.F.R. Part 95.621. In addition, the Department did not conduct, or request the Department of Administrative Services (DAS, the administrator of OB), the Ohio Office of Budget and Management's Office of Internal Audit (OIA), or a vendor conduct the reviews required by 45 C.F.R. Part 95.621 for Ohio Benefits. Also, the Department did not maintain a schedule or process to ensure the required reviews were conducted during the required timeframes.

Based on discussions with management, the Department did not have an external audit or evaluation of MITS because the Department did not consider the system to be a high priority when it evaluated the priority of systems and processes with OIA. The Department works with OIA to create a heat map of the highest priority systems/processes for potential review by OIA on behalf of the Department. Department management indicated they were not aware of the applicability of this requirement for OB.

If appropriate risk assessments and reviews are not conducted regularly and timely for complex information systems by experienced personnel, Department management may not be reasonably assured these systems are processing transactions accurately, completely, and in accordance with federal compliance requirements. This increases the risk of noncompliance with federal regulations and of material errors or misstatements within the data processed, resulting in improper posting of transactions and/or inappropriate determinations regarding eligibility and/or payments.

We recommend the Department complete an independent evaluation over systems the Department administers on behalf of the Department of Health and Human Services in accordance with 45 C.F.R. Part 95.621 program guidelines within the next fiscal year. This testing must include appropriate risk assessments, general control testing, and testing of automated application controls for these systems, including transaction testing of critical operations and functions to help provide assurance all components of the systems are operating as designed, payments and eligibility determinations are accurate, and all financial and other reports are produced with integrity.

We also recommend the Department develop and implement a schedule that would allow all critical systems to be reviewed on a regular basis. This schedule should incorporate the requirements of 45 C.F.R. Part 95.621 to evaluate physical and data security, operating procedures, and personnel practices on a biennial basis for the applicable programs. If the expectation is for DAS to perform procedures designed to satisfy these compliance requirements, in addition to or as part of any annual security and privacy assessments they may perform of the Ohio Benefits environment, we recommend the Department include these assessments in their schedule to allow adequate oversight and monitoring for timeliness and incorporate

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

4. IT – LACK OF INTERNAL TESTING OF IT SECURITY SYSTEMS (Continued)

these requirements into an approved interagency agreement which should document all agreed-upon agency operational, monitoring, and oversight responsibilities. The Department should ensure appropriate and timely corrective action is taken to address all risk areas and/or control weaknesses identified as part of this testing. Reports of the biennial ADP system security reviews and annual DAS reviews/assessments should be maintained together with pertinent supporting documentation. Management should periodically monitor these reviews and assessments to ensure they are completed in accordance with the timeframes and parameters prescribed in the C.F.R.

5. MEDICAID/CHIP – MANAGED CARE/MYCARE OHIO - PROVIDER PANEL REPORTS

Finding Number:	2019-026
State Agency Number:	MCD-07
CFDA Number and Title:	93.767 – Children’s Health Insurance Program 93.775/93.777/93.778 – Medicaid Cluster
Federal Award Identification Number / Year:	1805OH5021 / 2018 (CHIP) 1905OH5021 / 2019 (CHIP) 1805OH5MAP / 2018 (Medicaid) 1905OH5MAP / 2019 (Medicaid)
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-023

NONCOMPLIANCE AND MATERIAL WEAKNESS

42 C.F.R. Part 438.206 states, in part, the following regarding availability of services for Managed Care Organizations (MCOs), Prepaid Inpatient Health Plans (PIHPs), and Prepaid Ambulatory Health Plans (PAHPs):

- (a) Basic rule. Each State must ensure that all services covered under the State plan are available and accessible to enrollees of MCOs, PIHPs, and PAHPs in a timely manner...
- (b) Delivery network. The State must ensure, through its contracts, that each MCO, PIHP and PAHP, consistent with the scope of its contracted services, meets the following requirements:
 - (1) Maintains and monitors a network of appropriate providers that is supported by written agreements and is sufficient to provide adequate access to all services covered under the contract for all enrollees...

Additionally, Ohio Admin. Code (OAC) 5160-26-10 states, in part:

- (A) If the MCP fails to fulfill its duties and obligations under 42 C.F.R. Part 438 ... or the MCP provider agreement, ODM [Ohio Department of Medicaid] will provide timely written

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

5. MEDICAID/CHIP – MANAGED CARE/MYCARE OHIO - PROVIDER PANEL REPORTS (Continued)

notification to the MCP identifying the violations or deficiencies, and may impose corrective actions or any of the following sanctions in addition to or instead of any actions or sanctions specified in the provider agreement:

...

(2) Sanctions that may be imposed on MCPs by ODM include but are not limited to the following:

...

(g) Imposition of financial sanctions.

...

Furthermore, OAC 5160-58-01.1 states MyCare Ohio plans must comply with all of the requirements applicable to managed care plans in the following rules:.....(7) Rule 5160-26-10 of the Administrative Code.

It is management's responsibility to maintain internal control procedures to provide reasonable assurance the Plans are in compliance with the requirements outlined in the agreements. It is also management's responsibility to ensure the Plans maintain adequate provider access for Medicaid and Children's Health Insurance Program (CHIP) recipients, as well as ensure any noncompliance by the Plans is promptly addressed and sanctions are imposed by the Department when necessary.

During state fiscal year (SFY) 2019, the Department disbursed approximately \$16.4 billion in Medicaid Cluster and CHIP capitation payments to the Managed Care Plans and MyCare Ohio Plans (the Plans) which administer the managed care program throughout the state. The Department enters into a new contract with the Plans at the beginning of each state fiscal year, and amends the agreement each January, which outlines the responsibilities of the Department and the Plans. The agreement requires the Plans to provide or arrange for the delivery of all medically necessary, Medicaid-covered health services, as well as ensure compliance with federally defined provider panel access standards as outlined in the agreement and as required by 42 C.F.R. Part 438.206. The agreement also specifies the minimum number of providers or the maximum distance recipients can be required to travel for each provider type in each county or region of the state that each Plan must maintain. Additionally, the agreement states the Department may assess a \$1,000 nonrefundable financial sanction, at least quarterly, for any deficiencies in the Plan's provider network for each category, for each county.

The Managed Care Provider Network (MCPN) developed by Automated Health Systems (AHS), the Managed Care Enrollment Contractor, is a database used to track the Plans' provider networks. After the Plan agreements are signed, the MCPN database is updated with the provider requirements by type per the agreement. Prior to subcontracting with a Plan, each provider must enroll with the Department and is then entered into the MCPN database. Quarterly, the Department generates two Provider Panel Reports from the MCPN database, one for the Managed Care Plans and one for MyCare Ohio Plans, which show the number of providers for each provider type by county and/or region, and utilizes them to determine if the Plans are compliant with the requirements outlined in the agreements. If deficient, a non-compliance notice is sent to the Plan which identifies any fine assessed.

Beginning with the January 2019 Managed Care Plan amended agreement, the Department implemented a time and distance standard requiring the Plans to contract with a provider within a maximum distance for the average recipient for 19 provider types. The Department utilized an Arc GIS system to determine if the time and distance requirements were met for the transitioned provider types for the remaining two quarters of SFY 2019. The remaining Managed Care provider types and

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OHIO DEPARTMENT OF MEDICAID

5. MEDICAID/CHIP – MANAGED CARE/MY CARE OHIO - PROVIDER PANEL REPORTS (Continued)

MyCare Ohio plans continued to be evaluated with the minimum provider requirements. However, controls were not operating effectively, as evidenced by the following:

- Two of four (50%) Provider Panel Reports selected for testing indicated the minimum panel requirement was not met, but a noncompliance citation was not issued. Within the reports, there were 638 instances in which the Plan did not meet the minimum panel requirements and a noncompliance citation was not issued. This could have resulted in a possible \$1,000 nonrefundable sanction for each instance, totaling \$638,000.
- Four of four (100%) Provider Panel Reports selected for testing included information that did not match the requirements listed in the agreements. Within the reports, there were 1,171 instances in which the minimum requirement on the Provider Panel Report did not agree to the requirements listed in the plan provider agreement. Of the 1,171 instances noted, 93 resulted in the minimum panel requirement not being met and a noncompliance citation was not issued (noted within the 638 instances indicated above).

In addition, the January 2019 amended agreement included the Medication Assisted Treatment (MAT) requirement; however, the Department had not yet implemented a method for monitoring or evaluating this requirement so no monitoring was performed. Furthermore, beginning in January 2019, the Department began monitoring the Pharmacy Network and Community Behavior Health Center (CBHC) requirements using the time and distance standards; however, the January 2019 amended agreement included both the time and distance standard requirement and the minimum provider requirements by county/region but did not specify effective dates for either monitoring model.

Without maintaining proper controls to ensure the reporting system is updated when panel standards are modified or added in the Plan agreements or to ensure the provider tables included within the Plan agreements are complete and accurate, there is an increased risk of noncompliance by the Plans that could go undetected or not be detected timely. If a Plan is not meeting the requirements of its agreement, then the population it serves could be in danger of not receiving adequate medical services in their area as required by federal regulations and program rules. Additionally, without proper notice being sent to noncompliant Plans, they may not be able to implement corrective action in a timely manner. Furthermore, by not assessing fines in accordance with the agreement, the Department risks the Plans not making compliance, and timely corrective actions, a priority. Based on discussions with management, the issues were due to an oversight that certain provider types were not included within the required provider table of the Plan agreements prior to approving them, as well as the system not being properly updated for the requirements included in the agreements.

We recommend the Department review its internal control process and ensure procedures are implemented to regularly evaluate the reporting system to ensure it is updated to agree to Plan standards, including any new requirements, mandated in the Plan agreements. Additionally, the Department should reinforce its current process of reviewing the Plan agreements to ensure the provider tables provided within them are complete and accurate. Any problems noted should be promptly corrected to reduce the risk of a Plan not being in compliance with the agreement. The monitoring procedures performed should be documented to provide assurance they are performed consistently and as management intended. Additionally, these procedures should be updated on a regular basis to address any necessary changes in the contract requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

6. MFP – PAYROLL RECONCILIATIONS

Finding Number:	2019-027
State Agency Number:	MCD-08
CFDA Number and Title:	93.791 – Money Follows the Person Rebalancing Demonstration
Federal Award Identification Number / Year:	1LICMS331360 / 2014 - 2020
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Repeat Finding from Prior Audit?	No

SIGNIFICANT DEFICIENCY

45 C.F.R. Part 75.303 requires recipient of federal awards to “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” It is management’s responsibility to implement an adequate system of internal controls to monitor the accuracy and completeness of accounting records pertaining to federal expenditures, including periodic reconciliations of their accounts and records to the State’s accounting system, Ohio Administrative Knowledge System (OAKS). Such reconciliations must be performed timely, be thoroughly documented, and include the appropriate follow-up for all significant reconciling items. It is also management’s responsibility to periodically monitor these control procedures to verify they are operating effectively and as management intended.

During state fiscal year (SFY) 2019, the Department processed approximately \$1.4 million in payroll expenditures for the Money Follows the Person Rebalancing Demonstration (MFP) program for approximately 50 employees. The Department utilizes an internal timekeeping system, which interfaces with OAKS to record and process payroll transactions. Prior to interfacing the internal timekeeping system with OAKS, Human Resources (HR) personnel review all employee timesheets and compare them to appropriate supporting documentation for accuracy and completeness. Once the interface process is complete, HR personnel review various OAKS exception reports and correct inaccurate data within OAKS. Once all errors/exceptions are corrected, payroll is processed through OAKS. Once payroll is processed, the Department performs analytical procedures to determine if the cost categories and account coding are accurate; however, no additional review is performed to reconcile the information within the internal timekeeping system to OAKS to ensure all timesheets were paid out accurately.

Without performing regular reconciliations between the Department’s internal records and OAKS after payroll has been processed, there is an increased risk that amounts recorded in the State’s accounting system may be miscoded and/or inaccurate. Additionally, without effective and timely reconciliations, the Department cannot ensure accurate recording of payroll expenditures. Furthermore, irregularities or improper transactions could go undetected. Based on discussion with management, the Department completed the reconciliation in the prior fiscal year based on an audit recommendation; however, the employee performing the reconciliation went out on extended leave and the reconciliation was not completed again even after the employee returned.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

6. MFP – PAYROLL RECONCILIATIONS (Continued)

We recommend the Department implement a process to ensure key control procedures are performed when there is turnover in key positions or when employees are on extended leave, including cross-training other employees. The Department should have these procedures formally documented and communicated to all staff. Additionally, the Department should re-establish performing a reconciliation of internal MFP payroll records to OAKS. Adequate documentation should be maintained to evidence the performance of the reconciliation, any follow-up performed, and management's review of the reconciliation. Furthermore, management should be periodically monitoring these control procedures to ensure they are in place, operating effectively, and as management intended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

1. SABG – SF-425 REPORT SUBMISSION

Finding Number:	2019-028
State Agency Number:	MHA-01
CFDA Number and Title:	93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Identification Number / Year:	T1010041-17 / 2017
Federal Agency:	Department of Health and Human Services
Compliance Requirement:	Reporting
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 C.F.R. Part 96 contains the Department of Health and Human Services' general administrative requirements for grants to state and local governments. 45 C.F.R. Parts 96.120 through 96.137 contain requirements specific to the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program. Section III, item 6 of the Notice of Award for the 2017 grant award states:

Grantees shall submit a Federal Financial Report (SF 425) by December 29, 2018 which is 90 days after the end of the obligation and expenditure period of this grant. The SF-425 shall report total funds obligated and total funds expended by the grantee and it must be submitted by email to grant.closeout@samhsa.hhs.gov.

It is management's responsibility to implement control policies and procedures to reasonably ensure compliance with program requirements. Effective controls require management review the federal reports for accuracy, completeness, and compliance with program rules and regulations prior to submission to the federal grantor agency and maintain documentation of the review, approval, and timely submission of the report.

During state fiscal year (SFY) 2019, the Department disbursed approximately \$64 million dollars in SABG expenditures, with \$60.4 million disbursed to subgrantees. The Department had controls in place over the SF-425 report preparation and submission process. After the grant award ends, the Community Funding Operations section reconciles the award's cash balance between the federal Payment Management System (PMS) and the State's accounting system, Ohio Administrative Knowledge System (OAKS). The Community Funding Operations manager reviews the reconciliation before staff prepares the SF-425 report and hand delivers it to the Deputy Director of the Office of Financial Management for review and approval, evidenced by signing the report. The signed report is hand delivered back to the Community Funding Operations section to be sent by e-mail to the Grant Manager at the federal awarding agency. However, the Department could not provide documentation (either the signed report or related submission e-mail) the completed SF-425 report for the 2017 award was signed by Deputy Director nor that it was submitted to the federal agency.

Without the effective and consistent performance and documentation of internal controls and maintenance of support documentation, management cannot be reasonably assured the controls are operating as intended. Furthermore, the Department cannot be reasonably assured reports are accurate, complete, and submitted in a timely manner. Any noncompliance could result in repayment, reduction, or elimination of federal funding or sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, it appears these conditions were the result of staff oversight and not maintaining appropriate documentation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

1. SABG – SF-425 REPORT SUBMISSION (Continued)

We recommend the Department evaluate and strengthen its existing procedures, if necessary, to provide reasonable assurance the reports are accurate, complete, and submitted timely to the federal government. Evidence of report reviews should be documented and maintained, according to an approved record retention schedule, to provide management with reasonable assurance the procedures are performed timely and accurately. Specifically, we recommend the Department maintain a copy of the signed SF-425 report and the e-mail submitted to the federal agency. We also recommend the Department establish procedures to periodically monitor its compliance with the related controls and initiate necessary actions to resolve any noncompliance that results. Evidence of such monitoring procedures should be maintained to provide management with assurance the controls are operating consistently and effectively, and to identify the need for additional training or modification of the existing procedures.

2. SABG – PAYROLL

Finding Number:	2019-029
State Agency Number:	MHA-02
CFDA Number and Title:	93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Identification Number / Year:	T1010041-18 / 2018
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-024

MATERIAL WEAKNESS

45 C.F.R. Part 96 contains the implementing regulations for the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program, as well as general administrative requirements for SABG. Specifically, 45 C.F.R. Part 96.30 (a) contains fiscal and administrative requirements and states, in part:

Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. . . .

Ohio Rev. Code Chapter 124 contains laws related to state employment. In addition, the Department implemented Policy HR-14, *Central Office Work Schedules, Timekeeping, Overtime and Compensatory Time, and Flexible Scheduling Policy*, to expand on parts of Ohio Rev. Code Chapter 124. Sections B.8 and B.9 of this policy state:

Timekeeping accountability: It is the duty of every employee of the Department to accurately and truthfully report and receive compensation for hours worked. Additionally, it is the duty of an employee's direct supervisor to verify that the hours reported reconcile with the employee's schedule, including approved leave usage.

The employee will enter time worked in his/her MHAS timekeeping record. The timekeeping record and any approved compensatory/overtime requests and/or requests for leave will be reviewed by the section timekeeper before final approval of the timekeeping record by the employee's supervisor.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

2. SABG – PAYROLL (Continued)

It is management's responsibility to implement control policies and procedures to reasonably ensure payroll transactions are processed accurately and completely; comply with applicable laws and regulations; and, are based on complete and accurate employee timesheets. Controls must be adequately documented to provide assurance the controls are performed timely and consistently.

During state fiscal year 2019, the Department disbursed approximately \$3.2 million in payroll costs from the SABG program. These payroll costs were for Central Office employees who enter their time worked, as well as leave and overtime/compensatory time (OT/CT) requests, directly into Kronos, the Department's timekeeping system. Each employee's supervisor is to review and approve/disapprove leave and OT/CT requests and the employee's timesheets. To help ensure timesheets are approved timely, the Department had a control in place that an employee from the Payroll Division query Kronos to identify unapproved timesheets after the end of each pay period and notify the supervisor that the timesheet requires approval. The Kronos timesheets are then interfaced with the Ohio Administrative Knowledge System's (OAKS) Human Capital Management (HCM) module for processing. However, six of 60 (10%) timesheets tested did not contain the supervisor's approval.

Without proper documentation of management's review and approval of timesheets and other internal controls, a risk exists that procedures may not be working as intended or may not be consistently applied. If control procedures are not performed and documented consistently, management cannot be reasonably assured the employee timesheets are complete and accurate, which increases the risk that employee compensation is not proper. Based on discussions with management and review of supporting documentation, the time sheets were not properly approved because the supervisor was not available on the day they were required to be approved or the supervisor did not get into Kronos before it interfaced with OAKS.

We recommend the Department continue to strengthen and enforce its current control procedures and processes relating to the review of employee timesheets. Management should stress the importance of completing the required reviews of timesheets and the need to document such reviews. The Department should designate alternate approvers if the employee's supervisor is not available to approve the timesheets. We also recommend the Department establish procedures to periodically monitor its compliance with the related controls and initiate necessary actions to resolve any noncompliance that results. Evidence of such monitoring procedures should be maintained to provide management with assurance the controls are operating consistently and effectively, and to identify the need for additional training or modification of the existing procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

3. SABG – CODING ERRORS

Finding Number:	2019-030
State Agency Number:	MHA-03
CFDA Number and Title:	93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Identification Number / Year:	T1010041-16 / 2016 T1010041-17 / 2017 T1010041-18 / 2018
Federal Agency:	Department of Health and Human Services
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Repeat Finding from Prior Audit?	No

SIGNIFICANT DEFICIENCY

45 C.F.R. Part 75 establishes uniform administrative requirements, cost principles, and audit requirements for federal awards provided by the Department of Health and Human Services to non-federal entities. 45 C.F.R. Part 75.302(a) relates to financial management and states, in part:

Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

As part of administering the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program, it is management's responsibility to consistently and effectively track and compile financial data related to federal program activities. This is typically accomplished through the use of a chart of accounts with enough detail to reasonably ensure financial information can be gathered and organized to allow management to effectively analyze and/or report on program operations.

During state fiscal year (SFY) 2019, the Department disbursed approximately \$64 million dollars in SABG expenditures, with \$60.4 million disbursed to subgrantees, using the state accounting system, OAKS (Ohio Administrative Knowledge System). The Department had various internal controls in place to review and approve subgrantees' requests for funding before making the disbursements, as well as reconciliations to the data processed by OAKS. However, these controls did not prevent or identify the following errors timely:

- One of 25 (4%) vouchers selected for testing, totaling \$71,458, was coded incorrectly in OAKS and was not identified timely enough by the Department to post an adjustment. The voucher was coded in February 2019 to the program year 2016 grant award instead of the program year 2018 award from which it was drawn. The Department did not identify the miscoding until August 2019, after the financial activity for SFY 2019 had been closed and could not be adjusted.
- Seven adjustments, totaling \$165,972, were necessary to the OAKS data to accurately identify expenditures on the Schedule of Expenditures of Federal Awards due to miscoding errors. Four expenditures were recorded to other grant awards that should have been coded to the program year 2018 award, and two refunds were incorrectly coded to other grant awards that should have

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

3. SABG – CODING ERRORS (Continued)

been coded to either the program year 2016 or 2017 awards. The Department identified these miscodings and made appropriate adjustments to amounts reported on required federal reports and the Schedule of Expenditures of Federal Awards, but not always to the official accounting records of OAKS.

- In December 2018, while preparing the SF-425 report for the closeout of the 2017 grant award (ended September 30, 2018), the Department reconciled revenue for the lifetime of the grant between OAKS and its records and identified a miscoding of \$983,173. This amount equaled 1.5% of the total 2017 award and was drawn down from the FY 2018 award but coded to the FY 2017 award. In February 2019, the Department identified this same amount as a coding error against the 2017 grant expenditures, while reconciling the expenditures of the 2018 award. The Department did correctly report the revenues and expenditures on the SF-425 report for the 2017 award but did not make any adjustments to OAKS. As a result, the revenues and expenditures for both awards are incorrect in the official accounting records of OAKS.

Inaccurate coding of program expenditures increases the risk of misstatements in amounts included on internal or external reports and could result in management making decisions about program activities based on inaccurate information. As a result, the Department could be subjected to fines and/or sanctions or a reduction in future federal funding. Based on discussions with management and review of supporting documentation, not detecting the miscoding during the initial reviews were due to oversight by the reviewers. Also, the errors were identified during the reconciliation process as reconciling items but not identified as needing adjustment until after the fiscal year had been closed and adjustments could not be made.

We recommend management evaluate and strengthen, if needed, its current policies and procedures over the reviews and reconciliations related to all federal disbursements, especially the SABG program. Any discrepancies or unusual activity should be documented, investigated, and any necessary corrective actions implemented in a timely manner. In addition, we recommend management emphasize to staff the importance of remaining alert while performing control procedure, and provide training to staff if needed. Furthermore, management should periodically monitor these procedures and activities to ensure they are functioning as intended and being completed timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

1. FISH AND WILDLIFE CLUSTER – SUSPENSION AND DEBARMENT

Finding Number:	2019-031
State Agency Number:	DNR-01
CFDA Number and Title:	15.605 / 15.611 – Fish and Wildlife Cluster
Federal Award Identification Number / Year:	F15AF00519 / 2015 F14AF01335 / 2017 F17AF00469 / 2017 F17AF01310 / 2018 F18AF00502 / 2018 F18AF00597 / 2018
Federal Agency:	Department of the Interior
Compliance Requirement:	Procurement and Suspension and Debarment
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-025

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 180 provides government-wide suspension and debarment requirements for covered transactions, which include both procurement and nonprocurement transactions. Procurement transactions are contracts for goods or services expected to equal or exceed \$25,000, while nonprocurement transactions include grants and cooperative agreements regardless of the amount. Specifically, 2 C.F.R. Part 180.300 states:

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

It is management’s responsibility to ensure adequate procedures are in place to provide reasonable assurance they do not enter into any covered transaction involving federal funds with an entity who is suspended, debarred or otherwise excluded from entering into the transaction.

During state fiscal year 2019, the Department entered into eight covered procurement transactions totaling \$327,713 and 297 covered nonprocurement agreements totaling approximately \$7.2 million for the Fish and Wildlife Cluster. Prior to April 2019, the Department’s process to ensure these entities were not suspended or debarred before entering a contract involving federal funds was to search the Ohio Auditor of State’s Unresolved Finding for Recovery database and include a clause in the nonprocurement contracts intended to address suspension and debarment. However, the Finding for Recovery database relates only to entities prohibited from being awarded a contract with the State of Ohio. It does not satisfy the requirements of 2 C.F.R. Part 180, which prohibit a transaction with an entity excluded from participating in a transaction with the federal government. In addition, the clause included within the nonprocurement contracts did not fully satisfy the requirements of 2 C.F.R. Part 180. We noted the Department implemented a revised clause for new nonprocurement contracts in May 2019 properly addressing suspension and debarment requirements; however 274 of the 294 (93.5%) contracts in state fiscal year 2019 did not contain this revised clause. Additionally, the Department had not implemented any updated language for any procurement contracts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

1. FISH AND WILDLIFE CLUSTER – SUSPENSION AND DEBARMENT (Continued)

Without the necessary procedures in place to verify if vendors are suspended or debarred prior to entering into transactions with them, the Department risks providing federal funds to excluded parties. This could result in disallowed costs, repayment of federal funds, penalties, and/or termination of the award. Based on discussions with management, previously they believed the search on the Auditor’s website satisfied the federal compliance requirement and the information contained within the nonprocurement contracts was sufficient to satisfy the requirements.

We recommend the Department continue to use the updated template for the nonprocurement contracts and implement similar language into procurement contracts. We also recommend the Department evaluate all vendors who did not utilize the revised contract during state fiscal year 2019 to verify they were not suspended, debarred, or otherwise excluded. In addition, management should periodically re-evaluate their contract templates and policies and procedures to reasonably ensure the information is current, accurate, and properly addresses the federal requirements.

2. FISH AND WILDLIFE CLUSTER – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Finding Number:	2019-032
State Agency Number:	DNR-02
CFDA Number and Title:	15.605 / 15.611 – Fish and Wildlife Cluster
Federal Award Identification Number / Year:	F15AF00519 / 2015 F14AF01335 / 2017 F17AF00469 / 2017 F17AF01310 / 2018 F18AF00502 / 2018 F18AF00597 / 2018
Federal Agency:	Department of the Interior
Compliance Requirement:	Equipment and Real Property Management
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-026

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 1402.100 gives regulatory effect to the Department of the Interior for 2 C.F.R. Part 200.313, which establishes equipment procedures acquired under Federal awards and states, in part:

(b) A State must use, manage, and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures...

Ohio Rev. Code (ORC) Part 125.16 (A) states, in part:

In accordance with procedures prescribed by the director of administrative services, the officer in charge of each state agency, other than an institution of higher education, shall maintain current and accurate records of tangible personal property and real property, as defined by the department of administrative services that the state agency holds either directly or on behalf of the state. These records shall specify the value of the property, the number of acres of land, the number and kind of buildings, and other significant information about the property, as designated by the department.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

2. FISH AND WILDLIFE CLUSTER – EQUIPMENT AND REAL PROPERTY MANAGEMENT (Continued)

The Ohio Department of Administrative Services (DAS) serves as the oversight agency for the State's inventory records such as equipment, land, buildings etc. DAS establishes inventory policies and procedures for state agencies to use for managing and reporting inventory within the *State of Ohio Asset Management Handbook*. The policy within the Handbook requires buildings and land acquisitions be recorded in the State's AMS (Asset Management System) promptly following receipt of the asset. Additionally, the Department's internal inventory policy requires inventory items be entered into AMS within five working days of payment. It also requires staff to forward acquisition information to the division inventory coordinator in a timely manner; however, it does not include who is responsible for maintaining the supporting documentation for building and land purchases. It is management's responsibility to have internal control procedures in place to ensure compliance with these procedures as well as the ORC. Such controls must reasonably ensure inventory is entered promptly and inventory records maintained by the Department are accurate, complete and have proper supporting documentation.

As of June 30, 2019, AMS reported the Department had \$27.3 million in buildings, \$115.2 million in land, and \$12 million in equipment recorded as assets on hand purchased with Fish and Wildlife Cluster federal funds. Purchases of land or buildings go through the Department's Office of Real Estate and Land Management (REALM). The Division of Engineering and REALM work with the Division of Wildlife to ensure the purchase is allowable per the grant agreement and the Division of Engineering enters the payment information related to the purchase into the state's accounting system, Ohio Administrative Knowledge System (OAKS). Purchases of equipment are performed at the various statewide districts in cooperation with the Department's Inventory Coordinator. The Office of Budget and Finance (OBF) is responsible for entering the asset information into AMS. However, these AMS updates are not done within the five business days required by the Department's internal policy and are not considered prompt in accordance with the State's Handbook policies. For buildings, the OBF Inventory Specialist updates the AMS annually based on a report from the Division of Engineering detailing buildings purchased during the year. For land, the OBF Inventory Control Specialist updates the AMS semi-annually from an OAKS Business Intelligence expenditure report (by account code) and the related voucher and invoice. Additionally, we noted the following during testing:

- For 42 of 60 (70%) non-equipment inventory assets (i.e. land, buildings, etc.) selected for testing, documentation was not provided to support the Department's valuation of the asset, or the documentation provided did not match the Department's valuation in AMS. Additionally, for six of these assets, no documentation was provided to support the Department's ownership of the assets in AMS.
- For one of 12 (8.3%) equipment inventory assets selected for testing, supporting documentation did not support the Department's valuation in AMS.

Without promptly entering inventory purchases or keeping appropriate supporting documentation on file, management cannot be reasonably assured the inventory listing is complete and accurate when certified annually to DAS. This increases the risk assets in the State of Ohio's financial statements could be misstated, improper transactions may not be detected in a timely manner, or the Department could be out of compliance with applicable state and federal laws. Noncompliance with federal regulations could result in federal funds being reduced, taken away, or other sanctions imposed by the federal grantor agency. Based on discussions with management, documentation was unable to be located due to turnover within the Department, multiple divisions being involved in purchases without a clear indication of who was responsible for maintaining the documentation, or assets being purchased many years ago and not being able to be located. Asset information was not entered timely into AMS because divisions responsible for the purchases were not submitting documentation on a timely basis to the division responsible for asset entry.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

**2. FISH AND WILDLIFE CLUSTER – EQUIPMENT AND REAL PROPERTY MANAGEMENT
(Continued)**

We recommend the Department continue its efforts to review its existing procedures and develop improved internal controls over asset reporting. Procedures should be updated to ensure they align with DAS regulations and policies, and clarify who should be maintaining the related supporting documentation. The Department should continue in its efforts to update asset information, including obtaining and maintaining proper documentation to support the Department’s inventory listing. We also recommend management implement periodic monitoring procedures to ensure the established controls are operating effectively and as intended. In addition, we recommend the Department work with the Ohio Office of Budget and Management (the preparer of the State’s financial statements) and DAS to determine how to proceed with assets currently being reported on the AMS if no documentation can be located to support the valuation.

3. FISH AND WILDLIFE CLUSTER – SUBRECIPIENT MONITORING

Finding Number:	2019-033
State Agency Number:	DNR-03
CFDA Number and Title:	15.605 / 15.611 – Fish and Wildlife Cluster
Federal Award Identification Number / Year:	F15AF00519 / 2015 F14AF01335 / 2017 F17AF00469 / 2017 F17AF01310 / 2018 F18AF00502 / 2018 F18AF00597 / 2018
Federal Agency:	Department of the Interior
Compliance Requirement:	Subrecipient Monitoring
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-027

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 1402.100 gives regulatory effect to the Department of the interior for 2 C.F.R Part 200.331, which establishes requirements over subawards for pass-through entities and states, in part:

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification.

- ...
- (ii) Subrecipient’s Unique Identity Number;
- (iii) Federal Award Identification Number (FAIN);

- ...
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

3. FISH AND WILDLIFE CLUSTER – SUBRECIPIENT MONITORING (Continued)

It is management's responsibility to ensure subaward agreements appropriately identify all required subaward identification information and include the appropriate terms and conditions.

During state fiscal year 2019, the Department entered into 297 grant agreement contracts with subrecipients for the Fish and Wildlife Cluster totaling approximately \$7.2 million. These agreements outlined the requirements the subrecipients were expected to adhere to and disclosed some required subaward information. In May 2019, the Department implemented a new grant agreement and amended some prior existing agreements to ensure the requirements of 2 C.F.R. Part 200.331(a) were being properly communicated; however, there were still a significant number of agreements made in state fiscal year 2019 where all subaward information required per the C.F.R. were not included. Of the 40 grant agreements selected for testing, 37 (92.5%) did not include certain aspects of the award information required per 2 C.F.R. Part 200.331(a), as follows:

- 26 subawards did not include the CFDA name and number of the awarded funds.
- 34 subawards did not include the subrecipient's Unique Identity Number.
- Three subawards did not include the FAIN.

Without consistently identifying all required subaward information, including the appropriate terms and conditions of the subaward, subrecipients may not be aware of relevant identifying information or requirements with which they must comply. This could result in subrecipients using the subawards for unallowable activities or incorrectly identifying the award on their Schedule of Expenditures of Federal Awards or other reports. Additionally, noncompliance by the Department with federal regulations could result in federal funds being reduced, taken away, or other sanctions imposed by the federal grantor agency. Based on discussions with management, prior to its implementation late in the audit period, there was no common contract template in place for subrecipients to communicate all the information specified by 2 C.F.R. Part 200.331(a). All previous agreements were customized to each subrecipient based on program objectives specified by the Department.

We recommend the Department continue to implement and utilize its revised contract templates to reasonably ensure required subaward information per 2 C.F.R. Part 200.331(a) is communicated to all subrecipients. The Department should also continue in its efforts to amend previous subaward agreements to properly identify the required information. The Department should monitor future subaward agreements to ensure all required information is identified in a consistent manner and the appropriate terms and conditions are included.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

4. IT – LACK OF A SOC 1 AUDIT FOR SERVICE ORGANIZATIONS

Finding Number:	2019-034
State Agency Number:	DNR-04
CFDA Number and Title:	15.605 / 15.611 – Fish and Wildlife Cluster
Federal Award Identification Number / Year:	F15AF00519 / 2015
	F14AF01335 / 2017
	F17AF00469 / 2017
	F17AF01310 / 2018
	F18AF00502 / 2018
	F18AF00597 / 2018
Federal Agency:	Department of the Interior
Compliance Requirement:	Reporting
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-028

MATERIAL WEAKNESS

2 C.F.R. Part 1402.100 gives regulatory effect to 2 C.F.R. Part 200.303(a), which requires recipients to maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws, regulations, and the provisions of contracts or grant agreements. It is management's responsibility to monitor these control procedures to verify they are designed and operating in a manner consistent with federal regulations and program objectives. Furthermore, sound internal control procedures require management to monitor and oversee operations of contractors responsible for carrying out federal requirements to provide reasonable assurance procedures performed by the contractor are functioning as intended and in compliance with federal regulations and contractual obligations.

Many entities use outside service organizations to process transactions as part of the entity's information system. Service organizations provide services ranging from performing a specific task under the direction of an entity to replacing entire business units or functions of the entity. When the operating activity is not directly administered by the entity, such as when utilizing a service organization, it is critical the appropriate monitoring controls are designed and implemented to reasonably ensure the service organization has adequate controls to achieve management's goals and objectives and complies with applicable laws and regulations. SOC 1 audits are performed over these service organizations to provide information about their internal controls to management and to auditors who rely on the SOC 1 report results for the audit of the user entity's financial statements and IT systems.

During state fiscal year (SFY) 2019, the Department used the web-based Ohio Wildlife Licensing System (OWLS) to process sales of approximately \$36.3 million in hunting and fishing licenses and permits. A portion of these sales must be reported to the federal government annually. The Department contracted with a vendor (service organization) to host this system, which required they provide backups, technical assistance, security monitoring, system enhancements, and system updates for the OWLS application. The service organization, in turn, contracted with another vendor (subservice organization) to house their application and to maintain and oversee the hardware. The Department also relied on the service organization's disaster recovery plan. The Department's contract with the service organization contained a provision requiring it to obtain a SOC 1 Type 2 audit annually; however, a SOC 1, Type 2 audit of the service organization was not completed for the audit period. A SOC 1 Type 2 audit was completed for the subservice organization covering part of SFY 2019; however, the Department did not review this report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF NATURAL RESOURCES

4. IT – LACK OF A SOC 1 AUDIT FOR SERVICE ORGANIZATIONS (Continued)

Without a SOC 1 Type 2 audit of the service organization, the Department may not have sufficient information to reasonably ensure controls are in place, designed properly, and operating effectively to help ensure the integrity of the controls for the data processed, maintained, and reported by the OWLS web application and the service organization. This could also result in inaccurate data reported annually to the federal grantor agency.

Department management indicated the service organization vendor did not initially agree that they were required to have a SOC 1 Type 2 audit performed because of the SOC 1 audit performed of their contracted subservice organization. The vendor recently agreed to complete a SOC 1 Type 2 audit and contracted with an audit firm to conduct the audit; however, vendor representatives were unable to provide detail of the planned reporting period or audit start date.

We recommend the Department take steps to ensure a SOC 1 Type 2 audit is completed annually of the service organization for the OWLS web application and its processing environment to provide a description of the system, results of the OWLS internal control testing of operating effectiveness, and an opinion of the overall processing environment. In addition, the Department should review any complementary user entity controls resulting from the SOC 1 audit to ensure those controls are in place and operating effectively. Also, we recommend ODNR management review the subservice organization's SOC 1 Type 2 report and the complimentary user entity controls to help ensure familiarity with all aspects of the OWLS processing environment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OPPORTUNITIES FOR OHIOANS WITH DISABILITIES

1. VR – MAINTENANCE OF EFFORT

Finding Number:	2019-035
State Agency Number:	OOD-01
CFDA Number and Title:	84.126 - Vocational Rehabilitation Grants to States
Federal Award Identification Number / Year:	H126A180052-18D / 2018
Federal Agency:	Department of Education
Compliance Requirement:	Matching, Level of Effort, and Earmarking
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

29 U.S.C. § 731(a)(2) established maintenance of effort (MOE) compliance standard requirements for the Vocational Rehabilitation Grants to States (VR) program and states, in part:

...

(B) The amount otherwise payable to a State for a fiscal year under this section shall be reduced by the amount by which expenditures from non-Federal sources under the State plan under this subchapter for any previous fiscal year are less than the total of such expenditures for the second fiscal year preceding that previous fiscal year.

...

It is management's responsibility to design and implement internal controls to reasonably ensure compliance with federal laws and regulations.

During state fiscal year (SFY) 19, the Agency disbursed approximately \$114 million for the VR program. Quarterly, the Budget Analyst obtains a series of Ohio Administrative Knowledge System (OAKS) and internal reports of all indirect, direct, and state expenditures and prepares the SF-425 Federal Financial Report for the VR program. Once compiled, the Budget Supervisor, Chief Financial Officer (CFO), and Director meet to discuss the SF-425 report and compliance with the federal requirements and report instructions, including MOE. Once completed, the CFO and Director approve and submit the SF-425 report to the US Department of Education. However, these controls did not detect or prevent noncompliance with the MOE requirement for the federal fiscal year (FFY) 2018 grant award which ended during the audit period. For FFY 2016, the second preceding fiscal year, the Agency spent \$29,741,458 from non-federal sources. For FFY 2018, the Agency spent \$27,162,157 from non-federal sources, which was \$2,579,301 (9.5%) less than the required MOE.

By not complying with the maintenance of effort requirements, federal funding may be reduced or other sanctions imposed by the federal grantor agency. This may limit the Agency's ability to fulfill program requirements to provide assistance to VR recipients. Based on discussions with management, the Agency was unable to obtain the state resources to meet the non-federal share of the FFY18 award MOE requirement. Consequently, a MOE penalty was assessed on the FFY19 award.

We recommend the Agency evaluate its current control procedures over the VR program to ensure the MOE requirement is met. These procedures should include periodic monitoring of non-federal expenditure sources to ensure compliance, especially in the event a shortfall in meeting the requirement appears imminent. Management should periodically monitor established controls to help ensure the procedures are functioning as intended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF TRANSPORTATION

1. HIGHWAY PLANNING AND CONSTRUCTION CLUSTER – SUBRECIPIENT MONITORING

Finding Number:	2019-036
State Agency Number:	DOT-01
CFDA Number and Title:	20.205/20.219/23.003 Highway Planning and Construction Cluster
Federal Award Identification Number / Year:	Numerous – applies to thousands of FAINs representing each construction project/phase during the year.
Federal Agency:	Department of Transportation
Compliance Requirement:	Subrecipient Monitoring
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-034

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 1201.1 gives regulatory effect to the Department of Transportation for 2 C.F.R. Part 200.331 which states, in part:

All pass-through entities must:

...

- (f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal Awards expended during the respective fiscal year equaled or exceeded the threshold set forth in section 200.501 Audit requirements.

Federal regulations require pass-through entities to maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws and regulations. In addition, sound internal control procedures require management to monitor these control procedures to verify they are designed and operating in a manner consistent with federal regulations and program objectives. To be effective, the performance of internal controls must be evidenced in some manner to document the control is in place and functioning as intended.

During state fiscal year (SFY) 2019, the Department disbursed approximately \$257.2 million from the Highway Planning & Construction Cluster (HP&CC) in subawards to local public agencies (LPAs). Prior to beginning work on a project, an agreement is signed between the Department and the LPA which details the total amount of federal funds to be obligated and the LPA's administrative requirements, including tracking receipts and payments and reporting these appropriately on the Schedule of Expenditures of Federal Awards (SEFA). LPA expenditures are to be reported on the SEFA as they are incurred, including payments made directly to vendors, and not when the LPA receives subsequent reimbursement from the Department. The Department's Office of External Audits has made available an optional confirmation process in which an LPA may request a review of expenditures/projects they plan to include on the entity's SEFA for completeness and accuracy prior to an audit being performed. The Department periodically reviews the Federal Audit Clearinghouse to identify subrecipient audits for which the HP&CC program was tested as a major program and/or identify findings related to the HP&CC program. The Department then utilizes this information in its risk-based, tiered approach to determine the desk review process. However, the Department does not have a process in place to verify that every subrecipient is audited when it is expected in accordance with 2 C.F.R. Part 200.331(f).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF TRANSPORTATION

1. HIGHWAY PLANNING AND CONSTRUCTION CLUSTER – SUBRECIPIENT MONITORING (Continued)

Failure to adequately monitor subrecipients to ensure they receive a Single Audit when applicable, increases the risk that subrecipients may not properly utilize federal funds or adhere to program requirements, potentially jeopardizing federal funding. Noncompliance by the Department could cause federal funding to be reduced, taken away, or sanctions imposed by the federal grantor agency. Based on discussions with the Department, its internal systems are not adequately equipped to easily identify what amounts should be reported on each entity's SEFA. In addition, responsibilities of the Department and LPAs can be split for certain phases of the contract which adds to the complexities. Furthermore, the Department has limited resources and staff whose main focus is performing desk reviews.

We recommend the Department evaluate the subrecipient monitoring policies and procedures and implement a process for identifying the federal HP & CC funds passed through to each subrecipient in order to ensure they receive a Single Audit when necessary to meet the requirements of 2 C.F.R. Part 200.331. In addition, we recommend the Department continue to explore methods to better identify subrecipient payments and where the responsibilities belong for reporting purposes. Furthermore, procedures performed by the Department should be adequately documented to provide management reasonable assurance they have been performed. Management should periodically monitor these procedures to ensure they are operating effectively and as intended.

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SUPPLEMENTAL INFORMATION

Officials' Responses



State of Ohio

Finding Number: 2019-001
State Agency: Ohio Department of Medicaid, Ohio Department of Administrative Services, Ohio Department of Job and Family Services
Finding Description: Public Assistance Eligibility

Officials’ Response:

We thank the Office of the Auditor for its work and the opportunity to provide input in response to its recommendations. The new administration assumed office in 2019 and over the past year, state agencies have become aware of potentially significant issues related to eligibility and enrollment processes of some public assistance programs. The findings by the Auditor reinforce the challenges ahead that Ohio will continue to overcome through hard work, changes in policies, corrective actions, and re-aligning our priorities. We are committed to system improvements and transparency in our efforts to move forward.

Eligibility is the cornerstone of the foundation of the Medicaid program, SNAP, cash assistance, and other related programs. State and county partner agencies recognize this and have a renewed commitment to remedy the issues identified by the Office of the Auditor. The issues are complex and will require considerable work and resources. Many of the issues were caused at least in part by defects in the Ohio Benefits system, Ohio’s eligibility and benefits computer system implemented in 2013 in order to comply with the Affordable Care Act. Ohio Benefits is owned by a private company, Accenture LLP, and was customized by Accenture LLP and other contractors to meet Ohio’s specific needs. Ohio contracts for a license from Accenture LLP to use Ohio Benefits system.

State agencies take seriously their responsibility to ensure that eligibility determinations and enrollment for the various programs are timely and accurate. The State’s specific responses to the five recommendations follow:

1) “Redesigning the alert process to be more effective and robust.”

The audit report noted that Ohio Benefits system generates an overwhelming 16.9 million alerts annually to county workers. Many are duplicative, not germane to eligibility status, and do not require action by county workers. Some alerts are received for persons not included in public assistance but whose income and resources are countable toward eligibility determination for remaining household members. The alerts are creating unnecessary and time-consuming burdens for the Ohio Department of Medicaid’s (ODM) and the Ohio Department of Job and Family Services’ (JFS) county partners, preventing them from triaging alerts that necessitate action.

The Ohio Department of Administrative Services (DAS), ODM, and JFS are working with Accenture to reduce the number of alerts and eliminate unnecessary alerts. Efforts include:

- Evaluating and redesigning the alert structure to be a prioritized, non-duplicative system that the counties can efficiently utilize.
- Fixing reporting so that counties can see all alerts issued to them in one comprehensive report or spreadsheet.
- Re-working Ohio Benefits system to remove duplicative, irrelevant, and closed case alerts. An alert workgroup met October 2017 to November 2018 that resulted in alert consolidation changes in August 2019 to ensure one alert is generated when the same worker is assigned across programs in a case rather than one alert per program. The State will review reinstatement of this workgroup to continue to make improvements.
- Enhancing controls within the Ohio Benefits system to require working of alerts before Eligibility Determination and Benefit Calculation (EDBC) is run.

Because these alerts have, over time, contributed to a backlog of Medicaid applications and renewals that reached an unacceptable level, Medicaid and JFS are taking additional steps to address the eligibility backlog. Since February 2019, ODM has worked aggressively and collaboratively with county partners to address human errors that occur in eligibility processing and with DAS and JFS to address Ohio Benefits systems issues. ODM holds weekly meetings with the Centers for Medicare & Medicaid Services (CMS) to discuss progress on our corrective action plan. It also added twenty-five staff for trouble shooting and technical assistance. Today, the agency's work has reduced the backlog by approximately 55% from its January 2019 level. Additionally, ODM has completed on-site visits to over 25 counties, helping some counties to reduce their backlog to near zero.

- 2) "Implementing program changes to address the system design weaknesses/defects identified above, including the issues with overwriting data and making all data stored in the system available/viewable by users."

DAS is working with Accenture to establish an Action Plan to immediately begin addressing system design weaknesses and/or enhancements, the high number of system defects, and the overwhelming number of system alerts and workarounds. DAS will continue to work collaboratively with ODM and JFS to execute on these priorities.

Ohio Benefits currently has nearly 1100 system defects. Defects of functionality within Ohio Benefits system are identified, logged, reviewed and prioritized according to severity by ODM, JFS and DAS. These design weaknesses and defects, as noted by the Auditor, include overwriting eligibility data and the inability of county and state workers to see all historical eligibility data without involvement by Accenture.

ODM, JFS, and DAS are working closely to engage with Accenture and address the critical, high, medium, and low severity defects. The three agencies have regular meetings involving the agencies' Directors and regular meetings of senior IT staff. Accenture and agency IT staff are working to recreate audit findings to identify the root cause of system defects. The independent verification and validation (IV&V) vendor continues to monitor and routinely update the agencies about the number and severity of defects.

ODM, JFS, and DAS will soon hire a QA/IV&V vendor that will conduct system review end to end. The work will include an assessment of the Ohio Benefits system code, how the system operates, and investigate security issues. Special attention will be given to the most significant defects including requiring additional approvals and safeguards to ensure data is not overwritten and that eligibility and audit histories are maintained and accessible by ODM, JFS and county caseworkers.

- 3) "Creating a centralized database of recipient information shared among multiple public assistance programs, or otherwise linking this information so that a change only has to be entered once in Ohio Benefits and all programs are updated accordingly."

The Ohio Benefits system already serves as a centralized database of recipient information that is shared among all public assistance programs that are managed within the system, which currently includes the Medicaid, Medicare Premium Assistance Program, Long Term Care, Presumptive Eligibility, SNAP, and Cash assistance programs. Customer information is entered once and is used in the eligibility determination for all requested programs. Eligibility rules for each requested program can apply the person information differently for the eligibility determination and benefit calculation process, but county caseworkers only need to enter that information once for a given person.

Program eligibility is determined separately for each requested program. Eligibility workers need to run each impacted program block to apply a person level change such as an income update. Workers can process program blocks together or individually when a circumstance change is reported. Related program blocks across cases are automatically companioned (linked) in the system when there are individuals listed

across cases that have a budgetary impact to one another’s program eligibility. This is designed to make it easy for county caseworkers to know which program eligibility needs to be updated due to a customer’s change in circumstances. If county caseworkers do not process for a related program block within 5 days, an alert will be generated for the county caseworker. Work described above to improve the alert process and fix Ohio Benefits system defects/weaknesses is essential to allow Ohio Benefits to effectively serve as this centralized database.

4) “Require mandatory training for all CDJFS employees who are entering the assistance group information into Ohio Benefits”

State agencies began robust work in spring of 2019 to enhance county training. ODM and JFS, with county support, are planning a new Joint New User Training program. The New User Training program will be supported by county training staff and held regionally to allow new workers to attend training modules covering system and policy topics for new users for Medicaid, cash and SNAP programs. ODM and JFS expect to begin the Train-the-Trainer program in March 2020 in preparation for statewide implementation throughout 2020. The Train-the-Trainer session will launch the New User program by providing training to the county staff who will be delivering the training statewide to new users. ODM and JFS conducted a survey to compile training information and obtain county training materials to establish best practices. ODM has collected county training materials and is currently consolidating them.

A county subject matter expert began work with ODM on May 6, 2019. He has met with all counties during regional meetings, has traveled individually to approximately 30 counties to obtain information and workflow regarding application processing, issues with the system in general, and to establish open communication with our county directors, and data and program leads. More than 30 ODM, JFS, and DAS contract staff visited seven counties as part of a county experience initiative. This day-in-the life experience helped to inform state agencies of the county operations. The staff assembled best practices, and these will be used in discussions with other counties as appropriate.

Quarterly meetings are held with all regions of the state. JFS and ODM trainers, policy leads, county experts and leaders within the agencies are holding quarterly meetings to review application processing best practices, discuss new practices, and research concerns. The State’s training efforts are intended to reach all county staff. Technical assistance will announce trainings that are mandatory and require that attendance be tracked and reported back to ODM at the individual caseworker level. In the past, we have tracked attendance at the county level, not the individual level. Joint ODM and JFS bi-weekly webinars and quarterly video conferences have been established and are recorded to be replayed later. Attendance can be pulled for those that attend live and view recorded versions. JFS also has a monthly policy technical assistance video conference.

5) “Regularly evaluate selected benefit payments for all programs to verify the recipient’s eligibility Any problems noted should be promptly corrected”

The State will aggressively address and correct defects within Ohio Benefits system and monitor eligibility. This includes three categories of work.

First, ODM, JFS, and DAS have been working closely to manage this situation, with regular meetings of the Directors and Senior IT staff every other week. Led by the State Chief Information Officer of DAS, ODM and DAS have developed a separate case review process designed to reduce high impact problems in the Ohio Benefits system, particularly those that may affect access to coverage, maintenance of coverage, regulatory compliance, findings or penalties. With this information, ODM, JFS, and DAS will be contracting for an external review of the system, including a review of coding and root issues leading to the system defects. ODM has formed teams to verify the presence of all required eligibility elements, and correct execution of all eligibility processes leading to the correct eligibility determination on the case. This work will continue periodically through the year and allow ODM to determine whether specific steps taken to

address system errors are working. JFS formed a daily operations team with DAS and the vendor at the launch of the SNAP and cash assistance pilot go-live in November 2017. The team continues to meet, now twice weekly with daily report monitoring, to ensure timely and accurate SNAP and cash benefit payments. This includes monitoring of benefit file transfers for SNAP and cash payments.

Second, ODM will better utilize its Medicaid Eligibility Quality Control (MEQC) unit in the Bureau of Program Integrity to inform other agency work. This unit typically conducts reviews of Ohio Medicaid eligibility determinations in “pilots” that are approved by CMS. If the unit finds an error, the county JFS is notified and expected to take corrective action. The current pilot reviews are expected to be completed by May 2020. In May 2020, Ohio will begin to review new samples and will review samples of high-risk cases. To improve this process, ODM will use agency expertise and information gained through its own investigation into eligibility risks to carefully select samples that will provide it valuable information. In addition, ODM has set up regular communication between the MEQC unit and its county technical assistance staff to ensure that broader trends, system errors, and trainings needs are more quickly identified. ODM is exploring additional processes to enhance the MEQC work, including potentially adding additional personnel to the unit and developing better methods to match error trends with county education and system defect work.

JFS will continue to perform federally required quality control (QC) reviews of a statistically valid statewide sample of SNAP cases each month to evaluate the accuracy of eligibility determinations and SNAP benefit payments made by county agency caseworkers. In addition to reporting the results of QC reviews to the USDA Food and Nutrition Service (FNS) each month, review results are shared with the JFS SNAP policy and county training staffs, and all county departments of job and family services so that the causes of errors can be identified and remedied.

Third, ODM has been assisting counties since January 2019 to reduce a backlog of pending applications, renewals and change of circumstance work. Since the beginning of this administration, ODM has been in regular communication with CMS regarding its plan to reduce this backlog. An official corrective action plan (CAP) was approved recently by CMS and is being monitored closely. In its approval letter, CMS noted that it believes “the strategies that Ohio has included in its plan will introduce sustainable improvements to state systems and operations to ensure that the state conducts timely and accurate [eligibility determinations.]” ODM has realigned staff, produced better reporting, added funding, put together new user training, conducted surveys, and attended all quarterly district meetings to better listen to and assist the counties. The backlog of pending application and renewals has come down. ODM recently distributed funding for a quality assurance effort of cases at the county level so that as Ohio becomes timely, cases will also become increasingly more accurate.

Finding Number: 2019-002
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Drug Rebate Monitoring

See corrective action plan for finding number 2019-024.

Finding Number: 2019-003
State Agency: Ohio Office of Budget and Management
Finding Description: OAKS Supplier Record Integrity and Access

Officials' Response:

Office of Budget and Management Director Kim Murnieks takes access security seriously and appreciates the opportunity to add perspective to the two exceptions identified by the Auditor of State. A sample of 22 supplier additions in audit year 2019 were tested by the Auditor of State and one supplier was not supported by documentation. This exception was a partially completed test supplier created during the roll-out of supplier portal enhancements. This record was titled "test" and was not an internal control failure by the OBM Shared Services team. This test supplier was part of the testing execution plan which was not used and subsequently removed. Additionally, the Auditor of State tested 100% of the 47 users with one or more access roles to update supplier information. It was determined that again in audit year 2019, one user had additional roles; however, these roles were not used. OBM validated that neither exception resulted in any actual exposure to the agency.

Upon assuming her duties, OBM Director Kim Murnieks noticed areas where the agency would benefit from enhanced information security protocols that had not been implemented prior to her appointment. Director Murnieks ordered the office's first IT Security Committee to enhance access security to its OAKS applications as well as numerous internally built applications. The committee meets on a monthly basis. Additionally, OBM will perform user access monitoring of internal applications on an annual basis and review OAKS applications, where OBM is the business owner, every six months, in order to strengthen the internal control environment related to IT access security.

Management's Corrective Action Plans



State of Ohio

Finding Number: 2019-004
State Agency: Ohio Department of Adjutant General
Finding Description: NGMOMP – Cash Management

Corrective Action Plan:

Because the advances for multiple cooperative agreement appendices are deposited into the same fund (Fund 3420 for Army National Guard and Fund 3E80 for Air National Guard), the use of funds drawn for a specific purpose loses its identification once deposited and may be expended to support expenditures for a separate program. Specifically, payroll costs for one appendix may be paid by advances received to support another and due to the automatic nature of payroll processing cannot be stopped. The end result of this can thus be the delay in paying the costs for which those dollars were actually received. To limit this issue going forward, the Adjutant General's Department will more closely monitor the timeliness of requests for advances, specifically as it relates to advances to support payroll costs. Additionally, tighter controls are being placed in non-payroll spending for the various appendices to ensure that sufficient resources exist to pay the obligations timely. Lastly, the Business Services and Fiscal Administration sections of the State Finance Branch will closely monitor the status of open purchase orders to ensure that they are liquidated on a timely basis, thus avoiding delays in liquidating advances.

Anticipated Completion Date for Corrective Action:

July 2020

Contact Person Responsible for Corrective Action:

Jeffrey Newman, State Finance Officer, Ohio Department of Adjutant General
2825 West Dublin-Granville Road, Columbus, OH 43235
Phone: (614) 336-7013, E-Mail: Jeffrey.W.Newman8.nfg@mail.mil

Finding Number: 2019-005
State Agency: Ohio Department of Administrative Services
Finding Description: IT – Ohio Benefits System – Medicaid/MFP/SNAP/TANF

Corrective Action Plan:

- A. The Ohio Department of Administrative Services (DAS) is redesigning the alert process to be more effective and robust. DAS, ODM, and JFS are working with Accenture to reduce the number of alerts and eliminate unnecessary alerts. The State will reinstate the alert workgroup to continue to make improvements. DAS is working with Medicaid and JFS to taking additional steps to address the eligibility backlog and Ohio Benefits system issues.
- B. DAS is working with Accenture to establish an Action Plan to immediately begin addressing system design weaknesses and/or enhancements, the high number of system defects, and the overwhelming number of system alerts and workarounds. DAS will continue to work collaboratively with ODM and JFS to execute on these priorities.

ODM, JFS, and DAS will soon hire a QA/IV&V vendor that will conduct system review end to end. The work will include an assessment of the Ohio Benefits system code, how the system operates, and an investigation of security issues. Special attention will be given to the most significant defects

including requiring additional approvals and safeguards to ensure data is not overwritten and that eligibility and audit histories are maintained and accessible by ODM, JFS and county caseworkers.

- C. The Ohio Benefits system already serves as a centralized database of recipient information that is shared among all public assistance programs that are managed within the system, which currently include the Medicaid, Medicare Premium Assistance Program, Long Term Care, Presumptive Eligibility, SNAP, and Cash assistance programs. Customer information is entered once and is used in the eligibility determination for all requested programs. Eligibility rules for each requested program can apply the person information differently for the eligibility determination and benefit calculation process, but county caseworkers only need to enter that information once for a given person.
- D. ODM, JFS and DAS are drafting two Ohio Benefits Program Interagency Agreements (IAAs): (1) between Ohio Department of Administrative Services and Ohio Department of Medicaid and (2) between Ohio Department of Administrative Services and Ohio Department of Job and Family Services. The IAAs will define the parties involved, the work performed and the transfer of technologies and funds. More specifically, the IAAs will include but not be limited to:
- List of vendor contracts/amendments;
 - Cost of vendor build/run deliverables;
 - DAS service fees, as applicable;
 - Payment schedule/terms between agencies;
 - Roles and responsibilities to meet State obligations as defined in the vendor contracts/amendments; and
 - Signatures of the three Directors authorizing the agreements.

The IAAs' anticipated completion date is June 30, 2020.

- E. DAS is hiring and placing state employees in key leadership roles to ensure appropriate and coordinated monitoring and tracking, timely reviews, and issue remediation. The following positions have either been recently filled or posted. For those posted, DAS is currently in the process of selecting candidates. Positions include Office Management, Financial Management, Contract Management, Risk and Compliance Management, Data & Advance Analytics Management, Maintenance and Operations Management, Security and Data Privacy, and Program Management and Service Delivery. DAS expects all positions to be filled no later than June 30, 2020.
- DAS created a new state employee position, Data & Advance Analytics Manager, who will have primary responsibility to ensure existing governance processes are strengthened and address any gaps to ensure data quality and reliability standards are being enforced. Currently, there is a monthly meeting with data stewards from each agency where escalated data related issues are presented and resolved.
 - DAS revised the process for reviewing and monitoring the QA/IV&V reports in October 2019 to more substantially integrate input and participation from ODM and JFS partners. QA/IV&V findings and recommendations are presented monthly by the QA/IV&V vendor and are regularly attended by DAS, ODM and JFS. In addition, DAS created a new state employee position, Risk and Compliance Manager, which will be responsible for prioritizing and developing remediation plans based on QA/IV&V findings, tracking and ensuring necessary changes to the Ohio Benefits Program with accurate and timely completion, and ensuring that the system is operating as intended.

- DAS created a new state employee position, Contract Manager, which will be responsible for coordinating and managing all contracts/amendments contents to help ensure all Program deliverables are being met.
- DAS created several new state employee positions that will have joint responsibility for ensuring response to this concern. The Maintenance and Operations manager will have primary responsibility to ensure that evaluations and assessments of the environment are tracked, monitored and maintained. The Risk and Compliance Manager will ensure compliance with standards. The Office Manager will be responsible for coordinating these efforts and ensuring that documentation is kept up to date on the program's SharePoint site and can be easily accessed by ODM and JFS.

Anticipated Completion Date for Corrective Action:

2019-005 Defects in the Eligibility Process: Anticipated completion date is June 2021.

2019-005 Contract and Monitoring: Anticipated completion date is June 2021.

Contact Person Responsible for Corrective Action:

Kristina Hagberg, Chief Transformation Officer, Ohio Department of Administrative Services

DAS OIT, 30 East Broad Street, Columbus, Ohio 43215

Phone: 614-644-9245, E-Mail Address: Kristina.Hagberg@das.ohio.gov

Finding Number: 2019-006
State Agency: Ohio Department of Aging
Finding Description: Uniform Guidance Policies and Procedures

Corrective Action Plan:

We acknowledge that policies are dated, yet we are confident in the compliance of our cost principle practices as governed by Uniform Guidance and terms of federal awards. Relevant Department staff are trained on Uniform Guidance through webinars, trainings, publications, and discussions. The Department has issued multiple Notices to subrecipients highlighting Uniform Guidance topics and all subrecipient relationships are governed by subrecipient agreements that clearly identify federal requirements for cost principles. All internal processes are documented.

In the spring of 2019, the Department launched a project to systematically overhaul all policies. This need was identified by Department leadership immediately after the change in administrations and will continue to be a top priority until all policies are current. A dedicated staff member was assigned and an electronic document management system was implemented to manage the drafting and formal approval of the Department's policies, and acknowledgment of receipt of policies by all staff. Within the project, the revised policies reflecting general purchases of goods, unallowable costs for contracts and agreements, time and attendance, and cash management were drafted in 2019 to reflect Uniform Guidance requirements. The relevant policies are going through concurrence and will be finalized, formally approved by management, and distributed to staff by June 30, 2020. Policies will be reviewed, evaluated, and updated annually to ensure that they are current.

We appreciated the opportunity to demonstrate during our exit conference, the revised draft policies and the software being utilized to manage the overhaul of the Department's policies.

Anticipated Completion Date for Corrective Action:

June 2020

Contact Person Responsible for Corrective Action:

Kevin Flanagan, Chief Financial Officer, Ohio Department of Aging
246 North High Street, 1st Floor, Columbus, OH 43215
Phone: 614-752-9184, E-Mail: Kflanagan@age.ohio.gov

Finding Number: 2019-007
State Agency: Ohio Development Services Agency
Finding Description: HEAP – Cash Management

Corrective Action Plan:

The Ohio Development Services Agency will work with the Office of Budget and Management (OBM) prior to the issuance of the 2021 Cash Management Improvement Act agreement with the U.S. Department of the Treasury. OBM State Accounting has agreed to assist in work flowing the cash draw procedures in place and assigning a funding technique which aligns with our business process. Additionally, we will modify our policies and procedures to reflect our changes and create a cash management practice consistent with the federal agreement.

Anticipated Completion Date for Corrective Action:

July 2020

Contact Person Responsible for Corrective Action:

Jeff R. Bankey, Chief Audit Executive, Ohio Development Services Agency
77 South High Street, Columbus, OH 43215
Phone: 614-466-5641, E-Mail: Jeff.bankey@development.ohio.gov

Finding Number: 2019-008
State Agency: Ohio Department of Developmental Disabilities
Finding Description: IT – Inappropriate Application Administrator Account Access

Corrective Action Plan:

DODD will review the identified user accounts and work with management from DODD's Department of Medicaid to:

1. Remove access privileges from users not requiring administrative functions.
2. Reduce access privileges to an appropriate level in alignment with user job functions.
3. Update user job functions to justify the assigned administrative privileges where it is determined appropriate.

In addition, DODD ITS will institute a management verification before allocating administrative privileges to users. In this instance, Deborah Hoffine, Deputy Director of DODD's Department of Medicaid, or her designee, will be required to sign off on requests for MSS, PSM and MBS administrative privileges.

Anticipated Completion Date for Corrective Action:

June 2020

Contact Person Responsible for Corrective Action:

Edward Carr, Director, Deputy Director, Information Technology Services, Ohio Department of Developmental Disabilities

30 East Broad Street, 12th Floor, Columbus, OH 43215

Phone: 614-466-2201, E-Mail: Edward.Carr@dodd.ohio.gov

Finding Number: 2019-009
State Agency: Ohio Department of Education
Finding Description: Timely Allocations to Charter Schools – Various Programs

Corrective Action Plan:

In the fall of 2019, the Office of Federal Programs (OFP) worked with Education Management Information System (EMIS) administrators to create a report that allowed community schools and public districts the same opportunity to review EMIS economically disadvantage data as they had in the Federal Low Income County System (FLICS) module. These system changes eliminated the two-step process previously used to obtain data needed for the Title and IDEA allocations. Title and IDEA funds were allocated to new and significantly expanded community schools by the five-month deadline of 1/8/20.

Anticipated Completion Date for Corrective Action:

Completed January 2020

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education

25 South Front Street, Ground Floor, Columbus, OH 43215

Phone: 614-644-7812, E-Mail Address: Donna.Jackson@education.ohio.gov

Finding Number: 2019-010
State Agency: Ohio Department of Education
Finding Description: Special Education Cluster – Subrecipient Monitoring

Corrective Action Plan:

The Resource Management Section will review the current Risk Analysis Tool to determine the efficacy of the current risk factors and to identify additional factors to evaluate compliance and appropriate use of IDEA B funds. A logic model will be developed to analyze risk assessment data in a consistent manner to determine the districts that will receive an onsite review, desk review, or self-assessment. Further, the

Office for Exceptional Children will develop a process whereby staff in the Urban Team or the Program Supports and Monitoring Team may submit concerns regarding use of funds to the Resource Management Section for further review.

In fiscal year 2020, 49 LEAs were identified to receive either a site or desk review. The remaining LEAs that received IDEA funds will complete a self-assessment in fiscal year 2020. The data obtained through these self-assessments will be included in the assessment data used to determine the levels of support and more in-depth reviews to be provided in fiscal year 2021.

Further, for fiscal year 2021, LEAs will be grouped into three cohorts. Each LEA in the cohort that was not selected for a desk review or a site review will complete a self-assessment once every three years. This sequence of reviews will enable the Resource Management Section to develop base line data as well as on-going data and assessment factors to support its risk analysis process.

Anticipated Completion Date for Corrective Action:

June 2020

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education
25 South Front Street, Ground Floor, Columbus, OH 43215
Phone: (614) 644-7812, E-mail: Donna.Jackson@education.ohio.gov

Finding Number: 2019-011
State Agency: Ohio Department of Education
Finding Description: Child Nutrition Cluster – Inventory

Corrective Action Plan:

The Office of Integrated Student Supports continues discussions with the software vendor to re-establish the electronic delivery confirmation process. In the meantime, the office established a manual process for the monthly inventory reconciliation and drafted a procedures document outlining the alternate process. The manual process will be used until the software vendor fixes and re-establishes the electronic inventory reconciliation process. Additionally, the office now has a two-step process for the entry of USDA meal reimbursement rates into CRRS. An office manager will enter the rates and a second office manager will review and confirm the rates.

Anticipated Completion Date for Corrective Action:

Completed January 2020 (entry of USDA meal reimbursement rates)
Completed February 2020 (finalize inventory process document)
In Process (re-establish electronic inventory reconciliation process)

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education
25 South Front Street, Ground Floor, Columbus, OH 43215
Phone: 614-644-7812, E-Mail: Donna.Jackson@education.ohio.gov

Finding Number: 2019-012
State Agency: Ohio Department of Education
Finding Description: CACFP – Reporting

Corrective Action Plan:

On January 20, 2020, the software vendor implemented changes to the FNS-44 report into the Claims Reimbursement and Reporting System production environment. The office compared the December 2019 FNS-44 to the December 2018 FNS-44 30-day and 90-day reports and confirmed estimates were pulled appropriately.

Anticipated Completion Date for Corrective Action:

Completed January 2020

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education
25 South Front Street, Ground Floor, Columbus, OH 43215
Phone: 614-644-7812, E-Mail: Donna.Jackson@education.ohio.gov

Finding Number: 2019-013
State Agency: Ohio Department Education
Finding Description: CACFP – Sponsor Reviews

Corrective Action Plan:

The office has developed quality controls procedures that include running a report to identify discrepancies between the exit review date and review year for each compliance review year. The report will be run twice a year. The procedures for this analysis will be formally documented.

In addition, if staff goes out on extended leave, the office will evaluate the review schedule and immediately reassign other staff to complete the reviews.

Anticipated Completion Date for Corrective Action:

Completed January 2020

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education
25 South Front Street, Ground Floor, Columbus, OH 43215
Phone: 614-644-7812, E-Mail: Donna.Jackson@education.ohio.gov

Finding Number: 2019-014
State Agency: Ohio Department of Education
Finding Description: Charter School Monitoring – Various Programs

Corrective Action Plan:

The Department will expand monitoring implemented for the Charter Schools Program grant to evaluate relationships of all community schools with Charter Management Organizations. The Office of Community Schools (OCS) will develop a risk-based approach to identify those entities that require a more detailed review. Program offices will be informed of all risk ratings, and determinations will be made for next steps in the program-specific monitoring of Title and IDEA funds. The Office of Federal Programs (OFP) and the Office for Exceptional Children (OEC) will identify necessary revisions to the Title and IDEA subrecipient monitoring tools, and associated business rules. OFP and OEC will work with OCS to evaluate all review results.

Anticipated Completion Date for Corrective Action:

November 2020

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education
25 South Front Street, Ground Floor, Columbus, OH 43215
Phone: 614-644-7812, E-Mail: Donna.Jackson@education.ohio.gov

Finding Number: 2019-015
State Agency: Ohio Department of Education
Finding Description: Title I and Supporting Effective Instruction – Maintenance of Effort

Corrective Action Plan:

The report logic was corrected, and maintenance of effort (MOE) comparisons were completed again to confirm affected LEAs continued to meet the MOE requirement, as originally determined. The logic has been changed for fiscal year 2019 reporting in the MOE system. In the future, any changes to programmatic codes for districts utilizing schoolwide pooling will be tested and validated prior to implementation.

Anticipated Completion Date for Corrective Action:

Completed June 2019

Contact Person Responsible for Corrective Action:

Donna Jackson, Director, Office of Risk Management, Ohio Department of Education
25 South Front Street, Ground Floor, Columbus, OH 43215
Phone: 614-644-7812, E-Mail: Donna.Jackson@education.ohio.gov

Finding Number: 2019-016
State Agency: Ohio Department of Job and Family Services
Finding Description: CCDF Cluster/TANF/SSBG – Ineligible Recipient and Missing Documentation

Corrective Action Plan:

Technical Assistance staff have created a “Verification Desk Aid” which was reviewed at the county monthly meeting and is available on the innerweb for easy access. This document, which includes specific examples, is intended to guide the county agencies with acceptable documentation for determining publicly funded child care eligibility. This was created in November 2019.

Technical Assistance staff will create a resource document for county agency staff on calculating income. This will be reviewed at a county monthly meeting. This will be completed within the next 4 months.

Technical Assistance staff contacted the identified county agencies after meeting with auditors to provide further instructions on the issues mentioned above. The TA staff assigned to these counties will provide additional one-on-one TA specific to the findings of this report within the next 4 months.

Anticipated Completion Date for Corrective Action:

April 2020

Contact Person Responsible for Corrective Action:

Laura Graf, Section Chief, Child Care Technical Assistance, Ohio Department of Job and Family Services
4020 East Fifth Avenue, Columbus, Ohio 43219
Phone: (614) 644-1135, E-Mail: Laura.Graf@jfs.ohio.gov

Finding Number: 2019-017
State Agency: Ohio Department of Job and Family Services
Finding Description: SNAP Cluster and TANF Cluster – Eligibility System

Corrective Action Plan:

Redesigning the alert process to be more effective and efficient:

Activities are underway to evaluate and redesign the alert structure to be a prioritized, non-duplicative system that the counties can efficiently utilize.

Re-working Ohio Benefits to remove duplicative, irrelevant, and closed case alerts:

An alert work group met 10/2017 to 11/2018 that resulted in alert consolidation changes in August 2019 to ensure one alert is generated when same worker is assigned across programs in a case rather than one alert per program. The state is scheduling a meeting with stakeholders to reinstate this process the week of 4/6/2020.

The state will also explore adjusting reports so that counties can see all alerts issued to them in one report spreadsheet and export alerts to excel. This has been determined as a must have item for 2020.

Issues with overwriting data and ensuring all data stored in the system is available/viewable by users:

System users are trained to avoid overwriting of data except in instance in which the data was originally entered erroneously. Users are reminded of the need to use the edit function rather than typing over existing data. The system provides effective dating screens as a second check to workers when they are updating data to show the end-date of the previous record and begin date of the new record. The user must accept before continuing. Additionally, a system enhancement is being explored for implementation in 2020 which would warn the worker if he/she is attempting to overwrite data inappropriately and store historical values for viewing if needed.

Creating a centralized database of recipient information shared among multiple public assistance programs, or otherwise linking this information so that a change only has to be entered once in Ohio Benefits and all programs are updated accordingly:

The Ohio Benefits system already serves as a centralized database of recipient information that is shared among all public assistance programs that are managed within the system, which currently includes the Medicaid, Medicare Premium Assistance Program, Long Term Care, Presumptive Eligibility, SNAP, and Cash assistance programs. Customer information is entered once and is used in the eligibility determination for all requested programs. Eligibility rules for each requested program can apply the person information differently for the eligibility determination and benefit calculation process, but county caseworkers only need to enter that information once for a given person.

Program eligibility is determined separately for each requested program. Eligibility workers need to run each impacted program block to apply a person level change such as an income update. Workers can process program blocks together or individually when a circumstance change is reported. Related program blocks across cases are automatically companioned (linked) in the system when there are individuals listed across cases that have a budgetary impact to one another's program eligibility. This is designed to make it easy for workers to know which program eligibility needs to be updated due to a customer's change in circumstances. If workers do not process for a related program block within 5 days, an alert will be generated for the worker. Work described above to improve the alert process and fix Ohio Benefits system defects/weaknesses is essential to allow Ohio Benefits to effectively serve as this centralized database.

Requiring mandatory training for all CDJFS employees who are entering the assistance group information into Ohio Benefits to help ensure proper and complete information is being collected, entered, and verified prior to an individual's eligibility determination being made:

State agencies began planning sessions in December 2019 and working sessions January 2020 to enhance county training. ODM and JFS, with county support, are planning Joint New Worker Training. The New Worker Training program will be supported by county training staff and held regionally to allow new workers to attend training modules covering system and policy topics for new users for Medicaid, cash and SNAP programs. ODM and JFS expect to begin the Train the Trainer program March 30, 2020 in preparation for statewide implementation throughout 2020. During the first week of training, new workers will remain in their county offices and be provided a list of prerequisite web-based training modules to complete. While

in their county offices during this time, new users will also dedicate time for job shadowing and additional time with training staff. Planned to begin in April 2020, but on hold due to current pandemic, new users will attend instructor lead training sessions. The Train the Trainer session will launch the New User program by providing training to the county staff who will be delivering the training statewide to new users. ODM and JFS conducted a survey to compile training information and obtain county training materials to establish best practices. JFS has collected county training materials and have consolidated these materials. County training material was collected at the beginning of the New Worker Training planning sessions to use as examples of material created by individual counties and to review their approaches for certain topics. Some county material has been used as the basis for the New Worker Training curriculum.

Quarterly meetings are held with all regions of the state. JFS and ODM trainers, Aging staff, policy leads, county experts and leaders within the agencies are holding quarterly meetings to review application processing best practices, discuss new practices, and research concerns. The State's training efforts are intended to reach all county staff. Technical assistance will announce trainings that are mandatory and require that attendance be tracked and reported back to ODM at the individual caseworker level. In the past, we have tracked attendance at the county level, not the individual level. Joint ODM and JFS bi-weekly webinars and quarterly video conferences have been established and are recorded and can be replayed later, attendance can be pulled for those that attend live and view recorded versions. JFS has also has a monthly policy technical assistance video conference.

Regularly evaluate selected benefit payments for all programs to verify the recipient's eligibility, verify the recipient information entered into Ohio Benefits by the CDJFS is accurate and the information is being maintained to support the Department's eligibility decision:

JFS formed a daily operations team with DAS and the vendor since pilot go-live in 11/2017 to ensure timely and adequate SNAP and Cash benefit payment. Beginning in January 2020 the meeting was moved to twice weekly and on an as needed basis to address any issue that arises. This includes monitoring of benefit file transfers of SNAP and Cash payments.

Ensuring that vendor contacts/amendments, and interagency agreements are formalized:

ODM, JFS and DAS are drafting two Ohio Benefits Program Interagency Agreements (IAAs): (1) between Ohio Department of Administrative Services and Ohio Department of Medicaid and (2) between Ohio Department of Administrative Services and Ohio Department of Job and Family Services. The IAAs will define the parties involved, the work performed and the transfer of technologies and funds. More specifically, the IAAs will include but not be limited to:

- List of vendor contracts/amendments;
- Cost of vendor build/run deliverables;
- DAS service fees, as applicable;
- Payment schedule/terms between agencies;
- Roles and responsibilities to meet State obligations as defined in the vendor contracts/amendments; and
- Signatures of the three Directors authorizing the agreements.

The IAAs' anticipated completion date is June 30, 2020.

Ensuring that appropriate and coordinated monitoring and tracking procedures are in place:

DAS revised the process for reviewing and monitoring the QA/IV&V reports in October 2019 to more substantially integrate input and participation from ODM and JFS partners. QA/IV&V findings and recommendations are presented monthly by the QA/IV&V vendor and are regularly attended by DAS, ODM and JFS. In addition, DAS created a new state employee position, Risk and Compliance Manager, which will be responsible for prioritizing and developing remediation plans based on QA/IV&V findings, tracking and ensuring necessary changes to the Ohio Benefits Program with accurate and timely completion, and ensuring that the system is operating as intended.

Anticipated Completion Date for Corrective Action:

Current training and monitoring activities are already in place. A previous enhancement has also already decreased some of the repetitiveness of alerts. Additional discussions and solutions to be discussed throughout 2020. Enhancement related to overwriting is planned to be in place prior to 12/2020.

Contact Person Responsible for Corrective Action:

Kevin Schultz, Project Manager I, Ohio Department of Job and Family Services
4020 East Fifth Avenue, Columbus, Ohio 43219
Phone: (614) 644-1612, E-Mail: Kevin.Schultz@jfs.ohio.gov

Finding Number: 2019-018
State Agency: Ohio Department of Job and Family Services
Finding Description: IEVS Alerts – SNAP and TANF

Corrective Action Plan:

The Ohio Department of Job and Family Services (ODJFS), Bureau of Program Integrity, Fraud Control Section is working closely with the Ohio Department of Medicaid (ODM) to create new methodology for processing IEVS alerts in the county agencies. This collaboration includes developing a new training curriculum and an updated IEVS Alert Processing Guide as a reference for use by county IEVS workers.

The IEVS Alert Processing Guide will be updated with new methodology and terms in relation to the conversion from the old CRIS-E system to the new Ohio Benefits system. The revised IEVS Alert Processing Guide will be distributed to all county staff who handle IEVS alerts during the new training sessions scheduled for later in CY 2020.

A new training program is being developed that will incorporate new methods for processing IEVS alerts and new terminology related to IEVS alerts in the Ohio Benefits system. The updated training program will concentrate on new methods and steps needed to successfully process an IEVS alert. Training will emphasize the importance of timely completion (within 45 days of receipt), proper disposition coding and obtaining the appropriate verifications to resolve conflicting information. The importance of supervisory random reviews at the county agency level will also be emphasized.

The ODJFS/BPI/Fraud Control Section conducts periodic “Triad Reviews” of county agencies which include a review of local agencies’ processing of all IEVS alerts received for the SNAP, TANF and Medicaid programs. Reviewers are currently ensuring county agencies are processing IEVS alerts while offering technical assistance to help increase their completion rates. As technical enhancements are implemented

in the Ohio Benefits system and more training is developed and delivered, the IEVS portion of the Triad Reviews will also be enhanced to cover the new methods being used to process IEVS alerts.

Triad Reviews are conducted with the following frequency starting in February 2020:

- Large Counties: Every year
- Medium Counties: Every two years
- Small Counties: Every three years

A meeting is scheduled for the week of April 6, 2020 to discuss upcoming system enhancements that will further our efforts to filter out irrelevant IEVS alerts and assist the worker with more efficient IEVS alert processing.

Anticipated Completion Date for Corrective Action:
September 2020

Contact Person Responsible for Corrective Action:

Chris Dickens, BPI Fraud Control Section Chief, Ohio Department of Job and Family Services
30 East Broad Street, 37th Floor, Columbus, Ohio 43215
Phone: (614) 387-5499, E-Mail: Chris.Dickens@jfs.ohio.gov

Finding Number: 2019-019
State Agency: Ohio Department of Job and Family Services
Finding Description: Foster Care and Child Support Enforcement – Federal Reporting

Corrective Action Plan:

In July 2019, the department began using checklists to review and approve federal reports. The Senior Financial Analyst, Senior Financial Analyst Supervisor, and Financial Manager all have their own check list that needs to be included in the review process. We also will be adding a 3rd level of review for the Foster Care Federal Report and the Child Support Federal Report. This 3rd level would be after the Senior Financial Analyst Supervisor and before the Financial Manager.

A Project Manager will be assigned a new project, which will include reviewing activities within the Federal Reporting section and will assist with procedures and training.

Anticipated Completion Date for Corrective Action:

Completed July 2019 – Checklist implementation
April 2020 – 3rd review level on Foster Care & Child Support

Contact Person Responsible for Corrective Action:

Thomas Goard, Financial Manager, Ohio Department of Job and Family Services
30 East Broad Street, 37th Floor, Columbus, Ohio 43215
Phone: (614) 387-0003, E-Mail: Thomas.Goard@jfs.ohio.gov

Finding Number: 2019-020
State Agency: Ohio Department of Job and Family Services
Finding Description: Cash Management – Various Programs

Corrective Action Plan:

The CMIA violations are a result of processing delays involving the voucher. The department implemented and continues to evolve a daily review process that involves the Bureau of Accounting (BOA) and the Bureau of Fiscal Planning and Operations. The review process has shown results evident by a significant decrease in the number of transactions identified in the audit. The review process is still relatively new and requires some time to mature to achieve full effectiveness. Several meetings have been held between BOA and Ohio Shared Services (OSS) to review processes and improve efficiencies between the two areas. If an issue involving a voucher will not be resolved within eight business days, the process that the voucher will be deleted by the entity that created the voucher will be strictly enforced.

Anticipated Completion Date for Corrective Action:

Completed February 2020

Contact Person Responsible for Corrective Action:

Yvonne Gore, Senior Financial Manager, Ohio Department of Job and Family Services
30 East Broad Street, 37th Floor, Columbus, Ohio 43215
Phone: (614) 466-9596, Email: Yvonne.Gore@jfs.ohio.gov

Finding Number: 2019-021
State Agency: Ohio Department of Job and Family Services
Finding Description: Subrecipient Monitoring – Various Programs

Corrective Action Plan:

ODJFS disagrees with the exception for the management decision that was issued 93 days late. As noted in the federal regulations, the pass-through entity is responsible for issuing management decisions for audit findings that relate to federal awards made to subrecipients. Additionally, as noted in the federal regulations and in our documented process, we are responsible for issuing management decisions within six months of acceptance of the audit report by the FAC. As documented in the audit checklist and on the tracking spreadsheet, there were no audit findings in the report for the subrecipient identified as being 93 days late; thus, there was no management decision to issue. The subrecipient was issued a closure letter, not a management decision. The issuance of a closure letter indicates the completion of our review of the subrecipients' audit report. This exception is neither noncompliance or an internal control exception.

Controls are already in place to adhere to the federal requirements regarding management decisions. The exception identified as being 19 days late was an isolated incident and exasperated by the AOS Clerk of the Bureau releasing the audit report two months after the report was uploaded to the FAC, an unusual situation, not a systemic issue and we had not encountered this type of issue in any the prior audit years.

Anticipated Completion Date for Corrective Action:

June 2020

Contact Person Responsible for Corrective Action:

Lynn Pierson, Section Chief, Ohio Department of Job and Family Services
50 West Town Street, Suite 400, Columbus, Ohio 43215
Phone: (614) 387-7755, E-Mail: Carol.Schenck@medicaid.ohio.gov

Finding Number: 2019-022
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP/MFP – Eligibility

Corrective Action Plan:

System/Control Issues

ODM is currently prioritizing the system remediations based on the severity and potential impact of the issue by functionality groups. The groups identified are: 1(a) Eligibility Determination Errors; 1(b) Alert Management ;1(c) Income Overwrites and View History; 2. Renewal Processing; 3 Change Reporting; 4. SSP Look and Feel; 5. Notices of Action; 6. Document Management; 7. IVR/CSS; 8. Signatures; 9. Electronic Verification; 10. Intake and No Touch; 11. Reports. The recommendations provided by AOS have been incorporated into the overall plan for system corrections. ODM has worked with the vendor for release and capacity planning for implementation and the release schedule will be updated with functionality that will be fixed and/or enhanced with each release.

Non-Compliance Issues

ODM will provide new worker training for all Medicaid programs, including long-term care. Currently, ODM is working in collaboration with ODJFS to create a statewide, Medicaid, SNAP, TANF (MST) New Worker Training. This training will be delivered regionally across the state and will cover program policy and system basics for new workers for all three programs. Separately, a Medicaid Long-Term Care training is being developed for workers new to long-term care. Material for both trainings will be maintained by ODM and ODJFS but will be presented by existing county trainers in regionally located county ODJFS offices. ODM and ODJFS will also provide ongoing policy, technical and in-person support for the sessions.

Ohio will provide enhanced technical assistance and training to all 88 counties on a variety of joint system and policy topics as identified by the Auditor of State. Topics include: 1. Income Processing Procedural Guide; 2. proper income and resource processing; 3. Categorically Needy Processing Checklist, 4. alert processing and prioritization; and 5. common Medicaid household formation errors including proper completion of the Tax Filing Detail page.

The ODM Compliance unit will have weekly phone calls with counties who have the highest application backlogs. The calls are meant to identify any issues or barriers the county is having in completion of the backlog, identification and resolution of business process issues and technical support as needed. The same will be made with counties who have the highest percentage of renewal backlogs. In addition, ODM will provide all 88 counties with application and renewal backlog reports. ODM has also released administrative funds to counties totaling \$5 million dollars to support overtime efforts in cleaning up application and renewal backlogs.

ODM will utilize its Medicaid Eligibility Quality Control (MEQC) Unit in the Bureau of Program Integrity to review a pool of new cases both normal and high risk. This unit will work in tandem with the ODM County Technical Assistance Unit to ensure that broader trends, system errors and training needs are more quickly identified. The MEQC unit already reports to the ODM Compliance and Technical Assistance areas on

current MEQC findings, but the targeted reviews will be utilized to ensure the training and technical assistance efforts are successful.

Currently the MFP program does not utilize Ohio Benefits for eligibility determinations, but we have noted the auditor's concerns regarding the Medicaid eligibility process and believe this corrective action plan will address those concerns.

Anticipated Completion Date for Corrective Action:

System/Control Issues

Alert Defects and Enhancements are planned for R3.6.3 in August 2020 and R3.6.4 in October 2020.

Data View History defect corrections are planned for R3.6.1 in May 2020 and system enhancements to prevent data overwriting are planned for R3.6.2 in July 2020.

Non-Compliance Issues

MST New Worker Training is set to roll out to the pilot group, Cohort 1, on April 7, 2020 in Columbus. It will be statewide in five training regions by July 2020. This training will be repeated quarterly. The Medicaid Long-Term Care Training will be developed by September 2020 with statewide rollout dates to be determined. Targeted trainings which will be completed by ODM Technical Assistance began in February 2020, are scheduled throughout the year with an anticipated completion date of December 2020.

The efforts on reducing Medicaid's application backlog began in October 2019 and renewal backlog began in March 2020. The weekly reporting and support phone calls will remain ongoing.

Targeted reviews completed by MEQC will begin in July 2020 and will continue in order to monitor trends and continuously identify training opportunities.

Contact Person Responsible for Corrective Action:

Roberta Schwamberger, Ohio Benefit Systems, Ohio Department of Medicaid
50 West Town Street, Columbus, Ohio 43215
Phone: (614) 752-4659, E-Mail: Roberta.Schwamberger@medicaid.ohio.gov

Finding Number: 2019-023
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP/MFP – IEVS Monitoring

Corrective Action Plan:

ODM's corrective action will include training for county workers, systems improvements in Ohio Benefits, and additional monitoring and reporting.

1. ODJFS is developing a training curriculum and updating its IEVS processing guide. ODM will assist with this work, and ODJFS will complete the processing guide and present this training to the county departments of job and family services before July 1, 2020.

2. ODM is also working with DAS and its contractor to create a schedule for system improvements in Ohio Benefits, sorted by functional group. Alerts are one functional group that will be addressed, after July 1, 2020.
3. ODJFS currently reviews IEVS processing completed by the county departments of job and family services through Triad reviews and business intelligence reports. ODM's Eligibility Compliance section will meet monthly with ODJFS to review this information and share this information with its County Engagement section. Additionally, ODM's MEQC unit will continue to review IEVS processing in its eligibility reviews and will include a review of whether the alert was processed timely. This information will be shared with both the county and ODM's Eligibility Compliance and County Engagement sections.

Currently the MFP program does not utilize Ohio Benefits for eligibility determinations, but we have noted the auditor's concerns regarding the Medicaid eligibility process and believe this corrective action plan will address those concerns.

Anticipated Completion Date for Corrective Action:

The various corrective actions will be implemented starting March 2020.

Contact Person Responsible for Corrective Action:

Diane Moore, ODM Audit Coordination, Ohio Department of Medicaid
50 West Town Street, Columbus, Ohio 43215
Phone: (614) 502-7134, E-Mail: Diane.Moore@medicaid.ohio.gov

Finding Number: 2019-024
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Drug Rebate Monitoring

Corrective Action Plan:

ODM has executed an Agreed Upon Procedures (AUP) amendment for the Change Healthcare (PBM) contract. AUP testing has been completed, submitted to the state, and reviewed by the state. ODM is currently in the process of renewing the AUP amendment for the current SFY. Additionally, ODM pharmacy staff will continue to monitor drug rebate revenue during the quarterly rebate meetings with the TPA, including review of available electronic reports. In conjunction with ODM Program Integrity, ODM pharmacy staff will review the reports in a timely manner defined as within that SFY and any material weaknesses will be addressed.

Anticipated Completion Date for Corrective Action:

Pending amendment execution, it is our plan that the process review and any changes for the current SFY be completed by May 2020.

Contact Person Responsible for Corrective Action:

Tracey Archibald, Pharmacy Program Manager, Ohio Department of Medicaid
50 West Town Street, Suite 400, Columbus, Ohio 43215
Phone: (614) 752-3522, E-Mail: Tracy.Archibald@medicaid.ohio.gov

Finding Number: 2019-025
State Agency: Ohio Department of Medicaid
Finding Description: IT – Lack of Internal Testing of IT Security Systems

Corrective Action Plan:

The Ohio Department of Medicaid will engage Ohio Budget and Management (OBM), Office of Internal Audit (OIA) in the data security evaluation of MITS in State Fiscal Year 2020 that meets the criteria laid out in 45 CFR § 95.621 - ADP reviews. This will be conducted based on the availability of OBM-OIA's calendar.

Anticipated Completion Date for Corrective Action:

OBM OIA report regarding MITS Security is expected by June 2020. A review of the Ohio Benefits system security will be planned and discussed with DAS.

Contact Person Responsible for Corrective Action:

Candi Layman, MITS & Systems Operation Chief, Ohio Department of Medicaid
50 West Town Street, Suite 400, Columbus, Ohio 43215
Phone: (614) 752-2914, E-Mail: Candi.Layman@medicaid.ohio.gov

Finding Number: 2019-026
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Managed Care/MyCare Ohio – Provider Panel Reports

Corrective Action Plan:

The Ohio Department of Medicaid (ODM), Office of Managed Care, Network Management and Operations team have implemented the following changes:

MyCare Ohio provider panel reports: There was an error noted in the provider agreement as a result of a format change. This error was corrected in the July 1, 2019 provider agreement revision. During the review under period, the Automated Health Systems (AHS) report measured a higher standard than specified in the provider agreement.

Additionally, differences between the provider agreement and AHS reports were noted on the Other Behavioral Health Provider panel standards in three regions. This was a result of a data difference between the provider agreement and the standards reported to AHS during the report build on May 9, 2018, causing the error on the July 2, 2018 AHS report. There were no instances of non-compliance to appropriately issue to the plans because although there were instances on the AHS report, the AHS report was not accurate, which resulted in a discrepancy between the report and the provider.

Medicaid Managed Care provider panel reports: In August 2018, ODM identified there were no enrolled providers in one county. Because there were no available providers, in accordance with Appendix H, item 6, ODM granted exception to this provider standard for all plans. The plans were notified of this exception in an email dated August 29, 2018.

Additionally, the July 2, 2018 AHS reports contained inconsistencies from the provider agreement standards for one reporting period under review. Of 30 instances, 8 could have potentially resulted in the plan being issued non-compliance and assessed a nonrefundable sanction. The corrective action plan was put in effect April 2019, which was during the current review period. Therefore, ODM has tested and the results are showing the effectiveness for the changes that were put in place and hopefully the comments will be eliminated once the next review cycle is completed.

Anticipated Completion Date for Corrective Action:

ODM has taken appropriate steps during the last quarter of SFY 2019 to ensure the requirements are addressed appropriately. Additionally, language in the July 2019 Provider Agreement supports further compliance guidance.

Contact Person Responsible for Corrective Action:

Jessica Nienberg, Provider Network Management Supervisor, Ohio Department of Medicaid
50 West Town Street, Columbus, OH 43215
Phone: (614) 752-4700, E-Mail: Jessica.Nienberg@medicaid.ohio.gov

Finding Number: 2019-027
State Agency: Ohio Department of Medicaid
Finding Description: MFP – Payroll Reconciliations

Corrective Action Plan:

Following each pay period, a review of the OAKS payroll register compared to the Kronos timecard will be completed for a haphazard sampling of forty employees by payroll staff. The sampling will include employees whose payroll included funds from each grant used in the previous quarter. This will include a minimum of 8 employees for the MFP grant. ODM Fiscal will provide a list of employees that utilized each grant for the previous quarter to ODM payroll each quarter. This review will be completed by payroll staff within thirty days of date of the paycheck. Payroll staff will send the report containing the sample selected to the ODM Fiscal Cost Allocation team. MCD Fiscal will review the HCM Comp 44 report to determine if any individual's coding needs to be adjusted and if payroll totals do not match the amounts in FIN for each payroll journal. Any issues found between HCM and FIN are communicated to ODM HR and are either resolved by HR or Fiscal, depending on the issue. If no issues are found, ODM Fiscal communicates back to ODM HR that the journals are correct.

Anticipated Completion Date for Corrective Action:

This plan was implemented beginning in January 2020.

Contact Person Responsible for Corrective Action:

Diane Moore, ODM Audit Coordination, Ohio Department of Medicaid
50 West Town Street, Columbus, Ohio 43215
Phone: (614) 502-7134, E-Mail: Diane.Moore@medicaid.ohio.gov

Finding Number: 2019-028
State Agency: Ohio Department of Mental Health and Addiction Services
Finding Description: SABG – SF-425 Report Submission

Corrective Action Plan:

The Department agrees with the recommendation and will take steps to strengthen our internal controls with regards to the assurance process for submission of this and all SF-425 reports. The department completed the reconciliation and the work for the report in a timely manner but was unable to produce the submittal documentation. The department has submitted the report to ensure receipt by SAMSHA. Beginning immediately, the department will be taking the following steps to ensure future compliance and assurance: (1) all SF-425 reports will be completed for review three business days prior to the submission deadline to ensure timely filing; and (2) in addition to hard copies maintained by the department, an electronic file containing both the signed report and the confirmation of submission will be maintained.

Anticipated Completion Date for Corrective Action:

Completed February 2020

Contact Person Responsible for Corrective Action:

Daniel Schreiber, Deputy Director – Chief Financial Officer, Ohio Department of Mental Health and Addiction Services

30 East Broad Street, 11th Floor, Columbus, Ohio 43215

Phone: (614) 644-8219, E-Mail: Daniel.Schreiber@mha.ohio.gov

Finding Number: 2019-029
State Agency: Ohio Department of Mental Health and Addiction Services
Finding Description: SABG - Payroll

Corrective Action Plan:

The department's current procedure is to send recurring e-mail reminders to all central office supervisors and notifications to supervisors found to have not completed approvals by noon on the Monday following the close of the payroll period. A communication emphasizing the importance of the approval process will be sent to all relevant staff. This policy will further be strengthened by including the Deputy Director of Human Resources to the notification of unapproved timesheets and will also include a report to the Deputy Director one week following the first communication of any timesheets that remain unapproved for review.

Anticipated Completion Date for Corrective Action:

Completed March 2020

Contact Person Responsible for Corrective Action:

Vincent Conner, Deputy Director – Chief Human Resources Officer, Ohio MHAS

30 East Broad Street, 11th Floor, Columbus, Ohio 43215

Phone: (614) 466-9914, E-Mail: Vincent.Conner@mha.ohio.gov

Finding Number: 2019-030
State Agency: Ohio Department of Mental Health and Addiction Services
Finding Description: SABG – Coding Errors

Corrective Action Plan:

The department agrees with the recommendation and will take steps to increase the accuracy of our initial coding, as well as strengthen our reconciliation process to enable corrective actions after discovery.

The department will continually emphasize the importance of accurate coding at the time of initial entry with relevant staff order to ensure that all necessary adjustments are identified and made in a timely manner, and will also implement the following steps:

- (1) the department will complete quarterly reconciliations in addition to periodic checks on coding for both expenditures and refunds received; and
- (2) complete the annual reconciliation process each June, to identify any remaining errors and provide adequate time to make necessary adjustments.

Anticipated Completion Date for Corrective Action:

Completed February 2020

Contact Person Responsible for Corrective Action:

Daniel Schreiber, Deputy Director – Chief Financial Officer, Ohio Department of Mental Health and Addiction Services

30 East Broad Street, 11th Floor, Columbus, Ohio 43215

Phone: (614) 644-8219, E-Mail: Daniel.Schreiber@mha.ohio.gov

Finding Number: 2019-031
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Suspension and Debarment

Corrective Action Plan:

The Division will update its procedures to include a review of debarment or suspension for each procurement and non-procurement transaction as required under 2 CFR 180. This review will include a review of each entity via the System for Award Management (SAM) website (www.sam.gov) by the Federal Aid Section. The information obtained from SAM will be appended to the routed contract prior to execution by the Division or Department.

The grant agreement shells were updated in May 2019 to include the suspension/debarment clause in non-procurement agreements to ensure it satisfies the requirements of 2 CFR 180. The Division will review and update the suspension/debarment clause in procurement agreements to ensure it satisfies the requirements of 2 CFR 180. All updates made to the procurement and non-procurement contract templates will be made available for use across the agency.

Anticipated Completion Date for Corrective Action:

Completed March 2020

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2019-032
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Equipment and Real Property Management

Corrective Action Plan:

The Division of Wildlife (DOW) will work with the Office of Real Estate (RE), Office of Budget and Finance (OBF), and Division of Engineering (DOE) to reconcile land and building records and add supporting data. Meetings among DOW, RE, OBF and DOE staff will be scheduled to identify division point of contacts and workflow to develop a policy/procedure document.

DOW will work with RE to determine the value of existing OAKS asset records. Methods to valuate assets include research of ODNR acquisition records, research of appropriate county office data, and finally, work with ODNR appraiser to establish an estimate for the value field for those assets that have no supporting documentation. In addition, DOW will work with RE to obtain deeds for the six assets.

DOW will work to establish a greater line of communication among all Divisions/Offices involved with the lands and building record keeping through regular meetings. Key examples of this would be Division of Engineering to DOW when new construction is completed as well as DOW to OBF when buildings are salvaged/removed.

In February 2019, OBF, RE, and DOE adjusted its procedures to ensure the OBF Inventory Control Specialist received notification immediately once the land and building purchases and building construction were completed. Updates to the AMS for all land and buildings are completed throughout the year instead of annually or biannually.

Anticipated Completion Date for Corrective Action:

We expect to have meetings and policies/procedures drafted by October 2020. Valuation of assets is ongoing under an STS contract. The expected completion date of the appraisals is June 2023.

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2019-033
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Subrecipient Monitoring

Corrective Action Plan:

In May 2019, the Department updated its existing template for a subgrant agreement to include all award information required per 2 CFR 200.331(a), when available, and include:

- a) Subrecipient's Unique Identity Number (DUNS);
- b) Federal Award Identification Number (FAIN); when not available, the Department will include a Division-specific award identification number that is unique to the funding source and will be linked to the corresponding FAIN once issued;
- c) CFDA Number and Name and the dollar amount made available under each Federal Award and CFDA number at the time of disbursement.

All subgrant agreements are now reviewed by the Division's Federal Aid section for these federal requirements prior to execution by the Division and Department.

Anticipated Completion Date for Corrective Action:

Completed May 2019

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2019-034
State Agency: Ohio Department of Natural Resources
Finding Description: IT – Lack of a SOC 1 Audit for Service Organizations

Corrective Action Plan:

The Department of Natural Resources, Division of Wildlife (ODNR, DOW) has requested that the Department of Administrative Services Office of Information management (DAS, OIT) amend the current contract with the service provider to clarify that a SOC 1, Type 2 audit is required annually. The current contract contains language referencing a SAS-70 Report.

The DOW has informed the service provider that a SOC 1, Type 2 audit is a requirement of the contract and that an amendment clarifying the requirement will be forth coming.

The Division of Wildlife will work with the DNR, Office of Information Technology to determine the appropriate annual review protocol for the SOC 1, Type 2 audits provided by the service provider and the subservice organization.

Anticipated Completion Date for Corrective Action:

The DOW has sent a request for a contract amendment to DAS. DAS is the contract holder and must initiate the amendment.

The DOW has informed the service provider of the required SOC 1, Type 2 audit. The DOW estimates that it may take the service provider up to 12 months to complete the SOC 1, Type 2 audit.

The DOW will work with DNR, OIT on SOC review protocol and anticipates that a review process will be in place by 7/31/2020.

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2019-035
State Agency: Opportunities for Ohioans with Disabilities
Finding Description: VR – Maintenance of Effort

Corrective Action Plan:

OOD does not believe that corrective action is necessary since state match sources have already increased since the audit period. In FFY 2019, the Federal Vocational Rehabilitation Grant allocation for Ohio was \$131.5 million. State matching funds come from various sources including GRF, state and local partnerships, DUI license reinstatement fees, and Business Enterprise service charge paid by operators. At times, those amounts may fluctuate beyond the agency's control (e.g. DUI license reinstatement funds decrease as the number of DUIs has decreased) and sometimes they fluctuate because a new partnership has begun that generates matching funds or a partnership that is no longer producing the expected results is discontinued. When available state matching funds decrease, OOD has few options for generating additional match that year.

In FFY 2019, Ohio's original Federal VR grant allotment was \$134.1 million. After the maintenance of effort penalty was assessed, it reduced the total amount of Ohio's allotment to \$131.5 million. The amount of state matching funds that were available in FY 2019 was \$26.9 million, which meant OOD was able to draw down only \$99.5 million of the amount allotted to Ohio. Toward the end of the Federal fiscal year, OOD must inform RSA as to the amount that Ohio will not be able to draw down based on available state resources (known as relinquishment). In FFY 2019, OOD informed RSA that \$32 million would be relinquished. The amount of relinquishment would have been \$34.6 million if not for the penalty. Essentially, the penalty reduced the amount we relinquished and **not** the amount drawn from the grant. Therefore, the MOE penalty had no material impact on OOD's VR Program. All individuals with disabilities at that time, who applied to OOD for services, received services without delay.

Additionally, in the most recently passed biennial budget bill for State Fiscal Years 2020-2021, OOD received an increase in General Revenue Funds that are expended as state match for the Vocational Rehabilitation Program. When considering all sources of state match for FFY 2020, OOD plans to spend \$28.2 million and draw down \$104 million of the Federal VR grant allotted to Ohio. When RSA considers maintenance of effort for FFY 2020, they will compare the level of state match to that which was expended

in FFY 2018, which was \$27.2 million. OOD is confident that RSA will observe that maintenance effort was not only met but exceeded.

Anticipated Completion Date for Corrective Action:

Completed in FFY 2019

Contact Person Responsible for Corrective Action:

Pamela Laing, Finance Manager, Opportunities for Ohioans with Disabilities
150 East Campus View Blvd., Columbus, Ohio 43235
Phone: (614) 438-1249, E-Mail: Pamela.Laing@ood.ohio.gov

Finding Number: 2019-036
State Agency: Ohio Department of Transportation
Finding Description: Highway Planning and Construction Cluster – Subrecipient Monitoring

Corrective Action Plan:

During the second or third week of January each year, OEA staff will query federal disbursements using the Ellis and Appropriation Accounting databases. Staff will scrub the data to capture all disbursements of pass through federal awards and identify subrecipients. This process will mimic the SEFA process, but will be for the prior calendar year rather than the State's fiscal year. Once the transactions are identified, they will be summed by subrecipient and conditionally formatted to identify which entities received \$500,000 or more in federal awards. This list will be reconciled against the list OEA uses for our desk inspections which identifies all single and regular audits. OEA will identify any entity that failed to receive a single audit where one was required and subsequently notify the entity and the AOS. This analysis will be completed each year by the end of February.

Due to this currently being a very long and manual process, the Division of Finance has a long-term plan to add code/enhancement to the Ellis database and in the Agency Accounting System that will identify subrecipients and track the encumbrance from each project to every payment made. Once this is complete, the time to complete the task above will be much less involved and time consuming. Finance does not have a timeline on this goal, but it is in the process of being added to an enhancement request.

Anticipated Completion Date for Corrective Action:

Completed February 2020 (Annually)

Contact Person Responsible for Corrective Action:

Richard Clum, Administrator, Office of External Audits, Ohio Department of Transportation
1980 West Broad Street, Columbus, Ohio 43223
Phone: (614) 644-5761, E-Mail: Richard.Clum@dot.ohio.gov

Management's Summary Schedule of Prior Audit Findings



State of Ohio

2016 Audit Findings with Questioned Costs

Ohio Department of Education

2016-002 / Special Education Cluster – Misallocations to Local Educational Agencies
Questioned Costs: Undetermined Amount
Status: Fully Corrected

Ohio Department of Job and Family Services

2016-007 / SNAP Cluster and TANF Cluster – Eligibility Documentation
Questioned Costs: \$50

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2016 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Agriculture/Health and Human Services have not issued a management decision and is not currently engaged with the Ohio Department of Job and Family Services on the finding.

Ohio Department of Medicaid

2016-014 / Medicaid/CHIP – Ineligible Recipients
Questioned Costs: \$128,651

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2016 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Health and Human Services has not issued a management decision and is not currently engaged with the Ohio Department of Medicaid on the finding.

2016-015 / MFP – Ineligible Recipients – Home Choice / MITS Variances
Questioned Costs: \$86,011

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2016 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Health and Human Services has not issued a management decision and is not currently engaged with the Ohio Department of Medicaid on the finding.

Ohio Department of Medicaid (Continued)

2016-016 / IT – Provider Licenses Not Updated in MITS

Questioned Costs: Undetermined Amount

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2016 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Health and Human Services has not issued a management decision and is not currently engaged with the Ohio Department of Medicaid on the finding.

2017 Audit Findings with Questioned Costs

Ohio Department of Job and Family Services

2017-009 / SNAP Cluster and TANF Cluster – Eligibility Documentation

Questioned Costs: \$1,431

Status: Not Corrected

Finding first reported in fiscal year 2006.

ODJFS continues its practice of reviewing a statistically valid random of sample of SNAP cases each month to assess them for correctness of eligibility determinations. We also continue to communicate county-specific results to CDJFS Directors each month and to participate in video conference trainings for CDJFS eligibility workers that are related to errors found in the case reviews. While these are not new strategies, they are not redundant or ineffective. We use them to train new people on new ways of working on a never-ending cycle due to the near-constant rate of turnover in CDJFS eligibility workers and the new statewide eligibility system, Ohio Benefits (OB), that replaced CRIS-E in 2018.

Finally, beginning with federal fiscal year 2019, we incorporated increased numbers of detailed SNAP case reviews into the FNS-mandated Management Evaluation (ME) Reviews of CDJFS that ODJFS is required to conduct annually. While the ME reviews focus on broad issues of CDJFS compliance with federal policy and procedure around issues like maintaining client confidentiality, providing accurate information, accessibility, and customer service expectations, we increased the number of case reviews done as a part of this review in most CDJFS as a way of ascertaining whether CDJFS-reported procedures actually result in accurate case processing outcomes. If we find that outcomes are poor, ME Specialists make recommendations for improvement and work with the CDJFS to develop appropriate corrective action plans where needed.

The fiscal year 2017 control deficiency and noncompliance had been fully corrected in fiscal year 2018, however another control deficiency pertaining to SNAP and TANF eligibility emerged during fiscal year 2019 with the implementation of the new benefit eligibility system. The questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2017 questioned costs has been received.

Ohio Department of Medicaid

2017-018 / IT – Provider Licenses Not Updated in MITS
Questioned Costs: Undetermined Amount
Status: Partially Corrected
Finding first reported in fiscal year 2016.

The control deficiency and noncompliance have been fully corrected (see below for 2018-016); the questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2017 questioned costs has been received to close the finding.

2017-019 / Medicaid/CHIP – Ineligible Recipients
Questioned Costs: \$42,628
Status: Partially Corrected
Finding first reported in fiscal year 2010.

The control deficiency and noncompliance have been partially corrected (See below for 2018-017). During submission of the March 2018 quarterly report, decreasing adjustments were made to account for the questioned costs. No final federal determination letter pertaining to the fiscal year 2017 questioned costs has been received.

2017-020 / MFP – Ineligible Recipients – Home Choice/MITS Variances
Questioned Costs: \$27,407
Status: Partially Corrected
Finding first reported in fiscal year 2016.

The control deficiency and noncompliance have been fully corrected (See below for 2018-018). During submission of the March 2018 quarterly report, decreasing adjustments were made to account for the questioned costs. No final federal determination letter pertaining to the fiscal year 2017 questioned costs has been received to close the finding.

2018 Audit Findings

Ohio Department of Medicaid

2018-001 / Medicaid/CHIP – Drug Rebate Monitoring

See the status for Finding Number 2018-020 below, which details the status for this comment.

Ohio Department of Developmental Disabilities

2018-002 / Medicaid Cluster – Payroll Overpayment
Questioned Costs: \$52
Status: Partially Corrected
Finding first reported in fiscal year 2018.

The noncompliance has been fully corrected. In February 2019, the employee's paycheck was adjusted and decreased by the \$52 overtime paid in error. No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received to close the finding.

Ohio Development Services Agency

2018-003 / HEAP – Cash Management
Status: Not Corrected
Finding first reported in fiscal year 2017.

Ohio's current Cash Management Improvement Act (CMIA) Agreement requires federal draws to be disbursed within five business days. The auditor tested 15 federal draws and determined three did not meet the CMIA Agreement. The Ohio Development Services Agency is determined to reach full compliance with the CMIA Agreement and has analyzed the systems we use in order to isolate the problem and make changes to eliminate late payments. We hope to be in compliance in fiscal year 2020. Since the changes will not be fully implemented until fiscal year 2020, this resulted in the repeat finding.

Ohio Department of Education

2018-004 / Timely Allocations to Charter Schools – Various Programs
Status: Partially Corrected
Finding first reported in fiscal year 2015.

The Office of Federal Programs, Office for Exceptional Children, and Information Technology Office have met to discuss process improvements to ensure compliance. While the plan is to reduce the review timeline to two weeks, the offices are also exploring the possibility of system changes so the information can be obtained directly from EMIS. The Department continues to anticipate a December 2019 completion date. This date is primarily based on the cycle time. Since the completion date will not be until fiscal year 2020, this resulted in a repeat finding.

Ohio Department of Education (Continued)

2018-005 / Child Nutrition Cluster – Inventory/Federal Schedule and Note

Status: Partially Corrected

Finding first reported in fiscal year 2018.

During FY19, ODE identified an issue affecting delivery confirmation imports that further affected inventory reconciliations. ODE's software vendor is in the final stages of implementing a fix to the delivery confirmations and an updated reconciliation process. ODE performed a manual reconciliation at the end of FY19 using a third-party physical warehouse count. ODE has updated its reporting of non-cash awards to properly include all programs and sources of distributions. Since the changes have not been fully implemented yet, this resulted in a repeat finding.

2018-006 / CNC and CACFP - Reporting

Status: Partially Corrected

Finding first reported in fiscal year 2015.

ODE's software vendor is implementing a change to include estimated counts for part A of the FNS-44. We have not yet received an estimated implementation date. ODE's software vendor has implemented a fix for the FNS-418 backup documentation. This portion of the finding is corrected. Since the changes to part A of the FNS-44 are still ongoing, this resulted in a repeat finding.

2018-007 / CACFP – Sponsor Reviews

Status: Partially Corrected

Finding first reported in fiscal year 2018.

In the current CRRS.net system, a new review is automatically created when an existing review is closed. For example, if a 2017-2018 sponsor review is closed, a new review for year 2020-2021 is automatically created. During the transition from the previous sponsor review system to the new system, certain reviews were not scheduled which resulted in a repeat finding.

2018-008 / Special Education Cluster – Maintenance of Effort

Status: Fully Corrected

2018-009 / Cash Management Monitoring – Various Programs

Status: Fully Corrected

Ohio Department of Job and Family Services

2018-010 / Adoption Assistance – Lack of Supporting Documentation

Questioned Costs: \$10,707

Status: Partially Corrected

Finding first reported in fiscal year 2018.

The control deficiency has been fully corrected. The questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received.

2018-011 / IT – IEVS Alerts (SNAP and TANF)

Status: Not Corrected

Finding first reported in fiscal year 1997.

IEVS enhancements to the new eligibility system have been delayed; however, it is expected many enhancements will be implemented in the Fall of 2019. Additional IEVS training was provided in June 2019 during the ODJFS Fraud Control Quarterly Meetings held at five regional locations around the state. An IEVS Update training will be provided again during the Fraud Control Quarterly Meetings in the Fall of 2019. Another IEVS Update training is expected to be provided in March 2020. Since the IEVS enhancements have been delayed, this resulted in the repeat finding.

2018-012 / CCDF Cluster – Family Child Care Provider Home Applications

Status: Fully Corrected

2018-013 / Federal Reporting – Various Programs

Status: Not Corrected

Finding first reported in fiscal year 2014.

The Department's single source reporting system, Federal Financial Reporting (FFR), is near full implementation. All ODJFS programs except two (2) have been integrated into FFR with full analyst use and supervisor review. The two outstanding, Foster Care and Title XX, are currently being phased in with focused project and section attention due to its complexity and program requirements. WIOA, one of the programs cited, began FFR usage in February 2019. In addition, federal report check lists were created in June 2019 and implemented in July 2019. Separate lists are used by the Federal Reporting units' senior financial analysts, financial analyst supervisors, and the unit fiscal manager. These checklists include areas of concern for each federal report being completed. Finally, the department continues to test, and meet weekly, to ensure effective Foster Care and Title XX integration. The expected timeline for Foster Care and Title XX implementation is early 2020. Since the changes have not been fully implemented, this resulted in a repeat finding.

Ohio Department of Job and Family Services (Continued)

2018-014 / Cash Management – Various Programs
Status: Partially Corrected
Finding first reported in fiscal year 2017.

The state fiscal year 2019 Cash Management Improvement Act (CMIA) agreement between the State of Ohio and the U.S. Department of Treasury was amended at the end of fiscal year 2019 to change the “modified pre-issuance methodology” from five business days to eight business days. This change makes many of the deficiencies identified from finding 2018-14 Cash Management – Various Programs compliant with the new CMIA requirements. Since the amendment was not effective until the end of fiscal year 2019, this resulted in a repeat finding.

2018-015 / SNAP Cluster - Reporting
Status: Fully Corrected

Ohio Department of Medicaid

2018-016 / IT – Provider Licenses Not Updated in MITS
Questioned Costs: Undetermined Amount
Status: Partially Corrected
Finding first reported in fiscal year 2016.

The control deficiency and noncompliance have been fully corrected; the questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received to close the finding.

2018-017 / Medicaid / CHIP – Ineligible Recipients
Questioned Costs: Medicaid - \$98,954 and CHIP - \$31,657
Status: Partially Corrected
Finding first reported in fiscal year 2010.

The Ohio Department of Medicaid (ODM) has completed several statewide monthly video conferences and bi-monthly in-person trainings during fiscal year 2019. In May 2019, ODM partnered with the Ohio Department of Job and Family Services to begin regional in-person operational support meetings. Each region in Ohio will have one in-person meeting each quarter. The first two in-person meetings were held in June 2019. ODM also conducted quarterly webinar trainings for new county workers, published the Medicaid Matters newsletter to address compliance findings and Medicaid policy/case processing issues, and continuously updates the ODM county resource page to ensure the information is the most up to date, accurate information. During submission of the March 2019 quarterly report, decreasing adjustments were made to account for the questioned costs. No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received.

Ohio Department of Medicaid (Continued)

2018-018 / MFP – Ineligible Recipients

Questioned Costs: \$52,625

Status: Partially Corrected

Finding first reported in fiscal year 2010.

The control deficiency and noncompliance have been fully corrected. During submission of the March 2019 quarterly report, decreasing adjustments were made to account for the questioned costs. No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received to close the finding.

2018-019 / MFP – Payment Processing SOC 1 Audit and Ineligible Recipient

Questioned Costs: \$281

Status: Partially Corrected

Finding first reported in fiscal year 2018.

The control deficiency and noncompliance have been fully corrected. During submission of the March 2019 quarterly report, decreasing adjustments were made to account for the questioned costs. No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received to close the finding.

2018-020 / Medicaid/CHIP – Drug Rebate Monitoring

Status: Not Corrected

Finding first reported in fiscal year 2017.

ODM and DAS executed a contract amendment to include the Agreed Upon Procedures (AUP) requirement. An independent vendor completed the AUP audit for fiscal year 2018. This will be an annual process moving forward. ODM Pharmacy staff continue to monitor drug rebate revenue during the quarterly rebate meetings with the TPA, including review of available electronic reports. The SOC-1 report covered fiscal year 2019 but was not received until after the fiscal year. Going forward, ODM will receive the AUP and SOC-1 annually and continue to review the reports in a timely manner, addressing any material weaknesses. Since all the changes haven't been fully implemented yet, this resulted in a repeat finding.

Ohio Department of Medicaid (Continued)

2018-021 / Lack of IEVS Monitoring

Status: Not Corrected

Finding first reported in fiscal year 2017.

The Medicaid Eligibility Quality Control (MEQC) unit completed a related Federal Tax Information (FTI) training in March 2019. During the course of the MEQC case review, the reviewers are checking to see whether there are active/delinquent IEVS and whether the county has documented in the journal notes any actions that have been taken on the listed IEVS matches. The reviewers are documenting on the summary page of the case worksheet if the IEVS are complete or incomplete. ODM will request the IEVS reports from Ohio Benefits and incorporate additional monitoring once those reports are available and staff are trained. Since the reports are not available, the staff are not fully trained, and the results were not communicated to the counties yet, this resulted in a repeat finding.

2018-022 / IT – Lack of Internal Testing of IT Security Systems

Status: Not Corrected

Finding first reported in fiscal year 2018.

ODM has consulted with Ohio's Office of Budget and Management-Office of Internal Audit in the data security evaluation of MITS to include this evaluation as an engagement in their fiscal year 2020 Memorandum of Understanding. Since the evaluation hasn't been conducted yet, this resulted in a repeat finding.

2018-023 / Medicaid/CHIP – Managed Care Provider Panel Reports

Status: Partially Corrected

Finding first reported in fiscal year 2018.

Each quarter an internal audit is completed, comparing the current provider agreement standards to the Managed Care Provider Network (MCPN) standards. The MCPN developed by Automated Health Systems (AHS) is a Managed Care Enrollment contractor used to track the Plans provider network. Each quarter provider requirements are reviewed for all 88 Ohio counties. The audit is used to ensure the MCPN has the correct provider standards for the following providers: General Hospital, Psychiatric Facility, Nursing Facility, Community Behavioral Health Providers, Dentist, Vision, and MAT providers. If there is a discrepancy in the MCPN, AHS is contacted to resolve the issue. Not all provider types and requirements were included in the plan agreements and the system which resulted in a repeat finding.

Ohio Department of Mental Health and Addiction Services

2018-024 / SABG - Payroll

Status: Not Corrected

Finding first reported in fiscal year 2016.

Central office payroll staff now queries Kronos to identify unapproved timesheets and notifies the supervisor. Additionally, the Central Office payroll supervisor and staff conducted payroll processing training for all department timekeepers, payroll officers, and supervisors. Furthermore, every pay period, supervisors receive a progress series of prompts to review staff timekeeping, and direct contact to supervisors by the timekeeper and then payroll staff (if necessary) for any outstanding timesheets. Supervisor absences on timesheet approval days resulted in a repeat finding.

Ohio Department of Natural Resources

2018-025 / Fish and Wildlife Cluster – Suspension and Debarment

Status: Partially Corrected

Finding first reported in fiscal year 2018.

Division of Wildlife began working with Legal staff in February to address the suspension/debarment clause in our agreements. We received a subsidy template in April and have employed its use. Legal should be getting back to the Division on how we will address agreements prior to April. Wildlife also developed a direction document to address how review in SAM is performed. Suspension/debarment language had been added to the non-procurement contracts but not the procurement contracts yet which resulted in a repeat finding.

2018-026 / Fish and Wildlife Cluster – Real Property Management

Status: Not Corrected

Finding first reported in fiscal year 2018.

A meeting was held on 3/22/19 to outline process and discuss audit issues among Real Estate, Office of Budget and Finance, Division of Engineering, and the Division of Wildlife. Action was to review and compare Ohio Department of Administrative Services (DAS) and Ohio Department of Natural Resources (DNR) inventory policies. Result of review included a recommendation to rescind the DNR policy and follow the DAS manual. Once rescinded, a procedure will be drafted to outline process for inventory and key personnel responsible for entry. Since this change hasn't been implemented yet, this resulted in a repeat finding.

Ohio Department of Natural Resources (Continued)

2018-027 / Fish and Wildlife Cluster – Subrecipient Monitoring

Status: Partially Corrected

Finding first reported in fiscal year 2018.

Division of Wildlife began working with Legal staff in February to update subrecipient agreement and contract language. We received a subsidy template in April and have employed its use. A template for contracts has not been developed. Legal should be getting back to the Division on how we will address agreements and contracts authorized prior to April. Since this change hasn't been fully implemented yet, this resulted in a repeat finding.

2018-028 / IT – Lack of a SOC 1 Audit for Service Organizations

Status: Not Corrected

Finding first reported in fiscal year 2018.

S3, the license vendor, did not initially agree that a SOC 1 audit was needed but has since selected a vendor to perform the SOC 1 and has developed a checklist. Due to vacations, work has not yet begun. Since the vendor did not initially agree to have a SOC 1, it has not yet been completed resulting in a repeat finding.

2018-029 / Fish and Wildlife Cluster - Reconciliations

Status: Fully Corrected

2018-030 / Fish and Wildlife Cluster – Coding/Federal Schedule

Status: Fully Corrected

Opportunities for Ohioans with Disabilities

2018-031 / Various Programs – Remaining Cash Balance

Questioned Costs: \$27,802

Status: Not Corrected

Finding first reported in fiscal year 2018.

No final federal determination letter pertaining to the fiscal year 2018 questioned costs has been received to close the finding.

Opportunities for Ohioans with Disabilities (Continued)

2018-032 / VR and SSDI – Suspension and Debarment

Status: Fully Corrected

2018-033 / VR and SSDI - Reconciliation

Status: Fully Corrected

Ohio Department of Transportation

2018-034 / Highway Planning & Construction Cluster – Subrecipient Monitoring

Status: Partially Corrected

Finding first reported in fiscal year 2016.

The desk inspection process was modified to incorporate and document management's review of all lower-tier desk inspections performed by interns. In addition, the queries used to search the Federal Audit Clearinghouse (FAC) for LPA audit reports that reveal a Single Audit finding related to the CFDA 20.205 Program was revised to expand the date range of the search criteria for the year in which the audit report was issued. Utilizing the extended date range in the search query eliminates the remote chance of inadvertently omitting an audit report for a fiscal year that is several years prior to the audit report's actual release. The search queries are performed on a monthly basis to ensure any new audit report releases for LPA subrecipients are identified timely and captured for the performance of a desk inspection. Particular follow-up on the identified CY'15 LPA audit report Single Audit finding was also conducted, and after a desk inspection was performed, the Office of External Audits issued a corresponding Management Decision letter. The Office of External Audits continues its reviews to ensure ODOT's LPA subrecipients have their respective corrective action plans documented and implemented in a timely manner that appropriately address and remedy findings for Federal awards related to the CFDA 20.205 Program. The procedures were updated to reflect these modifications which are monitored periodically by management to ensure they are functioning as planned. Complexities implementing the new process and limited staff and resources resulted in a repeat finding.

2018-035 / Highway Planning and Construction Cluster – Wage Rate Requirements

Status: Fully Corrected

Ohio Department of Education

2018-036 / Finding For Recovery – Payroll Overpayment

Finding number 2018-036 is a finding for recovery and not part of the Independent Auditor's Report on compliance and internal controls as listed in the table of contents; a summary schedule of prior audit findings is not required.

Ohio Department of Education (Continued)

2018-037 / Finding For Recovery – Payroll Overpayment

Finding number 2018-037 is a finding for recovery and not part of the Independent Auditor's Report on compliance and internal controls as listed in the table of contents; a summary schedule of prior audit findings is not required.

Ohio Department of Mental Health and Addiction Services

2018-038 / Finding For Recovery – Repaid Under Audit – Resolved Under Audit - Payroll Overpayments

Finding number 2018-038 is a finding for recovery and not part of the Independent Auditor's Report on compliance and internal controls as listed in the table of contents; a summary schedule of prior audit findings is not required.

ATTACHMENTS

2019

STATE OF OHIO

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



Governor Mike DeWine

Office of Budget and Management

Director Kimberly A. Murnieks

ACKNOWLEDGMENTS

Report prepared by the
Ohio Office of Budget and Management,
State Accounting Division, Financial Reporting Section:

James J. Kennedy, CPA, CISA
Senior Deputy Director, Enterprise
Services

Bridget A. Brubeck, CPA
Deputy Director, State Accounting
and Reporting

Linda K. Shook, CPA
Financial Reporting Manager

Laura L. Swank
Financial Reporting Assistant Manager

Andrea E. Joffe, CPA (Inactive)

Terry K. Jones, Sr.

Casey A. King

Charlene K. VanHoose

Jasmine R. Winston

Special appreciation is given to all fiscal and accounting personnel throughout the State whose extra efforts to contribute accurate, timely financial data for their agencies made this report possible.

State of Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



Office of Budget and Management

Kimberly A. Murnieks
Director

Bridget A. Brubeck
Deputy Director
State Accounting and Reporting

Prepared by OBM State Accounting and Reporting

STATE OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION



Mike DeWine, Governor
Jon Husted, Lt. Governor

Office of Budget and Management

Kimberly Murnieks, Director

December 20, 2019

The Honorable Mike DeWine, Governor of Ohio;
The Honorable Jon Husted, Lieutenant Governor of Ohio;
Members of the General Assembly;
Agencies, Boards, Commissions;
And fellow Citizens:

It is my privilege to present the State of Ohio's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019, prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Office of Budget and Management (OBM) prepared this report pursuant to Section 126.21, Ohio Revised Code. The report includes the state's basic financial statements, providing an overview of the state's financial position and the management of Ohio's financial operations. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with OBM.

To the best of my knowledge and belief, the information presented is accurate in all material respects and reported in a manner that fairly depicts the financial position and results of operations of the state of Ohio. All disclosures necessary for a reasonable understanding of the state's financial activities have been included.

This letter of transmittal is intended to complement management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A provides an overview of the state's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the state's General Revenue Fund (GRF). The General Fund also includes the reimbursement-supported funds used for activities administered by state agencies for which special revenue or proprietary fund classifications were inappropriate.

The state is responsible for establishing and maintaining internal control designed to ensure that the state's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.

INDEPENDENT AUDIT RESULTS

In compliance with Ohio Revised Code, an annual financial audit has been performed by the Office of the Auditor of State. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's unmodified opinion is included in the Financial Section of this report. This

opinion indicates there was no limitation on the scope of the auditors' examination and the financial statements were presented fairly, in all material respects, in accordance with GAAP.

Additionally, the state's Single Audit report is audited by the Office of the Auditor of State to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget (OMB) *Uniform Guidance*. The Single Audit report will be issued separately from the state's CAFR.

PROFILE OF THE GOVERNMENT

History

Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure like the federal model, with three separate branches of government — executive, legislative, and judicial.

Governmental Structure

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: Attorney General, Auditor of State, Secretary of State, and Treasurer of State. Each of these officials are elected to four-year terms.

Approximately 100 agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages x and xi.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the senate, a 33-member body, and the house of representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of the General Assembly are subject to term-limits; senators are restricted to serving two consecutive four-year terms, and representatives are restricted to serving four consecutive two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the senate is the President of the Senate, and the presiding officer of the house of representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Within the Judicial system, the Supreme Court is the court of last resort in Ohio. Most of its cases are appeals from the twelve district courts of appeal. The chief justice and six justices are elected to six-year terms on a nonpartisan ballot.

Reporting Entity and Its Services

For financial reporting purposes, the state's reporting entity consists of (1) the primary government, (2) component units for which the primary government is financially accountable, and (3) other component units for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria set forth in *Governmental Accounting Standards Board's* (GASB) Statement 14, the *Financial Reporting Entity* Statement 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB 14, Statement 61, the *Financial Reporting Entity: Omnibus*, an amendment of GASB 14 and Statement 80, Blending Requirements for Certain Component Units, an amendment of GASB 14, are used to determine the organizations for which the state is financially accountable. NOTE 1A to the financial statements explains more fully which financial activities are included in the state's reporting entity.

The state provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, and other business-type activities.

Retirement Systems

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, State Teachers Retirement System of Ohio, State Highway Patrol Retirement System, or an alternative retirement plan. Further information on the state's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

Risk Management

As discussed in NOTE 1Q to the financial statements, the state's primary government is self-insured for claims under its traditional healthcare plan and its vehicle liability plan. Employee and public official fidelity bonding are placed with a private insurer. Tort liability is self-funded; however, several state agencies have also acquired private insurance. State-owned buildings are covered under a catastrophic property policy for both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis. The state's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

Budgetary Control and Accounting System

Ohio's Constitution requires the state to have a balanced budget. The state's biennial budget begins on July 1 of odd-numbered years and ends 24 months later, on June 30. The state maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the General Assembly. Budgets are entered into the statewide accounting system once the appropriations bill becomes law. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure that expenditures do not exceed authorized limits.

The state's non-GAAP budgetary schedules are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received, and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the state fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Job, Family and Other Human Services Special Revenue Fund, these comparisons are presented as part of the required supplementary information. For other budgeted non-major governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the non-major governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The accounting system maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the accounting system for financial reporting, selected financial information provided by the state's agencies is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the state's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. Reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in the CAFR as a note to the budgetary section of required supplementary information.

ECONOMIC OVERVIEW AND OUTLOOK

The Economy in 2019

The U.S. economy expanded for the tenth consecutive calendar year in 2019, extending to ten and a half years the expansion that began in mid-2009. At 126 months in length as of December 2019, the current expansion is the longest of the eleven expansions since the end of World War II. Economic growth, however, has been slow compared with previous expansions, reflecting slower growth in both labor input and productivity.

Real GDP increased at an annual rate of 2.3 percent during the forty-one quarters ending in the third quarter of 2019, a much lower rate of growth than during previous long-lived expansions; trend growth in GDP has been declining for the past several decades. Real final sales increased at a 2.1 percent annual rate during the period, also a much slower pace than prior expansions. Nonfarm payroll employment has increased at an annual rate of 1.4 percent, and real disposable personal income has increased at an annual rate of only 2.5 percent, both also slower than the historical norms.

During 2019, real GDP decelerated from 3.1 percent in the first quarter to an average of approximately 2.0 percent in the middle two quarters. In addition, key monthly indicators suggest that growth continued at a similar or somewhat slower pace in the fourth quarter. Real GDP expanded at an annual rate of 2.3 percent during the first three quarters of 2019.

Personal consumption expenditures contributed 2.0 percentage points of the 2.3 percent annualized growth rate in real GDP during the first three quarters of 2019. Government spending contributed 0.6 percentage points, with federal defense, federal nondefense, and state and local government all making positive contributions. Business fixed investment made no contribution, as weakness in nonresidential structures and equipment and software offset the positive contribution from investment in intellectual property. The change in business inventories subtracted 0.1 percentage points. The contributions from both investment in residential structures and net exports were essentially zero.

Real personal consumption expenditures grew at a 2.8 percent annualized rate during the first three quarters of 2019. The growth was financed by a 3.3 percent rate of increase in real disposable personal income, leading to an increase in the saving rate from 7.8 percent of disposable personal income in the fourth quarter of 2018 to 8.1 percent in the third quarter of 2019. The saving rate, which had bottomed out in 2005, has been trending higher since the end of the 2008-09 recession, reaching levels not seen since the early 1990s.

Inflation remained modest in 2019. The Consumer Price Index (CPI) increased at an annual rate of 1.9 percent from the fourth quarter of 2018 to the third quarter of 2019, down slightly from a rate of 2.2 percent during the four quarters of 2018. The core rate of inflation as measured by the CPI excluding food and energy was little changed, at 2.4 percent for the most recent three quarters compared with 2.2 percent during the four quarters of 2018. The Federal Reserve's preferred measure of inflation (the core personal consumption expenditure (PCE) deflator) slowed from 1.9 percent in 2018 to 1.7 percent during the first three quarters of 2019 – close to the line with the Fed's stated target of 2 percent, but not quite there.

Labor markets across Ohio showed slow employment growth during 2019, consistent with a state economy that is nearing or at full employment. Nonfarm payroll employment in Ohio increased by 7,900 jobs, or 0.1 percent, from December 2018 to 5.59 million in September 2019. The annual benchmark revisions to historical data released by the U.S. Bureau of Labor Statistics in early 2019 revealed much lower growth in employment during December 2016 to December 2018 than had been previously reported. Ohio employment growth during the two-year period was revised down by 67,600 jobs, similar in size to the revision the year earlier.

Employment activity was positive across most economic sectors year-to-date through September 2019. Growth was concentrated in leisure and hospitality (+10,000), educational and health services (+6,200), professional and business services (+2,900), and financial activities (+2,500). Employment increased by

6,800 jobs in the private sector. Employment declined year-to-date through September in construction (-11,400), trade, transportation, and utilities (-2,700), and manufacturing (-2,400).

The Ohio unemployment rate decreased by 0.4 percentage points from December 2018 to 4.2 percent in September 2019 after reaching the low for this expansion at 4.0 percent in June and July. The decline reflected an increase of 95,236, or 1.7 percent, in total employment, a decrease of 24,235, or 9.1 percent, in unemployed people, and an increase of 71,001, or 1.2 percent, in the labor force. The much larger increase in total employment compared with the previously referenced change in nonfarm payroll employment reflects differences in the surveys used to compile the figures.

Despite slow employment growth, Ohio personal income increased at an annual rate of 4.5 percent from the second half of 2018 to the first half of 2019. In comparison, personal income increased at an annual rate of 5.3 percent across the country. Ohio wage and salary disbursements also lagged the national trend, rising at an annual rate of 5.5 percent, compared with 6.8 percent growth nationally.

Ohio's Economic Outlook

The economy is likely to continue expanding in 2020, despite the stronger foreign exchange value of the dollar, the slowdown in growth overseas, and the tariff dispute with China and other trade disputes. Past expansions have ended following unexpected events that have typically included some mix of rising inflation, an overly tight monetary policy, and an upward spike in energy costs. Today, inflation is tame, the Federal Reserve has reduced its policy interest rate, credit remains widely available at moderate cost, and the price of oil is near the middle of its range of the last two years.

In addition, fiscal policy is expansionary, resulting from the corporate tax rate cut and especially the increase in spending that widened the deficit. Leading economic indicators that in the past have provided some warning of oncoming recessions are instead consistent with growth at a moderate pace well into 2020.

The national economy is projected to expand by 2.0 percent in 2020 following an estimated growth rate of 2.3 percent in 2019, according to the October 2019 forecast by IHS Markit. The Ohio economy is expected to slow, with employment growth declining from an estimated 0.6 percent in 2019 to 0.3 percent in 2020 on an average annual basis, according to IHS Markit. Ohio personal income growth is also projected to slow, dropping from an estimated 4.1 percent in 2019 to 3.7 percent in 2020. Ohio Real Gross State Product growth is projected to slow more sharply, decelerating from 2.3 percent in 2019 to 1.4 percent in 2020.

As always, unexpected events will influence future economic performance. Political uncertainty in Washington, D.C. always holds the potential for disruption of the economy. A second commonly held major concern relates to the ongoing trade disputes, especially the back-and-forth tariff increases between the U.S. and China.

The economy could do better than the baseline forecast due to the following:

- Fiscal policy stimulus as measured by the growth in the federal budget deficit and ongoing effects of corporate tax rate cuts;
- A rebound in economic growth overseas; and
- Wide availability of credit at affordable cost.

However, risks to the economic outlook include:

- Potential further disruptions to international trade and/or increased costs from changes to international agreements or trade patterns;
- Strong demand combined with limited excess capacity in labor and capital markets raises costs and reduces corporate profit margins and/or fuels higher inflation;
- A shock to confidence from one or more sources that causes equity prices to drop and has negative effects on both consumer spending and business investment.

Fiscal Year 2019 State Finances in Review

Ohio's General Revenue Fund (GRF) performance in fiscal year 2019 again surprised on the upside, with revenues outperforming estimates, Medicaid spending falling well below estimate, and a year-end fund

balance that was \$977 million above what was necessary to keep 0.5 percent of annual revenues in the GRF, and \$756 million above estimate. This large budget surplus allowed OBM to make \$312 million transfers to various state funds to pay for executive and legislative priorities such as school bus purchases, tobacco use prevention, opioid treatment, and clean water programs. After those transfers, the state GRF had \$665 million left to carry into fiscal year 2020 in support of a significant income tax cut – a 4 percent cut in all tax rates on top of extending the zero tax rate bracket up to \$21,750 in income – and to fund other priorities.

The positive fiscal year 2019 tax revenue variances were large overall and larger in each of the major tax categories – non-auto sales, auto sales, personal income, and commercial activity. Variances ranged from 2.1 percent for the non-auto sales tax to 3.6 percent for the personal income tax.

	Actual FY 2019	Estimated FY 2019	Variance	Pct. Variance
Non-Auto Sales & Use	\$9,071.7	\$8,884.2	\$187.5	2.1%
Auto Sales & Use	\$1,501.7	\$1,455.0	\$46.7	3.2%
Personal Income	\$8,910.2	\$8,597.0	\$313.2	3.6%
Commercial Activity Tax	\$1,629.5	\$1,581.8	\$47.7	3.0%

The fiscal years 2020-2021 operating budget is predicated on continuing but slowing growth in the national and Ohio economies, and in GRF tax revenues.

So far, the fiscal year 2020 estimates have proved to be conservative enough. GRF tax revenues through October have grown by 3.8 percent from last year and are \$97 million (1.3 percent) above estimate. Both the non-auto sales tax and auto sales tax have been particularly strong, posting overages of 1.8 percent and 5.0 percent respectively, while the income tax is just slightly below estimate due to higher than expected prior year refunds.

Despite the fact that so far in fiscal year 2020 GRF revenues are over estimate, and GRF spending, particularly in Medicaid, is below estimate, OBM remains vigilant regarding further slowdowns in economic growth or tax revenue growth, and is poised to take any actions necessary to ensure balanced budgets over the course of the biennium.

STATE ACCOUNTING INNOVATION AND INITIATIVE

While providing ongoing oversight of all financial accounting and reporting activities, OBM's State Accounting Section implemented measures to improve the efficiency of state financial operations. In partnership with InnovateOhio, OBM created a process to daily review potential duplicate payments from our state accounting system.

Additionally, with the assistance of several agencies, OBM documented a standard process for capital payments to be used by all state agencies. These procedures are incorporated into our OBM Financial portion of the OBM website.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018.

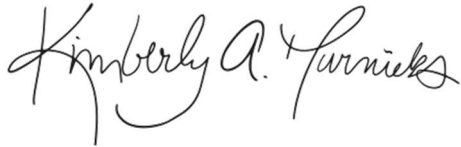
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

In conclusion, I wish to express my appreciation to the Financial Reporting staff of OBM's State Accounting Section and staffs of the various state agencies whose time and dedicated efforts made this report possible. I encourage you to access Ohio's Comprehensive Annual Financial Report at *obm.ohio.gov*.

Very respectfully yours,

A handwritten signature in black ink that reads "Kimberly A. Murnieks". The signature is written in a cursive, flowing style.

Kimberly A. Murnieks
Director
Office of Budget and Management
State of Ohio

STATE OF OHIO OFFICIALS

As of June 30, 2019

EXECUTIVE

Mike DeWine
Governor

Jon Husted
Lieutenant Governor

Dave Yost
Attorney General

Keith Faber
Auditor of State

Robert Sprague
Treasurer of State

Frank LaRose
Secretary of State

LEGISLATIVE

Larry Obhof
President of the Senate

Larry Householder
Speaker of the House

JUDICIAL

Maureen O'Connor
Chief Justice
Supreme Court

STATE OF OHIO ORGANIZATION CHART

FINANCIAL REPORTING ENTITY

PRIMARY GOVERNMENT

LEGISLATIVE Senate (33 Members) House of Representatives (99 Members)	EXECUTIVE Governor Lieutenant Governor Attorney General Auditor of State Secretary of State Treasurer of State State Board of Education (11 Elected Members, and 8 At-Large Members)	JUDICIAL Supreme Court Chief Justice and 6 Justices
<p>Governmental Activities: <i>General Government:</i> Senate House of Representatives Legislative Service Commission Legislative Committees</p>	<p>Governmental Activities: <i>Primary, Secondary and Other Education:</i> Arts Council Broadcast Educational Media Commission Department of Education School for the Blind School for the Deaf State Library Board</p> <p><i>Higher Education Support:</i> Department of Higher Education State Board of Career Colleges and Schools</p> <p><i>Public Assistance and Medicaid:</i> Department of Job and Family Services Department of Medicaid</p> <p><i>Health and Human Services:</i> Commission on Hispanic/Latino Affairs Commission on Minority Health Department of Aging Department of Developmental Disabilities Department of Health Department of Mental Health and Addiction Services Department of Veteran Services Opportunities for Ohioans with Disabilities</p> <p><i>Justice and Public Protection:</i> Adjutant General's Department Board of Tax Appeals Civil Rights Commission Department of Public Safety Department of Rehabilitation and Correction Department of Youth Services Ethics Commission Office of the Attorney General Public Defender Commission</p> <p><i>Environmental Protection and Natural Resources:</i> Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Commission Lake Erie Commission</p> <p><i>Transportation:</i> Department of Transportation</p>	<p>Governmental Activities: <i>Justice and Public Protection:</i> Supreme Court Judicial Conference Judiciary Court of Claims</p>

PRIMARY GOVERNMENT (Continued)

	<p><i>General Government:</i> Capitol Square Review & Advisory Board Consumers' Counsel Department of Administrative Services Department of Commerce Department of Insurance Department of Taxation Office of Budget and Management Office of the Governor Office of the Inspector General Office of the Lieutenant Governor Office of the Secretary of State Office of the Treasurer of State Public Utilities Commission Sinking Fund Commission State Racing Commission Other Boards and Commissions</p> <p><i>Community and Economic Development:</i> Department of Agriculture Development Services Agency Expositions Commission Public Works Commission Southern Ohio Agricultural & Community Development Foundation</p> <p>Business-Type Activities: Bureau of Workers' Compensation and Industrial Commission Department of Job and Family Services— Unemployment Compensation Program Lottery Commission Office of the Auditor of State Tuition Trust Authority</p>	
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COMPONENT UNITS

<p>Blended Component Units: Buckeye Tobacco Settlement Financing Authority (included as Governmental Activities)</p> <p>Fiduciary Component Unit: State Highway Patrol Retirement System</p> <p>Discretely Presented Component Units: <i>Financing Authorities and Commissions:</i> Ohio Air Quality Development Authority Ohio Capital Fund Ohio Facilities Construction Commission Ohio Turnpike and Infrastructure Commission</p> <p><i>Nonprofit Organizations:</i> Jobs Ohio</p>	<p>Discretely Presented Component Units (continued): <i>State Universities:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Bowling Green State University</td> <td style="width: 50%;">Ohio University</td> </tr> <tr> <td>Central State University</td> <td>Shawnee State University</td> </tr> <tr> <td>Cleveland State University</td> <td>University of Akron</td> </tr> <tr> <td>Kent State University</td> <td>University of Cincinnati</td> </tr> <tr> <td>Miami University</td> <td>University of Toledo</td> </tr> <tr> <td>Northeast Ohio Medical University</td> <td>Wright State University</td> </tr> <tr> <td>Ohio State University</td> <td>Youngstown State University</td> </tr> </table> <p><i>State Community Colleges:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Cincinnati State</td> <td style="width: 50%;">Owens State</td> </tr> <tr> <td>Clark State</td> <td>Southern State</td> </tr> <tr> <td>Columbus State</td> <td>Terra State</td> </tr> <tr> <td>Edison State</td> <td>Washington State</td> </tr> <tr> <td>Northwest State</td> <td></td> </tr> </table>	Bowling Green State University	Ohio University	Central State University	Shawnee State University	Cleveland State University	University of Akron	Kent State University	University of Cincinnati	Miami University	University of Toledo	Northeast Ohio Medical University	Wright State University	Ohio State University	Youngstown State University	Cincinnati State	Owens State	Clark State	Southern State	Columbus State	Terra State	Edison State	Washington State	Northwest State	
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Central State University	Shawnee State University																								
Cleveland State University	University of Akron																								
Kent State University	University of Cincinnati																								
Miami University	University of Toledo																								
Northeast Ohio Medical University	Wright State University																								
Ohio State University	Youngstown State University																								
Cincinnati State	Owens State																								
Clark State	Southern State																								
Columbus State	Terra State																								
Edison State	Washington State																								
Northwest State																									

FIDUCIARY

Star Ohio
 Variable College Savings Plan
 Agency Funds

JOINT VENTURES

Great Lakes Protection Fund
 Local Community Colleges Technical Colleges

RELATED ORGANIZATIONS

Higher Educational Facility Commission
 Ohio Housing Finance Agency
 Ohio Legal Assistance Foundation
 Ohio Water Development Authority
 Petroleum Underground Storage Tank
 Release Compensation Board



Government Finance Officers Association

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State of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



88 East Broad Street, 5th Floor
 Columbus, Ohio 43215-3506
 (614) 466-3402 or (800) 443-9275
 StateRegion@ohioauditor.gov

INDEPENDENT AUDITOR’S REPORT

The Honorable Mike DeWine, Governor
 State of Ohio
 Columbus, Ohio 43215

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio (the State), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State’s basic 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 did not audit the financial statements of the following organizations which represent the percentages of total assets and expenditures/expenses/deductions indicated for the related opinion units:

Opinion Unit	Organization	Percent of Opinion Unit’s Total	
		Assets	Expenditures/ Expenses/ Deductions
Governmental Activities (GA)	Treasurer of State Lease Revenue Bonds and Buckeye Tobacco Settlement Financing Authority (BTSFA)	2%	1%
Business-Type Activities (BTA)	Ohio Bureau of Workers’ Compensation and Tuition Trust Authority	93%	34%
GA/BTSFA Revenue Bonds	Buckeye Tobacco Settlement Finance Authority	100%	100%
BTA / Workers’ Compensation	Ohio Bureau of Workers’ Compensation	100%	100%
Aggregate Discretely Presented Component Units	Bowling Green State University; Cleveland State University; Columbus State Community College; JobsOhio; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; and Youngstown State University.	90%	94%
Aggregate Remaining Fund Information	Police and Fire Pension Fund, Public Employees Retirement System, School Employees Retirement, State Highway Patrol Retirement System, State Teachers Retirement System, State Treasury Asset Reserve of Ohio, Treasurer of State Lease Revenue Bonds, and Tuition Trust Authority	97%	82%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for these independently audited organizations, is based solely on the report of other auditors. 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. The other auditors audited the financial statements of JobsOhio, which represents six percent of the total assets and eight percent of the total expenses of the aggregate discretely presented component units, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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 State'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 State'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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with the 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 this presentation to include *Management's Discussion and Analysis, Required Budgetary Comparison Schedules, Schedules for Infrastructure Assets Accounted for using the Modified Approach, Schedules of Net Pension and Other Post-employment Benefit Liabilities, and Pension and Other Post-Employment Benefit Contributions* 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 and Other Information

Our audit was conducted to opine on the State's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the State'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 State's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

December 20, 2019

State of Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

(Unaudited)

Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2019. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

Financial Highlights

Government-wide Financial Statements

During fiscal year 2019, net position of the State's primary government increased by \$2.86 billion and ended fiscal year 2019 with a \$30.11 billion balance. Net position of the State's component units increased by \$600.1 million, after prior year restatements, and ended fiscal year 2019 with a \$10.6 billion balance. See additional discussion beginning on page 8.

Fund Financial Statements

Governmental funds reported a combined ending fund balance of \$15.8 billion that was comprised of \$148.1 million in nonspendable, \$8.85 billion restricted for specific purposes, \$1.47 billion committed, \$2.89 billion in assigned, and \$2.45 billion in unassigned. See additional discussion beginning on page 11.

As of June 30, 2019, the General Fund's fund balance was approximately \$7.72 billion, including \$55.5 million in nonspendable, \$1.59 billion in restricted, \$728.7 million in committed, \$2.89 billion in assigned, and \$2.46 billion in unassigned. The General Fund's fund balance increased by \$2.22 billion (exclusive of a \$1.2 million increase in inventories) or 40.4 percent during fiscal year 2019. See additional discussion beginning on page 11.

Proprietary funds reported net position of \$12.86 billion, as of June 30, 2019, an increase of \$1.74 billion since June 30, 2018. This increase is largely due to the net increase of \$1.37 billion in the Workers' Compensation Fund. See additional discussion beginning on page 13.

Capital Assets

The carrying amount of capital assets for the State's primary government increased to \$28.52 billion at June 30, 2019. The majority of the \$347.4 million increase during fiscal year 2019 was from acquisitions of machinery and equipment and highway network infrastructure. See additional discussion beginning on page 13.

Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations

Overall, the carrying amount of total long-term debt for the State's primary government decreased \$233.8 million or 1.2 percent during fiscal year 2019, for an ending balance of \$18.63 billion. During the year, the State issued a par amount of one billion dollars in long-term debt. There were no advance refunding bonds. See additional discussion beginning on page 15.

Overview of the Financial Statements

This annual report consists of three required components: management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, and required supplementary information. In addition, this report includes an optional section that contains combining statements and schedules for the non-major governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds.

The basic financial statements are comprised of the government-wide financial statements and fund financial statements. The figure on the following page summarizes the major features of these statements.

Major Features of the State of Ohio's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program, etc.	Instances in which the State is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements – Reporting the State as a Whole

The two government-wide financial statements, prepared on a basis and focus similar to those used by private-sector companies, report the State's net position and how it has changed. Net position — the difference between the State's assets/deferred outflows of resources and liabilities/deferred inflows of resources — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net position indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors, such as changes in the State's economic indicators and the condition of the State's highway system, when assessing the State's overall financial status.

These statements, found on pages 20 through 23 of this report, are divided into three categories as follows.

Governmental Activities — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, and transportation. Taxes, federal grants, and charges for services, fees, fines and forfeitures finance most of these activities.

Business-type Activities — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insurance program, lottery operations, unemployment compensation program, guaranteed college tuition credit program, and the Auditor of State's governmental auditing and accounting services.

Component Units — The State presents the financial activities of the Ohio Facilities Construction Commission, Ohio State University, and other entities as discretely presented component units under a separate column in the government-wide financial statements. The Buckeye Tobacco Settlement Financing Authority is presented as a blended component unit with its activities blended and included under governmental activities. Although legally separate, the State is financially accountable for its component units. For further explanation and a complete list of component units, see NOTE 1A. to the financial statements.

Fund Financial Statements – Reporting more detail about the State’s most significant funds

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. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic fund financial statements can be found on pages 24 through 43 of this report while the combining fund statements and schedules can be found on pages 173 through 249. The State has three kinds of funds as follows:

Governmental Funds — Most of the State’s basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State’s programs. Because these statements do not encompass the long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State’s governmental funds include the General Fund, Job, Family and Other Human Services Special Revenue Fund, and the Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund, all of which are considered major funds. Data from the other governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison schedules in required supplementary information and combining statements to demonstrate compliance with the appropriated budget. The State’s budgetary process is explained further in NOTE 1D. to the financial statements.

Proprietary Funds — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information.

Presented under separate columns on the three statements is information for the Workers’ Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State’s business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows.

Fiduciary Funds — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is also fiduciary of some agency funds. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. The State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds are presented on two statements. Fiduciary information is excluded from the government-wide financial statements because the State cannot use these assets to finance its operations.

Discretely Presented Component Unit Statements (Component Unit)

Following the fund financial statements, the State includes statements for its major discretely presented component units within the basic financial statements section. Nonmajor discretely presented component units are also presented in aggregation under a single column in the component unit financial statements and in combining statements elsewhere in this report.

Notes to the Financial Statements

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide additional detail that is essential to a full understanding of the data presented in the financial statements. The notes can be found on pages 48 through 143 of this report.

Required Supplementary Information

Following the notes is a section of required supplementary information in three parts. The first part discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. The second part presents schedules disclosing the following for the various retirement systems in which the State participates: the State's share of pension and other postemployment benefit (OPEB) obligations, required employer contributions for pension/actuarially determined employer contributions for OPEB as compared to employer contributions actually paid, and covered payroll. The final part is the budgetary comparison schedule for the General Fund and major special revenue fund and the accompanying note that explains the GAAP versus budgetary basis. Required supplementary information can be found on pages 145 through 171 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

During fiscal year 2019, as shown in the table below, the combined net position of the State's primary government increased by \$2.86 billion or 10.5 percent. Net position reported for governmental activities increased approximately \$1.12 billion or 7 percent, compared to the net position on July 1, 2018, and business-type activities increased \$1.74 billion, or 15.7 percent. Condensed financial information derived from the Statement of Net Position for the primary government is presented in the following table.

	Net Position					
	As of June 30, 2019 and 2018					
	(dollars in thousands)					
	As of June 30, 2019			As of June 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	\$ 22,402,143	\$ 31,221,878	\$ 53,624,021	\$ 20,744,766	\$ 30,291,875	\$ 51,036,641
Capital Assets.....	28,379,111	139,382	28,518,493	28,005,589	165,529	28,171,118
Total Assets.....	50,781,254	31,361,260	82,142,514	48,750,355	30,457,404	79,207,759
Deferred Outflows of Resources.....	6,081,404	182,493	6,263,897	5,121,436	87,464	5,208,900
Current and Other Liabilities.....	8,691,295	566,953	9,258,248	8,738,490	620,237	9,358,727
Noncurrent Liabilities.....	28,843,447	18,054,050	46,897,497	26,176,978	18,704,730	44,881,708
Total Liabilities.....	37,534,742	18,621,003	56,155,745	34,915,468	19,324,967	54,240,435
Deferred Inflows of Resources.....	2,073,057	63,682	2,136,739	2,823,393	101,698	2,925,091
Net Position:						
Net Investment in Capital Assets.....	24,458,022	134,728	24,592,750	24,363,007	162,367	24,525,374
Restricted.....	3,928,893	12,645,810	16,574,703	4,557,063	10,891,404	15,448,467
Unrestricted.....	(11,132,056)	78,530	(11,053,526)	(12,787,140)	64,432	(12,722,708)
Total Net Position.....	\$ 17,254,859	\$ 12,859,068	\$ 30,113,927	\$ 16,132,930	\$ 11,118,203	\$ 27,251,133

As of June 30, 2019, the primary government's net investment in capital assets (e.g., land, buildings, infrastructure, and construction-in-progress) was \$24.59 billion. Restricted net position was approximately \$16.57 billion, resulting in an unrestricted \$11.05 billion deficit. Net position is restricted when constraints placed on their use are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) legally imposed through constitutional or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." The State's Budget Stabilization Fund balance of over \$2.69 billion at June 30, 2019, is included within unrestricted net position.

The government-wide Statement of Net Position reflects a \$11.13 billion deficit for unrestricted governmental activities, which is primarily attributable to the following three factors:

1) The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$11.78 billion of outstanding general obligation and special obligation debt at June 30, 2019, \$8.38 billion is attributable to debt issued for state assistance to component units (Ohio Facilities Construction Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Position as restricted net position. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

2) The State reported liabilities of \$6.13 billion as of June 30, 2019, for its proportionate share of the net pension liability of the associated pension plans that provide benefits to State employees. This liability amount was a 74.7 percent increase from fiscal year 2018.

3) The State reported OPEB liabilities of \$2.86 billion as of June 30, 2019. This liability amount was a 12.1 percent increase from the fiscal year 2018 amount.

For more information related to pensions and OPEB see NOTES 9, 14, 15, and 18.

Condensed financial information derived from the Statement of Activities, which reports how the net position of the State's primary government changed during fiscal years 2019 and 2018 follows.

**Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018**

(dollars in thousands)

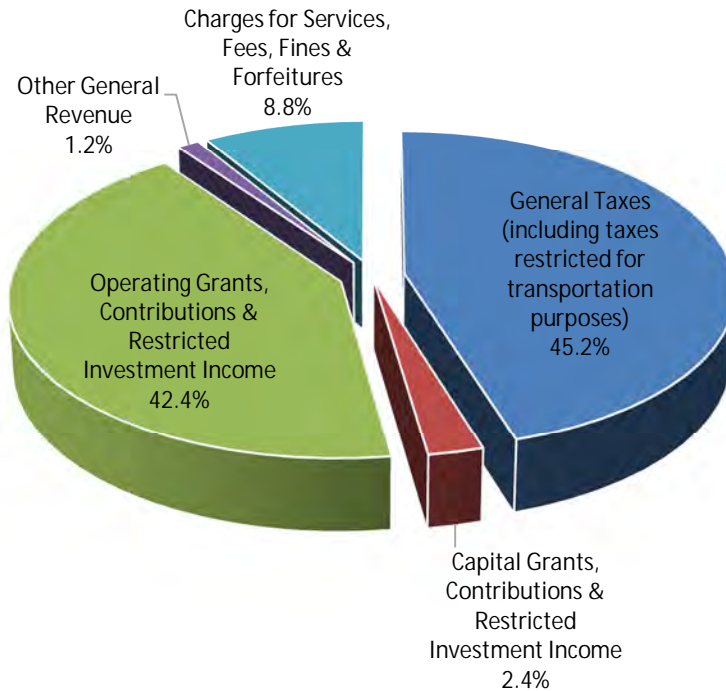
	Fiscal Year 2019			Fiscal Year 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Program Revenue:						
Charges for Services, Fees,						
Fines and Forfeitures	\$ 5,283,218	\$ 6,929,185	\$ 12,212,403	\$ 5,229,708	\$ 6,633,679	\$ 11,863,387
Operating Grants, Contributions and Restricted Investment Income/ (loss).....	25,555,901	2,303,277	27,859,178	25,162,423	1,402,895	26,565,318
Capital Grants, Contributions and Restricted Investment Income/ (loss).....	1,481,791	-	1,481,791	1,424,697	-	1,424,697
Total Program Revenues.....	<u>32,320,910</u>	<u>9,232,462</u>	<u>41,553,372</u>	<u>31,816,828</u>	<u>8,036,574</u>	<u>39,853,402</u>
General Revenues:						
General Taxes.....	25,388,418	-	25,388,418	23,640,505	-	23,640,505
Taxes Restricted for Transportation.....	1,874,409	-	1,874,409	1,891,116	-	1,891,116
Tobacco Settlement.....	343,125	-	343,125	352,355	-	352,355
Escheat Property.....	147,736	-	147,736	158,770	-	158,770
Unrestricted Investment Income.....	235,370	24	235,394	24,741	15	24,756
Other.....	20	38	58	17	-	17
Total General Revenues.....	<u>27,989,078</u>	<u>62</u>	<u>27,989,140</u>	<u>26,067,504</u>	<u>15</u>	<u>26,067,519</u>
Total Revenue.....	<u>60,309,988</u>	<u>9,232,524</u>	<u>69,542,512</u>	<u>57,884,332</u>	<u>8,036,589</u>	<u>65,920,921</u>
Expenses:						
Primary, Secondary and Other Education.....	13,115,806	-	13,115,806	13,244,868	-	13,244,868
Higher Education Support.....	2,731,166	-	2,731,166	2,771,493	-	2,771,493
Public Assistance and Medicaid.....	30,187,506	-	30,187,506	30,454,468	-	30,454,468
Health and Human Services.....	1,926,151	-	1,926,151	1,744,243	-	1,744,243
Justice and Public Protection.....	4,383,344	-	4,383,344	3,670,780	-	3,670,780
Environmental Protection and Natural Resources.....	557,249	-	557,249	567,788	-	567,788
Transportation.....	2,715,640	-	2,715,640	2,598,688	-	2,598,688
General Government.....	1,223,453	-	1,223,453	951,063	-	951,063
Community and Economic Development.....	3,386,936	-	3,386,936	3,458,487	-	3,458,487
Interest on Long term Debt (excludes interest charged as program expense).....	102,143	-	102,143	97,799	-	97,799
Workers' Compensation.....	-	2,113,612	2,113,612	-	2,227,977	2,227,977
Lottery Commission.....	-	3,242,547	3,242,547	-	3,022,690	3,022,690
Unemployment Compensation.....	-	841,040	841,040	-	929,460	929,460
Tuition Trust Authority.....	-	50,778	50,778	-	57,115	57,115
Office of Auditor of State.....	-	102,347	102,347	-	81,574	81,574
Total Expenses.....	<u>60,329,394</u>	<u>6,350,324</u>	<u>66,679,718</u>	<u>59,559,677</u>	<u>6,318,816</u>	<u>65,878,493</u>
Surplus/ (Deficiency) Before Gains (Losses) and Transfers.....						
	(19,406)	2,882,200	2,862,794	(1,675,345)	1,717,773	42,428
Transfers - Internal Activities.....	1,141,335	(1,141,335)	-	1,168,236	(1,168,236)	-
Change In Net Position.....	1,121,929	1,740,865	2,862,794	(507,109)	549,537	42,428
Net Position, July 1.....	16,132,930	11,118,203	27,251,133	16,640,039	10,568,666	27,208,705
Net Position, June 30.....	<u>\$ 17,254,859</u>	<u>\$ 12,859,068</u>	<u>\$ 30,113,927</u>	<u>\$ 16,132,930</u>	<u>\$ 11,118,203</u>	<u>\$ 27,251,133</u>

Governmental Activities

Expenses exceeded revenues during fiscal year 2019 for governmental activities. Revenues of \$60.31 billion for fiscal year 2019 were \$2.43 billion higher than those reported for fiscal year 2018. General taxes (including taxes restricted for transportation purposes) comprised 45.2 percent of fiscal year 2019 total revenues and increased by 6.8 percent over the prior fiscal year. Operating grants, contributions and restricted investment income, making up 42.4 percent of total revenues, increased by 1.6 percent compared to fiscal year 2018. Expenses for fiscal year 2019 increased \$769.7 million or a modest 1.3 percent from fiscal year 2018 primarily in the Justice and Public Protection and General Government functions. Fiscal year 2019 net transfers-in of \$1.14 billion reflect a decrease of 2.3 percent from fiscal year 2018.

The following chart illustrates revenues by source of governmental activities as percentages of total reported for the fiscal year ended June 30, 2019.

Governmental Activities -- Sources of Revenue Fiscal Year 2019



Total FY 19 Revenue for Governmental Activities = \$60.31 Billion

The following table presents the total expenses and net cost of each of the State's governmental programs for the fiscal year ended June 30, 2019, with comparative numbers from June 30, 2018. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs. This cost is essentially funded with the State's general revenues from taxes, tobacco settlement, unrestricted investment income, and escheat property.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Years Ended June 30, 2019 and 2018
(dollars in thousands)

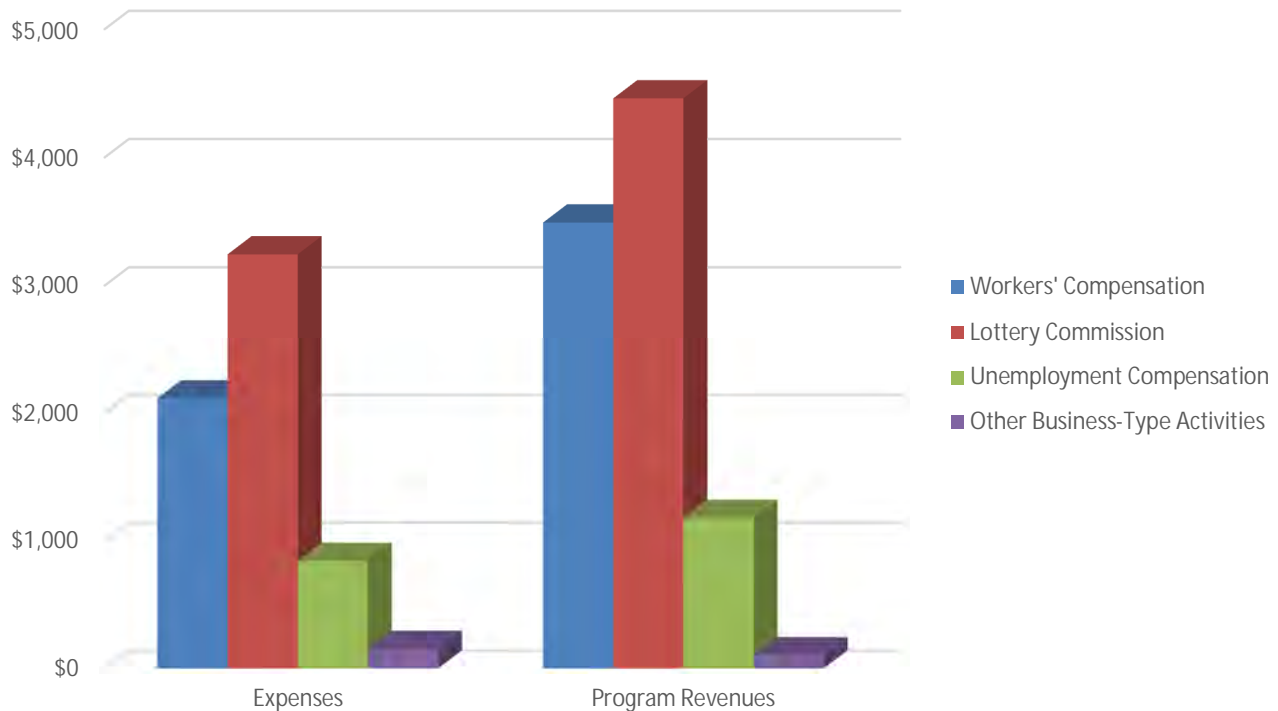
Program	Program Expenses	Percent of Total Expense	Net Cost of Program		Net Cost as Percentage of Total Expenses for Program		Net Cost as Percentage of Total Expenses — All Programs	
			2019	2018	2019	2018	2019	2018
Primary, Secondary and								
Other Education.....	\$ 13,115,806	21.8%	\$ 11,115,257	\$ 11,329,509	84.7%	85.5%	18.4%	19.0%
Higher Education Support.....	2,731,166	4.5%	2,701,161	2,742,360	98.9%	98.9%	4.5%	4.6%
Public Assistance and Medicaid.....	30,187,506	50.0%	5,809,722	6,137,025	19.2%	20.2%	9.6%	10.3%
Health and Human Services.....	1,926,151	3.2%	869,496	718,928	45.1%	41.2%	1.4%	1.2%
Justice and Public Protection.....	4,383,344	7.3%	2,979,975	2,321,432	68.0%	63.2%	4.9%	3.9%
Environmental Protection								
and Natural Resources.....	557,249	0.9%	207,819	213,817	37.3%	37.7%	0.3%	0.4%
Transportation.....	2,715,640	4.5%	994,590	965,423	36.6%	37.2%	1.7%	1.6%
General Government.....	1,223,453	2.0%	537,500	386,981	43.9%	40.7%	0.9%	0.6%
Community and								
Economic Development.....	3,386,936	5.6%	2,690,821	2,829,575	79.4%	81.8%	4.5%	4.8%
Interest on Long-Term Debt.....	102,143	0.2%	102,143	97,799	100.0%	100.0%	0.2%	0.2%
Total Governmental Activities.....	<u>\$ 60,329,394</u>	<u>100.0%</u>	<u>\$ 28,008,484</u>	<u>\$ 27,742,849</u>	<u>46.4%</u>	<u>46.6%</u>	<u>46.4%</u>	<u>46.6%</u>

Business-Type Activities

The State’s enterprise funds reported net position of \$12.86 billion, as of June 30, 2019, compared to \$11.12 billion, as of June 30, 2018, an increase of \$1.74 billion, or 15.7 percent. The Workers’ Compensation Fund reported a \$1.37 billion increase in net position during fiscal year 2019 primarily from higher returns on its investment portfolio and a rise in premium and assessment income.

The chart below compares program expenses and program revenues for business-type activities. Additional analysis of the Business-Type Activities’ revenues, expenses, and other changes in net position is included with the discussion of the Proprietary Funds beginning on page 13.

Business-Type Activities — Expenses and Program Revenues
Fiscal Year 2019
(dollars in millions)



FINANCIAL ANALYSIS OF THE STATE’S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2019 and June 30, 2018 (dollars in thousands).

	As of and for the Fiscal Year Ended June 30, 2019			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit).....	\$ 2,455,345	\$ -	\$ (6,242)	\$ 2,449,103
Total Fund Balance.....	7,718,152	4,712,294	3,370,405	15,800,851
Total Revenues.....	37,653,335	13,510,855	9,219,966	60,384,156
Total Expenditures.....	34,554,711	13,335,634	13,076,201	60,966,546

	As of and for the Fiscal Year Ended June 30, 2018			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit).....	\$ 667,887	\$ (1,937)	\$ -	\$ 665,950
Total Fund Balance.....	5,497,549	4,788,937	3,782,356	14,068,842
Total Revenues.....	35,500,831	13,636,302	8,678,181	57,815,314
Total Expenditures.....	34,908,401	13,522,695	12,525,041	60,956,137

General Fund

The main operating fund of the State is the General Fund. During fiscal year 2019, General Fund revenue increased by \$2.15 billion. Income taxes, sales taxes, and corporate and public utility taxes revenue collectively increased \$1.68 billion or 7.8 percent over the prior year due to an improved economy. Likewise, Investment Income increased in 2019 by \$305.4 million. Expenditures decreased \$353.7 million, a modest 1 percent, from the prior year. This reduction primarily resulted from a prior year expenditure of state assistance to the Ohio Facilities Construction Commission for primary and secondary school construction projects, without a corresponding transaction in fiscal year 2019. In total, the fiscal year 2019 fund balance increased \$2.22 billion (exclusive of a \$1.2 million increase in inventories) or 40.4 percent. The State's Budget Stabilization Fund received a transfer-in of \$657.5 million in fiscal year 2019, thus ending the year with a healthy balance of over \$2.69 billion that is included within unassigned fund balance.

General Fund Budgetary Highlights

The State ended the second year of its 2018-19 biennial budget on June 30, 2019, with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$6.13 billion. Total budgetary sources for the General Fund (including \$977 million in transfers from other funds) in the amount of \$40.63 billion were below final estimates by \$809.8 million or 2 percent during fiscal year 2019. Primarily this shortfall was the result of lower than expected transfers from other funds. Total tax receipts were above final estimates by \$36.7 million or 0.1 percent due to higher than expected income, corporate and public utility, and sales tax receipts.

Total budgetary uses for the General Fund (including \$1.21 billion in transfers to other funds) in the amount of \$40.34 billion were below final estimates by \$3.86 billion or 8.7 percent for fiscal year 2019. The majority of lower than appropriated spending came from economic development, Medicaid, and higher education programs. Additionally, there were lower than expected transfers to other funds. There was no budget stabilization designation at June 30, 2018, for use in balancing the final fiscal year 2019 budget.

The main appropriations act (Act) for the 2018-19 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2017. Reflecting a continued focus on job creation and based on a conservative economic forecast, the Act provided for GRF appropriations of approximately \$33.3 billion in fiscal year 2019, a 3.5 percent increase from fiscal year 2018 appropriations.

GRF appropriations for major program categories in fiscal year 2019, relative to 2018 appropriations, reflect the following changes: 5.7 percent increase for Medicaid; increase of 1.6 percent for primary and secondary education; a 0.3 percent decrease for higher education; 2.1 percent increase for mental health and developmental disabilities; and an increase of 1.6 percent for corrections and youth services.

The Act reflected tax law changes that were projected to decrease GRF revenues by approximately \$30.8 million in fiscal year 2019. These items included a 2017 tax year reduction in the number of personal income tax brackets from nine to seven and an increase in the State personal income tax deduction amount for contributions to college savings and care for disabled individuals accounts.

As is customary in the second year of a biennium, the State revised fiscal year 2019 revenue forecasts to reflect updated economic assumptions, actual fiscal year 2018 revenues, and certain minor tax law adjustments since the Act's adoption. The revised fiscal year 2019 GRF tax revenue forecast is approximately \$382.6 million more than previously estimated. The increases are primarily in the personal income and sales and use taxes.

The 2018-19 Act also modified certain components of the school funding formula to better distribute resources to districts with less capacity to raise revenues locally and limited increases in tuition and fees for two- and four-year higher education institutions. In addition, the newly created health insuring corporation provider assessment, which deposits revenue in a non-GRF fund, replaced the previous GRF sales tax, an estimated revenue loss to GRF of approximately \$600 million in fiscal year 2019.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the GRF. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

The State ended fiscal year 2019 with a GRF cash balance of \$1.54 billion and a GRF budgetary fund balance of \$1.15 billion. The State continues to meet its statutory target to maintain an ending fund balance reflecting one-half of one percent of fiscal year 2019 GRF revenues.

Other Major Governmental Funds

The *Job, Family and Other Human Services Fund* had a fund balance of \$286.5 million at June 30, 2019, an increase of \$13.1 million, or 4.8 percent, compared to fiscal year 2018. The increase is primarily due to a \$153 million decrease in Medicaid federal share spending for activities such as nursing facility, hospital, and prescription drugs and a \$119.1 million reduction in transfers-out of cash. Partially offsetting the expenditure decrease, is an overall \$94.8 million revenue decrease.

The fund balance for the *Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund*, as of June 30, 2019, totaled approximately \$4.43 billion dollars, a decrease of \$89.7 million or 2 percent since June 30, 2018. Tobacco settlement receipts decreased \$34.1 million from the prior year. Debt service expenditures decreased \$35 million during fiscal year 2019 as a result of scheduled principal and interest payments on outstanding bonds. Overall expenditures exceeded revenues resulting in a net decrease in fund balance.

Proprietary Funds

Major Proprietary Funds

The State's proprietary fund financial statements report the same type of information found in the business-type activities portion of the government-wide financial statements, but in a slightly different format.

The *Workers' Compensation Fund's* fiscal year 2019 net position increased \$1.37 billion, or 13.8 percent, to \$11.3 billion, as compared to the prior year. During the fiscal year, investment income increased \$854.5 million, largely due to a 3.6 percent increase in the net return on its investment portfolio. Additionally, premium and assessment income increased \$127.6 million and ultimately exceeded benefits and claims expenses by \$530.4 million.

For fiscal year 2019, the Lottery Commission Fund reported \$1.22 billion in net income before transfers of approximately \$1.16 billion to the Lottery Profits Education Fund. Net position at June 30, 2019, in the amount of \$247.4 million, increased 32.9 percent over fiscal year 2018. The increase is primarily attributable to an increase of \$272.1 million in charges for sales and services and \$33.2 million in investment income revenues. A \$141.2 million increase in prizes expense partly offset the revenue increase.

The \$328.9 million net position increase in the *Unemployment Compensation Fund* is primarily due to a continued decline in the unemployment rate. The unemployment rate in Ohio dropped from an average of 4.7 percent in fiscal year 2018 to an average of 4.3 percent in fiscal year 2019. The decrease in the unemployment rate resulted in an \$87.9 million or 9.5 percent decrease in benefits and claims expense from the previous fiscal year. Although premium and assessment income declined \$88.4 million during the year, the healthy beginning net position, the reduced expenses, and an \$8.4 million rise in investment income resulted in a 33.7 percent increase in net position.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, and June 30, 2018, the State's primary government had invested \$28.52 billion and \$28.17 billion, respectively, net of accumulated depreciation of \$4.86 billion and \$4.73 billion, respectively, in a broad range of capital assets, as detailed in the table on the following page.

The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 1.2 percent (a 1.3 percent increase for governmental activities and a 15.8 percent decrease for business-type activities). Depreciation expense increased 4.3 percent for governmental activities and decreased 0.9 percent for business-type activities.

The State completed construction on a variety of infrastructure, facilities and software projects during fiscal year 2019 totaling approximately \$648.8 million, as compared with \$315.6 million in the previous fiscal year. As further detailed in the notes to the financial statements (NOTE 20D), the State had \$398.2 million in major construction commitments (unrelated to infrastructure), as of June 30, 2019, compared to \$431.4 million for the prior year.

Capital Assets, Net of Accumulated Depreciation

As of June 30, 2019 and 2018

(dollars in thousands)

	As of June 30, 2019			As of June 30, 2018		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,471,922	\$ 9,466	\$ 2,481,388	\$ 2,432,987	\$ 9,466	\$ 2,442,453
Buildings	1,546,166	15,084	1,561,250	1,562,728	22,048	1,584,776
Land Improvements	178,841	-	178,841	169,767	-	169,767
Machinery and Equipment	503,472	27,815	531,287	351,535	35,601	387,136
Vehicles	224,713	1,837	226,550	202,771	1,816	204,587
Infrastructure:						
Highway Network:						
General Subsystem	8,713,214	-	8,713,214	8,661,898	-	8,661,898
Priority Subsystem	8,875,085	-	8,875,085	8,724,307	-	8,724,307
Bridge Network	2,920,096	-	2,920,096	2,836,116	-	2,836,116
Parks, Recreation, and Natural Resources System	130,877	-	130,877	103,930	-	103,930
	<u>25,564,386</u>	<u>54,202</u>	<u>25,618,588</u>	<u>25,046,039</u>	<u>68,931</u>	<u>25,114,970</u>
Construction-in-Progress	2,814,725	85,180	2,899,905	2,959,550	96,598	3,056,148
Total Capital Assets, Net	<u>\$ 28,379,111</u>	<u>\$ 139,382</u>	<u>\$ 28,518,493</u>	<u>\$ 28,005,589</u>	<u>\$ 165,529</u>	<u>\$ 28,171,118</u>

Modified Approach

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. To use this approach, a government must maintain an asset management system and demonstrate that the infrastructure is being preserved approximately at or above an established condition level. Under this approach, infrastructure is not depreciated, and maintenance and preservation costs are expensed. Infrastructure assets accounted for using the modified approach include approximately 43,361 lane miles of highway and approximately 108.2 million square feet of deck area that comprises 14,344 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: Priority and General. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation (ODOT) for fiscal year 2019, indicates that 3.2 percent and 2.5 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. Comparatively, 3.1 percent and 1.4 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating in fiscal year 2018.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by ODOT for fiscal year 2019, indicates that only 1.6 percent of the number of square feet of bridge deck area was considered to be in "fair" and "poor" conditions, a 0.1 percent decrease over the prior year.

Fiscal year 2019 total actual maintenance and preservation costs for the pavement network were \$870.7 million, compared to estimated costs of \$744.3 million, while total actual maintenance and preservation costs for the bridge network was \$451.6 million, \$27.2 million above estimate. In the previous fiscal year, total actual maintenance and preservation costs for the pavement network were \$909.6 million, compared to estimated costs of \$751.3 million, while total actual maintenance and preservation costs for the bridge network were \$452.3 million, \$10.5 million below estimate. Overall, the State's costs for actual maintenance and preservation for highway infrastructure assets have exceeded estimates over the past two years due to steadily increasing underlying costs for the materials and labor associated with infrastructure projects.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information Infrastructure section of this report.

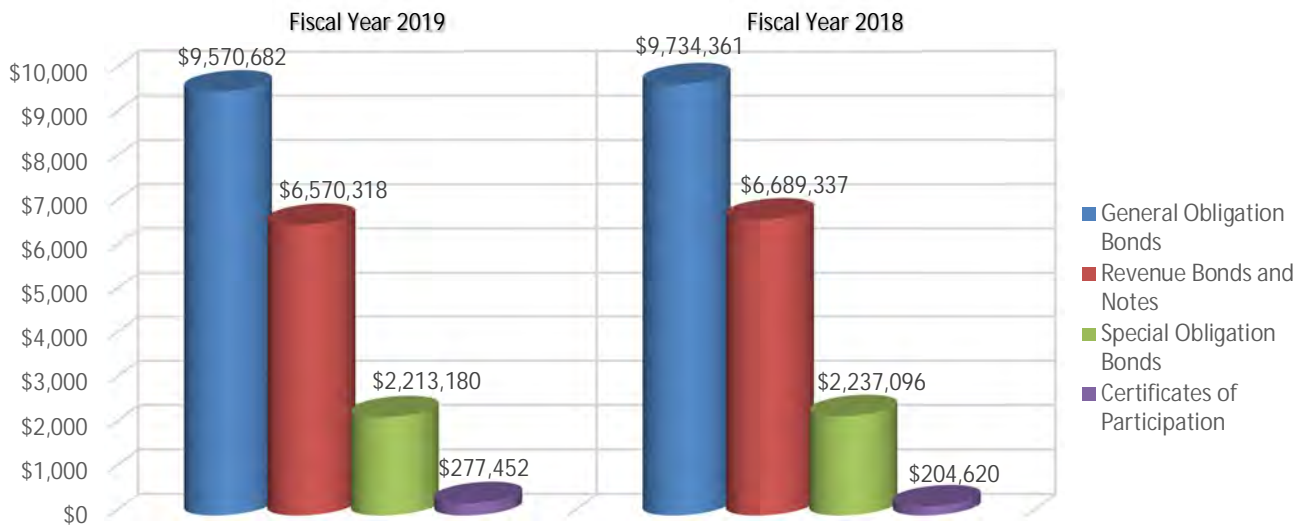
Debt — Bonds and Notes Payable and Certificates of Participation Obligations

The State’s general obligation bonds are backed by its full faith and credit. Revenue bonds and notes are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds are supported with lease payments from tenants of facilities constructed with the proceeds from the bonds. Under certificate of participation (COPs) financing arrangements, the State is required to pay base rent (subject to appropriation) that approximates interest and principal payments made by trustees to certificate holders.

During fiscal year 2019, the State issued a par amount of \$697.1 million in general obligation bonds, \$205 million in special obligation bonds, and \$99.3 million in certificates of participation. There were no advance refunding bonds. The total decrease in the State’s debt for the current fiscal year, based on carrying amount, was 1.2 percent, all in governmental activities.

As of June 30, 2019, and June 30, 2018, the State had total debt, all in governmental activities, of approximately \$18.63 billion and \$18.87 billion, respectively, as shown in the chart below.

**Bonds and Notes Payable and Certificates of Participation
As of June 30, 2019 and 2018
(dollars in thousands)**



Credit Ratings

Both the State’s general and special obligation bonds carry a “stable” credit outlook from all three credit rating agencies. A credit outlook is an indication of the pressure on the rating over the near-to-intermediate term and should not be viewed as a precursor to a rating change.

The ratings and rating outlooks in effect from time to time reflect only the views of the particular rating organization. An explanation of its view of the meaning and significance of its rating or outlook may be obtained from the respective rating agency. Generally, the rating agencies base their rating on submitted information and on their own investigations, studies, and assumptions. There can be no assurance that the ratings or outlooks assigned will continue for any given time. Rating agencies may lower or withdraw a rating at any time, if in its judgment circumstances so warrant.

The State's bonds and notes are rated as follows:

Credit Ratings As of June 30, 2019						
Bonds and Notes	Issuer	Fitch Inc.	Moody's Investor Services, Inc.	S & P Global Ratings Services	Security and Source of Funds	
General Obligations Bonds:						
Common Schools Capital Facilities ..	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Higher Education Capital Facilities ...	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Highway Capital Improvements	Treasurer of State	AA+	Aa1	AAA	Highway User Receipts	
Infrastructure Improvements	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Coal Research and Development	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Natural Resources Capital Facilities .	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Conservation Projects	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Third Frontier Research and Development	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Site Development	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Veterans' Compensation	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds	
Revenue Bonds:						
Major New State Infrastructure.....	Treasurer of State	N/A	Aa2	AA	Federal Transportation Grants	
Tobacco Settlement Asset-Backed...	Buckeye Tobacco Settlement Financing Authority	N/A	Ca to B-	B-	Pledged Receipts from the Tobacco Master Settlement Agreement	
Special Obligation Bonds:						
Mental Health Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds	
Parks and Recreation Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds	
Cultural and Sports Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds	
Adult Correctional Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds	
Administrative Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds	
Juvenile Correctional Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds	
Transportation Building Projects.....	Treasurer of State	AA	Aa2	AA	Highway User Receipts	
Highway Safety Facilities.....	Treasurer of State	AA	Aa2	AA	Highway User Receipts	

Limitations on Debt

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the GRF or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation debt for Third Frontier Research and Development, development of sites and facilities, and veterans compensation, and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the State official responsible for making the five percent determinations and certifications. Application of the five percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The State met the requirements of Section 17 of Article VIII of the Ohio Constitution. More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 to the financial statements.

Conditions Expected to Affect Future Operations

Economic Factors

Through October 2019, leading economic indicators might predict slowing in the pace of economic activity. The Ohio unemployment rate in October 2019 was 4.2 percent. From October 2018 to October 2019, Ohio's nonfarm payroll employment increased by approximately 20 thousand jobs.

Nationally, real gross domestic product (GDP) expanded by 1.9 percent in the third quarter, a bit faster than had been expected. The economy was two percent larger than a year earlier. Growth has slowed on a year-over-year basis after reaching 3.2 percent in the second quarter of 2018. The U.S. economy has expanded for a record 41

straight quarters at a compound annual rate of 2.3 percent. Compared with a year earlier, the real GDP is approximately 1.6 percent lower.

The national labor market outlook strengthened further in October 2019, as the level of nonfarm payroll employment increased by 128 thousand jobs. The U.S. unemployment rate for October 2019 was 3.6 percent, up from 3.5 percent in September 2019, which was the lowest level seen since December 1969.

The 2020-21 Biennial Budget

The main appropriations act (Act) for the 2020-21 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on July 18, 2019. Reflecting a conservative underlying economic forecast, the Act provides for GRF appropriations of approximately \$34 billion in fiscal year 2020, a 4 percent increase over fiscal year 2019 actual expenditures, and \$36 billion in fiscal year 2021, a 6 percent increase over fiscal year 2020 appropriations.

GRF appropriations for major program categories in fiscal year 2020, relative to 2019 expenditures, and 2021, relative to 2020 appropriations, reflect the following changes: for Medicaid, 3.3 percent increase in fiscal year 2020 and 11.8 percent increase in fiscal year 2021; for elementary and secondary education, including transfers-in support of student wellness and success, 3.9 percent increase in fiscal year 2020, and 0.2 percent increase in fiscal year 2021; for higher education, 4.6 percent increase in fiscal year 2020, and 2.6 percent increase in fiscal year 2021; for mental health and developmental disabilities (excluding Medicaid program services), 1.4 percent decrease in fiscal year 2020, and 2.8 percent increase in fiscal year 2021; for corrections and youth services, 4 percent increase in fiscal year 2020, and 3.5 percent increase in fiscal year 2021. The Act also created the H2Ohio fund to pay for water quality projects across Ohio's waterways. The H2Ohio Fund was initially funded by a \$172 million transfer from the GRF in early fiscal year 2020. Any fiscal year 2021 GRF surplus is required to be evenly transferred between the H2Ohio Fund and the Budget Stabilization Fund.

The Act reflects certain tax policy changes, resulting in estimated net GRF revenue decreases of \$410 million in fiscal year 2020 and \$177 million in fiscal year 2021. Included in these changes are an across-the-board four percent reduction in personal income tax rates and the elimination of the bottom two income tax brackets. Additionally, the Act increases the legal age to purchase tobacco products from 18 to 21 and creates a tax on the volume of nicotine-containing vapor products.

General Revenue Fund

For fiscal year 2020, total fiscal year-to-date GRF receipts collected through October 2019 are \$78.1 million above estimates and \$225 million higher than collections through October of the prior fiscal year. Total fiscal year-to-date GRF disbursements through October 2019 are \$127.8 million below estimates for the first four months of fiscal year 2020 and \$17.6 million below expenditures for the first four months of the prior fiscal year. As of October 2019, receipts were 0.7 percent above budget estimates and disbursements were 1 percent below budget estimates for fiscal year 2020. Fiscal year 2020 receipts are 2 percent ahead of receipts for the first four months of fiscal year 2019. Disbursements for fiscal year 2020 are 0.1 percent below disbursements for the same time period of fiscal year 2019.

Budget Stabilization Fund

The Budget Stabilization Fund (BSF) is Ohio's rainy day savings account, a reserve balance set aside in good economic times to protect the State's budget from cyclical changes in revenues and expenditures should the economy become weakened unexpectedly. By law, the target balance for the BSF can be up to 8.5 percent of the prior fiscal year's GRF revenues. The BSF continues to maintain a record-high balance of over \$2.69 billion, the strongest reserves in State history.

Workers' Compensation Fund

The Ohio Bureau of Workers' Compensation (BWC) is decreasing private statewide average employer base rates an average of 20 percent for the July 1, 2019 policy year, producing estimated savings for these employers of \$244.1 million based on projected policy year 2019 payroll levels of \$127.4 billion. BWC continues to provide grants to employers to purchase safety equipment, promote health and wellness, and implement drug-free workplaces. BWC is also expanding the Substance Use Recovery and Workplace Safety program into additional counties during fiscal years 2020 and 2021. The Substance Use Recovery and Workplace Safety program provides reimbursement and training to help employers with hiring, managing, and retaining workers in addiction recovery.

Contacting the Ohio Office of Budget and Management

This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or by e-mail at Contact@obm.ohio.gov.

Financial Section

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2019
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer.....	\$ 10,998,854	\$ 237,460	\$ 11,236,314	\$ 330,878
Cash and Cash Equivalents.....	160,889	500,766	661,655	2,687,825
Deposit with Federal Government.....	—	1,269,370	1,269,370	—
Investments.....	1,492,603	27,085,369	28,577,972	13,051,676
Collateral on Lent Securities.....	3,550,387	77,010	3,627,397	106,486
Taxes Receivable.....	1,805,236	—	1,805,236	—
Intergovernmental Receivable.....	1,035,238	5,555	1,040,793	49,927
Premiums and Assessments Receivable.....	—	639,343	639,343	—
Investment Trade Receivable.....	—	195,199	195,199	—
Loans Receivable, Net.....	1,314,028	—	1,314,028	319,689
Receivable from Primary Government.....	—	—	—	22,396
Receivable from Component Units.....	9,576	—	9,576	—
Other Receivables.....	892,855	496,638	1,389,493	1,480,240
Inventories.....	115,215	—	115,215	178,754
Other Assets.....	26,675	9,063	35,738	1,822,798
Restricted Assets:				
Cash Equity with Treasurer.....	—	96	96	—
Cash and Cash Equivalents.....	310	—	310	789,157
Investments.....	382,856	647,703	1,030,559	2,838,457
Collateral on Lent Securities.....	—	58,288	58,288	—
Other Receivables.....	617,421	18	617,439	—
Capital Assets Being Depreciated, Net.....	2,520,166	44,736	2,564,902	14,377,338
Capital Assets Not Being Depreciated.....	25,858,945	94,646	25,953,591	1,655,103
TOTAL ASSETS.....	50,781,254	31,361,260	82,142,514	39,710,724
DEFERRED OUTFLOWS OF RESOURCES.....	6,081,404	182,493	6,263,897	2,453,138
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	56,862,658	31,543,753	88,406,411	42,163,862
LIABILITIES:				
Accounts Payable.....	734,523	30,401	764,924	751,106
Accrued Liabilities.....	417,854	4,843	422,697	691,468
Medicaid Claims Payable.....	857,582	—	857,582	—
Obligations Under Securities Lending.....	3,550,387	135,298	3,685,685	106,486
Investment Trade Payable.....	—	396,284	396,284	—
Intergovernmental Payable.....	1,022,372	540	1,022,912	4,791
Internal Balances.....	512,440	(512,440)	—	—
Payable to Primary Government.....	—	—	—	8,783
Payable to Component Units.....	22,396	—	22,396	—
Unearned Revenue.....	531,913	433,498	965,411	504,805
Benefits Payable.....	—	7,199	7,199	—
Refund and Other Liabilities.....	1,041,828	71,330	1,113,158	174,244
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	1,276,154	—	1,276,154	952,248
Due in More Than One Year.....	17,078,026	—	17,078,026	10,354,268
Certificates of Participation:				
Due in One Year.....	26,381	—	26,381	—
Due in More Than One Year.....	251,071	—	251,071	—
Other Noncurrent Liabilities:				
Due in One Year.....	195,265	3,520,185	3,715,450	798,377
Due in More Than One Year.....	10,016,550	14,533,865	24,550,415	12,538,381
TOTAL LIABILITIES.....	37,534,742	18,621,003	56,155,745	26,884,957
DEFERRED INFLOWS OF RESOURCES.....	2,073,057	63,682	2,136,739	4,679,051
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	39,607,799	18,684,685	58,292,484	31,564,008

The notes to the financial statements are an integral part of this statement.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION (DEFICITS):				
Net Investment in Capital Assets.....	24,458,022	134,728	24,592,750	8,438,472
Restricted for:				
Primary, Secondary and Other Education.....	133,130	—	133,130	—
Higher Education Support.....	14,444	—	14,444	—
Public Assistance and Medicaid.....	459,789	—	459,789	—
Health and Human Services.....	126,724	—	126,724	—
Justice and Public Protection.....	38,126	—	38,126	—
Environmental Protection and Natural Resources.....	359,593	—	359,593	—
Transportation.....	1,919,480	—	1,919,480	218,803
General Government.....	218,522	—	218,522	—
Community and Economic Development.....	659,085	—	659,085	35,979
Lottery Prizes.....	—	57,181	57,181	—
Workers Compensation.....	—	11,178,867	11,178,867	—
Unemployment Compensation.....	—	1,303,856	1,303,856	—
Tuition Trust Authority.....	—	105,906	105,906	—
Nonexpendable for				
Colleges and Universities.....	—	—	—	4,302,676
Expendable for				
Colleges and Universities.....	—	—	—	2,997,901
Unrestricted.....	(11,132,056)	78,530	(11,053,526)	(5,393,977)
TOTAL NET POSITION (DEFICITS).....	\$ 17,254,859	\$ 12,859,068	\$ 30,113,927	\$ 10,599,854

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary					
and Other Education.....	\$ 13,115,806	\$ 16,660	\$ 1,983,889	\$ —	\$ (11,115,257)
Higher Education Support	2,731,166	3,768	26,237	—	(2,701,161)
Public Assistance and Medicaid	30,187,506	2,663,006	21,714,778	—	(5,809,722)
Health and Human Services	1,926,151	176,064	880,591	—	(869,496)
Justice and Public Protection	4,383,344	1,125,871	277,069	429	(2,979,975)
Environmental Protection					
and Natural Resources.....	557,249	256,728	92,702	—	(207,819)
Transportation	2,715,640	138,074	109,529	1,473,447	(994,590)
General Government	1,223,453	500,983	183,820	1,150	(537,500)
Community and Economic					
Development.....	3,386,936	402,064	287,286	6,765	(2,690,821)
Interest on Long-Term Debt					
(excludes interest charged as					
program expense).....	102,143	—	—	—	(102,143)
TOTAL GOVERNMENTAL ACTIVITIES.....	60,329,394	5,283,218	25,555,901	1,481,791	(28,008,484)
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation.....	2,113,612	1,299,895	2,191,121	—	1,377,404
Lottery Commission.....	3,242,547	4,423,668	35,666	—	1,216,787
Unemployment Compensation.....	841,040	1,154,235	23,427	—	336,622
Tuition Trust Authority.....	50,778	6,251	53,063	—	8,536
Office of Auditor of State.....	102,347	45,136	—	—	(57,211)
TOTAL BUSINESS-TYPE ACTIVITIES.....	6,350,324	6,929,185	2,303,277	—	2,882,138
TOTAL PRIMARY GOVERNMENT.....	\$ 66,679,718	\$ 12,212,403	\$ 27,859,178	\$ 1,481,791	\$ (25,126,346)
COMPONENT UNITS:					
Ohio Facilities Construction Commission.....	\$ 215,551	\$ 107,385	\$ 13,406	\$ —	\$ (94,760)
Ohio State University.....	7,235,376	5,513,064	782,234	26,565	(913,513)
Other Component Units.....	8,398,213	5,654,205	801,066	37,755	(1,905,187)
TOTAL COMPONENT UNITS.....	\$ 15,849,140	\$ 11,274,654	\$ 1,596,706	\$ 64,320	\$ (2,913,460)

The notes to the financial statements are an integral part of this statement.

PRIMARY GOVERNMENT

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>COMPONENT UNITS</u>
CHANGES IN NET POSITION:				
Net (Expense) Revenue.....	\$ (28,008,484)	\$ 2,882,138	\$ (25,126,346)	\$ (2,913,460)
General Revenues:				
Taxes:				
Income.....	9,532,285	—	9,532,285	—
Sales.....	10,791,460	—	10,791,460	—
Corporate and Public Utility	3,072,683	—	3,072,683	—
Cigarette.....	917,278	—	917,278	—
Other.....	1,074,712	—	1,074,712	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,874,409	—	1,874,409	—
Total Taxes.....	27,262,827	—	27,262,827	—
Tobacco Settlement.....	343,125	—	343,125	—
Escheat Property.....	147,736	—	147,736	—
Unrestricted Investment Income.....	235,370	24	235,394	491,164
State Assistance	—	—	—	2,235,599
Other.....	20	38	58	688,406
Additions to Endowments and Permanent Fund Principal.....				
	—	—	—	98,417
Transfers-Internal Activities.....	1,141,335	(1,141,335)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS.....				
	29,130,413	(1,141,273)	27,989,140	3,513,586
CHANGE IN NET POSITION.....	1,121,929	1,740,865	2,862,794	600,126
NET POSITION (DEFICITS), JULY 1 (as restated)....	16,132,930	11,118,203	27,251,133	9,999,728
NET POSITION (DEFICITS), JUNE 30.....	\$ 17,254,859	\$ 12,859,068	\$ 30,113,927	\$ 10,599,854

STATE OF OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer.....	\$ 7,161,422	\$ 359,855	\$ —
Cash and Cash Equivalents.....	110,150	2,891	310
Investments.....	1,445,831	—	382,856
Collateral on Lent Securities.....	2,307,783	116,525	—
Taxes Receivable	1,673,275	—	—
Intergovernmental Receivable.....	432,840	187,405	—
Loans Receivable, Net	1,133,170	—	—
Interfund Receivable	—	—	—
Receivable from Component Units.....	—	—	—
Other Receivables	291,824	551,483	617,421
Inventories	22,643	—	—
Other Assets	90	—	—
TOTAL ASSETS	14,579,028	1,218,159	1,000,587
DEFERRED OUTFLOWS OF RESOURCES.....	—	—	4,042,486
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	\$ 14,579,028	\$ 1,218,159	\$ 5,043,073
LIABILITIES:			
Accounts Payable	\$ 242,936	\$ 146,923	\$ —
Accrued Liabilities.....	166,591	22,758	—
Medicaid Claims Payable.....	627,403	4,364	—
Obligations Under Securities Lending.....	2,307,783	116,525	—
Intergovernmental Payable.....	694,832	130,809	—
Interfund Payable.....	398,574	10,574	—
Payable to Component Units.....	19,862	1,009	—
Unearned Revenue.....	—	427,049	—
Refund and Other Liabilities.....	1,038,258	2,905	—
Liability for Escheat Property.....	335,738	—	—
TOTAL LIABILITIES.....	5,831,977	862,916	—
DEFERRED INFLOWS OF RESOURCES.....	1,028,899	68,696	617,326
FUND BALANCES (DEFICITS):			
Nonspendable.....	55,497	—	—
Restricted.....	1,592,716	140,600	4,425,747
Committed.....	728,698	145,947	—
Assigned.....	2,885,896	—	—
Unassigned.....	2,455,345	—	—
TOTAL FUND BALANCES (DEFICITS)	7,718,152	286,547	4,425,747
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,579,028	\$ 1,218,159	\$ 5,043,073

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS		TOTAL
\$	3,477,577	\$ 10,998,854
	47,848	161,199
	46,772	1,875,459
	1,126,079	3,550,387
	131,961	1,805,236
	414,993	1,035,238
	180,858	1,314,028
	1,442	1,442
	9,576	9,576
	49,548	1,510,276
	92,572	115,215
	—	90
	<u>5,579,226</u>	<u>22,377,000</u>
	—	<u>4,042,486</u>
\$	<u>5,579,226</u>	\$ <u>26,419,486</u>
\$	344,664	\$ 734,523
	64,797	254,146
	225,815	857,582
	1,126,079	3,550,387
	196,731	1,022,372
	104,734	513,882
	1,525	22,396
	104,864	531,913
	665	1,041,828
	—	335,738
	<u>2,169,874</u>	<u>8,864,767</u>
	<u>38,947</u>	<u>1,753,868</u>
	92,572	148,069
	2,691,353	8,850,416
	592,722	1,467,367
	—	2,885,896
	(6,242)	2,449,103
	<u>3,370,405</u>	<u>15,800,851</u>
\$	<u>5,579,226</u>	\$ <u>26,419,486</u>

STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019 (dollars in thousands)

Total Fund Balances for Governmental Funds..... **\$ 15,800,851**

Total net position reported for governmental activities in the Statement of Net Position is different because:

Net Pension Assets Reported for Governmental Activities are not Financing Resources and therefore, are not Reported in the Funds..... 26,585

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of:

Land.....	2,471,922	
Buildings and Improvements, net of \$2,539,591 accumulated depreciation.....	1,546,166	
Land Improvements, net of \$366,084 accumulated depreciation.....	178,841	
Machinery and Equipment, net of \$1,239,388 accumulated depreciation.....	503,472	
Vehicles, net of \$294,794 accumulated depreciation.....	224,713	
Infrastructure, net of \$50,988 accumulated depreciation.....	20,639,272	
Construction-in-Progress.....	<u>2,814,725</u>	
 Total Capital Assets.....		 <u>28,379,111</u>

The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.

Hedging Derivatives.....	13,207	
Loss on Debt Refundings.....	101,153	
Net Pension and OPEB Liability/Asset.....	<u>1,924,558</u>	
 Total Deferred Outflows of Resources.....		 <u>2,038,918</u>

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

Accrued Liabilities:		
Interest Payable.....	(163,708)	
Bonds and Notes Payable:		
General Obligation Bonds.....	(9,570,682)	
Revenue Bonds and Notes.....	(6,570,318)	
Special Obligation Bonds.....	(2,213,180)	
Certificates of Participation.....	(277,452)	
Other Noncurrent Liabilities:		
Compensated Absences.....	(479,189)	
Net Pension Liability.....	(6,127,878)	
Net OPEB Liability.....	(2,861,839)	
Capital Leases Payable.....	(21,044)	
Derivatives.....	(19,311)	
Estimated Claims Payable.....	(137)	
Pollution Remediation.....	(1,870)	
Infrastructure Liabilities.....	<u>(364,809)</u>	
 Total Liabilities.....		 <u>(28,671,417)</u>

The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.

Resources from the Sale of Future Revenues.....	(1,053,773)	
Net Pension and OPEB Liability/Asset.....	(232,369)	
Debt Refundings.....	<u>(2,124)</u>	
Less Unavailable Resources Reported in the Funds:		
Taxes Receivable.....	96,629	
Intergovernmental Receivable.....	227,601	
Other Receivables.....	<u>644,847</u>	
	<u>969,077</u>	
 Total Deferred Inflows of Resources.....		 <u>(319,189)</u>

Total Net Position of Governmental Activities..... **\$ 17,254,859**

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes.....	\$ 9,503,588	\$ —	\$ —
Sales Taxes.....	10,791,460	—	—
Corporate and Public Utility Taxes.....	2,984,810	—	—
Motor Vehicle Fuel Taxes.....	1,153,540	—	—
Cigarette Taxes.....	917,278	—	—
Other Taxes.....	722,801	1,236	—
Licenses, Permits and Fees.....	1,200,753	2,126,366	—
Sales, Services and Charges.....	115,337	—	—
Federal Government.....	9,404,643	10,824,146	—
Tobacco Settlement.....	386	—	297,690
Escheat Property.....	147,736	—	—
Investment Income.....	416,878	11,811	9,299
Other.....	294,125	240,127	180
TOTAL REVENUES.....	37,653,335	13,203,686	307,169
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	9,478,179	23	78,397
Higher Education Support.....	2,552,605	—	—
Public Assistance and Medicaid.....	15,368,656	12,566,293	—
Health and Human Services.....	677,286	316,612	—
Justice and Public Protection.....	3,193,956	68,033	—
Environmental Protection and Natural Resources.....	71,010	—	—
Transportation.....	12,991	—	—
General Government.....	625,878	3,218	—
Community and Economic Development.....	2,574,150	—	—
CAPITAL OUTLAY.....	—	2,817	—
DEBT SERVICE.....	—	—	300,241
TOTAL EXPENDITURES.....	34,554,711	12,956,996	378,638
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,098,624	246,690	(71,469)
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....	617,435	—	—
Premiums/Discounts.....	89,878	—	—
Capital Leases.....	792	—	—
Transfers-in.....	531,759	5,828	—
Transfers-out.....	(2,119,050)	(239,460)	(18,232)
TOTAL OTHER FINANCING SOURCES (USES).....	(879,186)	(233,632)	(18,232)
NET CHANGE IN FUND BALANCES.....	2,219,438	13,058	(89,701)
FUND BALANCES (DEFICITS), July 1.....	5,497,549	273,489	4,515,448
Increase (Decrease) for Changes in Inventories.....	1,165	—	—
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 7,718,152	\$ 286,547	\$ 4,425,747

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
\$ 86	\$ 9,503,674
—	10,791,460
87,873	3,072,683
720,869	1,874,409
—	917,278
350,675	1,074,712
716,660	4,043,779
38,885	154,222
6,585,143	26,813,932
45	298,121
—	147,736
47,427	485,415
672,303	1,206,735
9,219,966	60,384,156
3,132,673	12,689,272
32,430	2,585,035
2,170,877	30,105,826
695,945	1,689,843
397,950	3,659,939
349,248	420,258
2,614,124	2,627,115
378,520	1,007,616
694,221	3,268,371
817,392	820,209
1,792,821	2,093,062
13,076,201	60,966,546
(3,856,235)	(582,390)
383,892	1,001,327
66,329	156,207
—	792
3,498,939	4,036,526
(518,449)	(2,895,191)
3,430,711	2,299,661
(425,524)	1,717,271
3,782,356	14,068,842
13,573	14,738
\$ 3,370,405	\$ 15,800,851

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds.....	\$ 1,717,271
Change in Inventories.....	<u>14,738</u>
	1,732,009

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	777,000
Depreciation Expense.....	<u>(403,478)</u>
Excess of Capital Outlay Over Depreciation Expense.....	<u>373,522</u>

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

General Obligation Bonds.....	(697,125)
Special Obligation Bonds.....	(205,000)
Certificates of Participation.....	(99,250)
Premiums and Discounts, Net:	
General Obligation Bonds.....	(116,544)
Special Obligation Bonds.....	(27,897)
Certificates of Participation.....	(11,765)
Capital Leases.....	<u>(1,412)</u>
Total Debt Proceeds.....	<u>(1,158,993)</u>

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

<i>Debt Principal Retirement and Defeasements:</i>	
General Obligation Bonds.....	843,440
Revenue Bonds and Notes.....	151,270
Special Obligation Bonds.....	220,820
Certificates of Participation.....	<u>33,615</u>
Total Long-Term Debt Repayment.....	<u>1,249,145</u>

The notes to the financial statements are an integral part of this statement.

Some revenues and expenses reported in the Statement of Activities are not reported as revenue and expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses, liabilities, and deferred resources 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:

<i>Increase in Other Assets</i>	1,576	
<i>Decrease in Accrued Interest and Other Accrued Liabilities</i>	8,673	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net</i>	142,218	
<i>Decrease in Refunding Loss Included in Deferred Outflows of Resources</i>	(30,626)	
<i>Increase in Pension/OPEB Related Balances Included in Deferred Outflows of Resources</i>	1,085,910	
<i>Decrease in Compensated Absences</i>	517	
<i>Increase in Derivative Liabilities (Excluding Hedging Derivatives)</i>	(125)	
<i>Decrease in Estimated Claims Payable</i>	542	
<i>Decrease in Infrastructure Liability</i>	48,585	
<i>Increase in Net Pension Liability</i>	(2,619,673)	
<i>Increase in OPEB Liability</i>	(309,162)	
<i>Decrease in Deferred Inflow of Resources</i>	597,811	
<i>Total Additional Revenues and Expenditures</i>		<u>(1,073,754)</u>
 Change in Net Position of Governmental Activities		 <u>\$ 1,121,929</u>

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2019
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 7,335	\$ 197,909	\$ —
Cash and Cash Equivalents.....	426,579	39,190	—
Deposit with Federal Government.....	—	—	1,269,370
Collateral on Lent Securities.....	2,375	64,085	—
Restricted Assets:			
Cash Equity with Treasurer.....	—	96	—
Investments.....	—	46,405	—
Collateral on Lent Securities.....	—	58,288	—
Other Receivables.....	—	18	—
Intergovernmental Receivable.....	—	—	26
Premiums and Assessments Receivable.....	13,293	—	24,414
Investment Trade Receivable.....	195,199	—	—
Interfund Receivable.....	53,324	—	—
Other Receivables.....	411,519	64,316	20,056
Other Assets.....	600	4,179	3,025
TOTAL CURRENT ASSETS.....	1,110,224	474,486	1,316,891
NONCURRENT ASSETS:			
Restricted Assets:			
Investments.....	—	364,005	—
Investments.....	27,085,369	—	—
Premiums and Assessments Receivable.....	601,636	—	—
Interfund Receivable.....	458,455	—	—
Other Assets.....	668	142	—
Capital Assets Being Depreciated, Net.....	22,013	21,920	—
Capital Assets Not Being Depreciated.....	94,646	—	—
TOTAL NONCURRENT ASSETS.....	28,262,787	386,067	—
TOTAL ASSETS.....	29,373,011	860,553	1,316,891
DEFERRED OUTFLOWS OF RESOURCES.....	137,416	13,449	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	29,510,427	874,002	1,316,891
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	16,087	13,221	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	2,375	122,373	—
Investment Trade Payable.....	396,284	—	—
Intergovernmental Payable.....	—	—	540
Prize Awards Payable.....	—	46,519	—
Interfund Payable.....	—	110	—
Unearned Revenue.....	431,129	1,353	—
Benefits Payable.....	1,424,703	—	7,199
Refund and Other Liabilities.....	2,041,468	38,614	5,296
TOTAL CURRENT LIABILITIES.....	4,312,046	222,190	13,035
NONCURRENT LIABILITIES:			
Prize Awards Payable.....	—	330,724	—
Interfund Payable.....	—	948	—
Benefits Payable.....	11,773,857	—	—
Refund and Other Liabilities.....	2,067,882	71,973	—
TOTAL NONCURRENT LIABILITIES.....	13,841,739	403,645	—
TOTAL LIABILITIES.....	18,153,785	625,835	13,035
DEFERRED INFLOWS OF RESOURCES.....	61,116	812	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	18,214,901	626,647	13,035
NET POSITION (DEFICITS):			
Net Investment in Capital Assets.....	116,659	17,266	—
Restricted for Lottery Prizes.....	—	57,181	—
Unrestricted.....	11,178,867	172,908	1,303,856
TOTAL NET POSITION (DEFICITS).....	\$ 11,295,526	\$ 247,355	\$ 1,303,856

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 32,216	\$ 237,460
34,997	500,766
—	1,269,370
10,550	77,010
—	96
33,200	79,605
—	58,288
—	18
5,529	5,555
—	37,707
—	195,199
1,719	55,043
747	496,638
—	7,804
<u>118,958</u>	<u>3,020,559</u>
204,093	568,098
—	27,085,369
—	601,636
—	458,455
449	1,259
803	44,736
—	94,646
<u>205,345</u>	<u>28,854,199</u>
<u>324,303</u>	<u>31,874,758</u>
<u>31,628</u>	<u>182,493</u>
<u>355,931</u>	<u>32,057,251</u>
1,093	30,401
4,843	4,843
10,550	135,298
—	396,284
—	540
—	46,519
—	110
1,016	433,498
33,200	1,465,102
1,715	2,087,093
<u>52,417</u>	<u>4,599,688</u>
—	330,724
—	948
130,700	11,904,557
<u>158,729</u>	<u>2,298,584</u>
<u>289,429</u>	<u>14,534,813</u>
<u>341,846</u>	<u>19,134,501</u>
<u>1,754</u>	<u>63,682</u>
<u>343,600</u>	<u>19,198,183</u>
803	134,728
—	57,181
11,528	12,667,159
<u>\$ 12,331</u>	<u>\$ 12,859,068</u>

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS -- ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ —	\$ 4,419,583	\$ 25,221
Premium and Assessment Income.....	1,290,499	—	1,100,895
Federal Government.....	—	—	6,987
Investment Income.....	—	—	—
Other.....	9,396	4,085	21,132
TOTAL OPERATING REVENUES.....	1,299,895	4,423,668	1,154,235
OPERATING EXPENSES:			
Costs of Sales and Services.....	—	—	—
Administration.....	82,899	135,645	—
Bonuses and Commissions.....	—	927,359	—
Prizes.....	—	2,139,841	—
Benefits and Claims.....	760,096	—	840,747
Depreciation.....	20,945	11,055	—
Other.....	1,249,672	10,968	293
TOTAL OPERATING EXPENSES.....	2,113,612	3,224,868	841,040
OPERATING INCOME (LOSS).....	(813,717)	1,198,800	313,195
NONOPERATING REVENUES (EXPENSES):			
Investment Income.....	2,191,121	35,666	23,427
Interest Expense.....	—	(1,513)	—
Other.....	—	(16,166)	—
TOTAL NONOPERATING REVENUES (EXPENSES).....	2,191,121	17,987	23,427
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS.....	1,377,404	1,216,787	336,622
Transfers-in.....	—	—	—
Transfers-out.....	(8,742)	(1,155,626)	(7,756)
TOTAL GAIN (LOSS) AND TRANSFERS.....	(8,742)	(1,155,626)	(7,756)
NET INCOME (LOSS).....	1,368,662	61,161	328,866
NET POSITION (DEFICITS), JULY 1.....	9,926,864	186,194	974,990
NET POSITION (DEFICITS), JUNE 30.....	\$ 11,295,526	\$ 247,355	\$ 1,303,856

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 51,006	\$ 4,495,810
—	2,391,394
—	6,987
11,463	11,463
41,981	76,594
104,450	6,982,248
95,970	95,970
15,364	233,908
—	927,359
—	2,139,841
41,552	1,642,395
239	32,239
—	1,260,933
153,125	6,332,645
(48,675)	649,603
24	2,250,238
—	(1,513)
38	(16,128)
62	2,232,597
(48,613)	2,882,200
30,789	30,789
—	(1,172,124)
30,789	(1,141,335)
(17,824)	1,740,865
30,155	11,118,203
\$ 12,331	\$ 12,859,068

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ —	\$ 4,416,232	\$ —
Cash Received from Multi-State Lottery for Grand Prize Winner.....	—	1,858	—
Cash Received from Premiums and Assessments.....	1,675,918	—	1,121,045
Cash Received from Interfund Services Provided.....	47,267	—	—
Other Operating Cash Receipts.....	34,119	4,265	55,615
Cash Payments to Suppliers for Goods and Services.....	(76,198)	(86,807)	—
Cash Payments to Employees for Services.....	(217,489)	(35,062)	—
Cash Payments for Benefits and Claims.....	(1,574,451)	—	(757,673)
Cash Payments for Lottery Prizes.....	—	(2,193,463)	—
Cash Payments for Bonuses and Commissions.....	—	(927,359)	—
Cash Payments for Premium Reductions and Refunds.....	(1,574,017)	—	—
Cash Payments for Interfund Services Used.....	(31,288)	(9,643)	—
Other Operating Cash Payments.....	—	(2,205)	(97,478)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(1,716,139)	1,167,816	321,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(8,742)	(1,155,626)	(7,756)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	(8,742)	(1,155,626)	(7,756)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(1,982)	(749)	—
Proceeds from Sales of Capital Assets	148	(1,953)	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,834)	(2,702)	—
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(20,027,914)	(71,015)	—
Proceeds from the Sales and Maturities of Investments	20,202,374	118,963	—
Investment Income Received	721,697	5,876	23,427
Borrower Rebates and Agent Fees.....	(52,424)	(1,546)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	843,733	52,278	23,427
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS.....	(882,982)	61,766	337,180
CASH AND CASH EQUIVALENTS, JULY 1	1,316,896	175,429	932,190
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 433,914	\$ 237,195	\$ 1,269,370

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS		TOTAL	
\$	37,008	\$	4,453,240
	—		1,858
	—		2,796,963
	8,949		56,216
	8,848		102,847
	(8,000)		(171,005)
	(79,412)		(331,963)
	—		(2,332,124)
	—		(2,193,463)
	—		(927,359)
	—		(1,574,017)
	(4,574)		(45,505)
	(41,551)		(141,234)
	(78,732)		(305,546)
	30,578		30,578
	—		(1,172,124)
	30,578		(1,141,546)
	(86)		(2,817)
	56		(1,749)
	(30)		(4,566)
	(127,142)		(20,226,071)
	168,254		20,489,591
	2,267		753,267
	—		(53,970)
	43,379		962,817
	(4,805)		(488,841)
	72,018		2,496,533
\$	67,213	\$	2,007,692

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(dollars in thousands)
(continued)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ (813,717)	\$ 1,198,800	\$ 313,195
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	—
Depreciation	20,945	11,055	—
Provision for Uncollectible Accounts.....	31,775	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable.....	—	—	417
Premiums and Assessments Receivable.....	39,189	—	6,225
Interfund Receivable.....	34,480	—	—
Other Receivables	(57,058)	(3,376)	1,873
Other Assets	—	(825)	547
Increase (Decrease) in Liabilities:			
Accounts Payable	(17,729)	2,910	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	58
Prize Awards Payable.....	—	(48,468)	—
Interfund Payable.....	—	(77)	—
Unearned Revenue	(68,953)	206	—
Benefits Payable.....	(955,149)	—	733
Refund and Other Liabilities.....	70,078	7,591	(1,539)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (1,716,139)	\$ 1,167,816	\$ 321,509
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments.....	\$ 1,536,515	\$ 48,270	\$ —

The notes to the financial statements are an integral part of this statement.

<u>NONMAJOR PROPRIETARY FUNDS</u>	<u>TOTAL</u>
\$ (48,675)	\$ 649,603
(11,463)	(11,463)
239	32,239
—	31,775
25,617	26,034
—	45,414
(211)	34,269
1,159	(57,402)
—	(278)
(4,703)	(19,522)
27	27
—	58
—	(48,468)
—	(77)
248	(68,499)
(41,600)	(996,016)
630	76,760
<u>\$ (78,732)</u>	<u>\$ (305,546)</u>

\$ — \$ 1,584,785

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/18)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	10,480	294,459	526,934
Investments (at fair value):			
U.S. Government and Agency Obligations.....	17,205	—	931,826
Common and Preferred Stock.....	65,575	—	—
Corporate Bonds and Notes.....	16,299	—	1,475,060
Foreign Stocks and Bonds.....	4,264	—	—
Commercial Paper.....	—	—	4,015,152
Repurchase Agreements.....	—	—	722,152
Mutual Funds.....	439,894	11,872,140	2,977,020
Real Estate.....	46,789	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	—	—	—
Partnership and Hedge Funds.....	219,291	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	—	—	—
Employer Contributions Receivable.....	1,633	—	—
Employee Contributions Receivable.....	1,294	—	—
Other Receivables.....	1,787	235,362	19,380
Other Assets.....	16	—	27
Capital Assets, Net.....	36	—	—
TOTAL ASSETS.....	824,563	12,401,961	10,667,551
DEFERRED OUTFLOWS OF RESOURCES.....	237	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	824,800	12,401,961	10,667,551
LIABILITIES:			
Accounts Payable.....	568	—	—
Accrued Liabilities.....	5,421	3,070	1,244
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	1,273	187,225	468
TOTAL LIABILITIES.....	7,262	190,295	1,712
DEFERRED INFLOWS OF RESOURCES.....	229	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	7,491	190,295	1,712
NET POSITION (DEFICITS):			
Restricted for:			
Employees' Pension Benefits.....	715,481	—	—
Employees' Postemployment Healthcare Benefits.....	101,828	—	—
Individuals, Organizations and Other Governments.....	—	12,211,666	—
Pool Participants.....	—	—	10,665,839
TOTAL NET POSITION (DEFICITS).....	\$ 817,309	\$ 12,211,666	\$ 10,665,839

The notes to the financial statements are an integral part of this statement.

AGENCY

\$ 400,249
104,618

19,442,729
44,232,111
12,138,292
45,505,528
1,537,614
1,050,000
9,247,280
21,703,575
24,194,191
7,797,723
17,623,620
64,910
129,605

—
—
—
452,619
—

205,624,664

—
205,624,664

—
—
129,605
232,634
205,262,425

205,624,664

—
205,624,664

—
—
—
—
\$ —

STATE OF OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (dollars in thousands)

	<u>PENSION TRUST</u>	<u>PRIVATE- PURPOSE TRUST</u>	<u>INVESTMENT TRUST</u>
	<u>STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/18)</u>	<u>VARIABLE COLLEGE SAVINGS PLAN</u>	<u>STAR OHIO</u>
ADDITIONS:			
Contributions from:			
Employer.....	\$ 30,638	\$ —	\$ —
Employees.....	14,452	—	—
Plan Participants.....	—	2,893,438	—
Other.....	7,634	—	—
Total Contributions.....	52,724	2,893,438	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	(53,005)	255,999	—
Interest, Dividends and Other.....	17,706	484,301	220,914
Total Investment Income.....	(35,299)	740,300	220,914
Less: Investment Expense.....	7,875	36,936	5,096
Net Investment Income.....	(43,174)	703,364	215,818
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	25,938,785
Reinvested Distributions.....	—	—	245,342
Shares Redeemed.....	—	—	(24,285,348)
Net Capital Share and Individual Account Transactions.....	—	—	1,898,779
TOTAL ADDITIONS.....	9,550	3,596,802	2,114,597
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries.....	71,581	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	15,762	—	—
Refunds of Employee Contributions.....	717	—	—
Administrative Expense.....	1,640	—	—
Transfers to Other Retirement Systems.....	211	—	—
Distributions to Shareholders and Plan Participants.....	—	2,770,059	215,818
TOTAL DEDUCTIONS.....	89,911	2,770,059	215,818
CHANGE IN NET POSITION RESTRICTED FOR:			
Employees' Pension Benefits.....	(70,876)	—	—
Employees' Postemployment Healthcare Benefits.....	(9,485)	—	—
Individuals, Organizations and Other Governments.....	—	826,743	—
Pool Participants.....	—	—	1,898,779
TOTAL CHANGE IN NET POSITION.....	(80,361)	826,743	1,898,779
NET POSITION (DEFICITS), JULY 1 (as restated).....	897,670	11,384,923	8,767,060
NET POSITION (DEFICITS), JUNE 30.....	\$ 817,309	\$ 12,211,666	\$ 10,665,839

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2019
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 328,919	\$ —	\$ 1,959
Cash and Cash Equivalents.....	—	1,709,100	978,725
Investments.....	2,103	1,798,911	3,427,518
Collateral on Lent Securities.....	106,486	—	—
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	180,686
Investments.....	—	—	94,833
Intergovernmental Receivable.....	—	6,926	43,001
Loans Receivable, Net.....	—	25,318	31,682
Receivable from Primary Government.....	—	5,456	16,940
Other Receivables.....	—	742,535	482,787
Inventories.....	—	65,753	113,001
Other Assets.....	—	72,368	86,365
TOTAL CURRENT ASSETS.....	437,508	4,426,367	5,457,497
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	—	492,033	116,438
Investments.....	—	—	2,743,624
Investments.....	—	5,476,214	2,346,930
Loans Receivable, Net.....	—	63,211	199,478
Other Receivables.....	—	64,151	190,767
Other Assets.....	—	74,520	1,589,545
Capital Assets Being Depreciated, Net.....	100	4,832,388	9,544,850
Capital Assets Not Being Depreciated.....	—	577,967	1,077,136
TOTAL NONCURRENT ASSETS.....	100	11,580,484	17,808,768
TOTAL ASSETS.....	437,608	16,006,851	23,266,265
DEFERRED OUTFLOWS OF RESOURCES.....	—	1,155,759	1,297,379
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	437,608	17,162,610	24,563,644
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	2,091	420,862	328,153
Accrued Liabilities.....	235	191,029	500,204
Obligations Under Securities Lending.....	106,486	—	—
Intergovernmental Payable.....	518,136	—	2,084
Unearned Revenue.....	—	283,997	256,697
Refund and Other Liabilities.....	2,240	147,248	271,815
Payable to Primary Government.....	—	—	8,783
Bonds and Notes Payable.....	—	612,337	339,911
TOTAL CURRENT LIABILITIES.....	629,188	1,655,473	1,707,647
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	265,694	—	84,019
Unearned Revenue.....	—	—	26,449
Refund and Other Liabilities.....	945	6,589,160	5,572,114
Bonds and Notes Payable.....	—	2,586,903	7,767,365
TOTAL NONCURRENT LIABILITIES.....	266,639	9,176,063	13,449,947
TOTAL LIABILITIES.....	895,827	10,831,536	15,157,594
DEFERRED INFLOWS OF RESOURCES.....	3,291,796	677,059	710,196
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	4,187,623	11,508,595	15,867,790
NET POSITION (DEFICITS):			
Net Investment in Capital Assets.....	100	2,749,111	5,689,261
Restricted for:			
Transportation.....	—	—	218,803
Community and Economic Development.....	34,708	—	1,271
Nonexpendable:			
Scholarships and Fellowships.....	—	—	414,683
Research.....	—	—	86,152
Endowments and Quasi-Endowments.....	—	1,580,115	1,669,796
Loans, Grants and Other College and University Purposes.....	—	—	551,930
Expendable:			
Scholarships and Fellowships.....	—	—	334,182
Research.....	—	—	169,761
Instructional Department Uses.....	—	—	157,384
Student and Public Services.....	—	—	90,901
Academic Support.....	—	—	168,113
Debt Service.....	—	—	19,503
Capital Purposes.....	—	2,498	109,007
Endowments and Quasi-Endowments.....	—	419,256	302,750
Current Operations.....	—	881,515	31,923
Loans, Grants and Other College and University Purposes.....	—	—	311,108
Unrestricted.....	(3,784,823)	21,520	(1,630,674)
TOTAL NET POSITION (DEFICITS).....	\$ (3,750,015)	\$ 5,654,015	\$ 8,695,854

The notes to the financial statements are an integral part of this statement.

TOTAL

\$ 330,878
2,687,825
5,228,532
106,486

180,686
94,833
49,927
57,000
22,396
1,225,322
178,754
158,733

10,321,372

608,471
2,743,624
7,823,144
262,689
254,918
1,664,065
14,377,338
1,655,103

29,389,352

39,710,724

2,453,138

42,163,862

751,106
691,468
106,486
520,220
540,694
421,303
8,783
952,248

3,992,308

349,713
26,449
12,162,219
10,354,268

22,892,649

26,884,957

4,679,051

31,564,008

8,438,472

218,803
35,979

414,683
86,152
3,249,911
551,930

334,182
169,761
157,384
90,901
168,113
19,503
111,505
722,006
913,438
311,108

(5,393,977)

\$ 10,599,854

STATE OF OHIO
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 185,291	\$ —	\$ —
Transportation.....	—	—	175,289
Community and Economic Development.....	29,869	—	1,176,905
<i>Education and General:</i>			
Instruction and Departmental Research.....	—	1,079,695	1,961,822
Separately Budgeted Research.....	—	503,125	389,474
Public Service.....	—	192,381	209,540
Academic Support.....	—	242,960	563,621
Student Services.....	—	109,166	342,615
Institutional Support.....	—	330,327	741,177
Operation and Maintenance of Plant.....	—	136,006	379,795
Scholarships and Fellowships.....	—	127,384	286,054
Auxiliary Enterprises.....	—	361,346	703,404
Hospitals.....	—	3,616,436	362,210
Interest on Long-Term Debt.....	—	116,044	340,515
Depreciation.....	391	420,506	638,828
Other.....	—	—	126,964
TOTAL EXPENSES.....	215,551	7,235,376	8,398,213
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	107,385	5,513,064	5,654,205
Operating Grants, Contributions and Restricted Investment Income.....	13,406	782,234	801,066
Capital Grants, Contributions and Restricted Investment Income.....	—	26,565	37,755
TOTAL PROGRAM REVENUES.....	120,791	6,321,863	6,493,026
NET PROGRAM (EXPENSE) REVENUE	(94,760)	(913,513)	(1,905,187)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	232,287	258,877
State Assistance.....	169,055	534,579	1,531,965
Other.....	1,976	260,498	425,932
TOTAL GENERAL REVENUES.....	171,031	1,027,364	2,216,774
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	45,533	52,884
CHANGE IN NET POSITION.....	76,271	159,384	364,471
NET POSITION (DEFICITS), JULY 1 (as restated).....	(3,826,286)	5,494,631	8,331,383
NET POSITION (DEFICITS), JUNE 30.....	\$ (3,750,015)	\$ 5,654,015	\$ 8,695,854

The notes to the financial statements are an integral part of this statement.

TOTAL

\$	185,291
	175,289
	1,206,774
	3,041,517
	892,599
	401,921
	806,581
	451,781
	1,071,504
	515,801
	413,438
	1,064,750
	3,978,646
	456,559
	1,059,725
	126,964
	15,849,140
	11,274,654
	1,596,706
	64,320
	12,935,680
	(2,913,460)
	491,164
	2,235,599
	688,406
	3,415,169
	98,417
	600,126
	9,999,728
\$	10,599,854



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2019, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the 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*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus*, and GASB 80, *Blending Requirements for Certain Component Units*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

1. Blended Component Units

The Buckeye Tobacco Settlement Financing Authority (BTSFA) is a legally separate organization for which the State has financial accountability through voting majority and the State has the potential to receive a financial benefit. The BTSFA provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions as though they were part of the primary government using the blending method.

2. Fiduciary Component Units

The State Highway Patrol Retirement System is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions separately in the fiduciary fund financial statements.

3. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government can impose its will on the following organizations by modifying or approving their respective budgets, through policy modification authority, or by modifying or approving rate or fee changes.

- Ohio Facilities Construction Commission
- Ohio Air Quality Development Authority
- Ohio Capital Fund
- JobsOhio

The Ohio Turnpike and Infrastructure Commission has the potential to provide a financial benefit to the primary government.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations impose or potentially impose financial burdens on the primary government:

Ohio State University
University of Cincinnati
Ohio University
Miami University
University of Akron
Bowling Green State University
Kent State University
University of Toledo
Cleveland State University
Youngstown State University
Wright State University
Shawnee State University
Northeast Ohio Medical University
Central State University
Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College
Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

The Ohio Facilities Construction Commission, a governmental component unit, does not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.

4. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 19, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14, as amended by GASB 39, GASB 61 and GASB 80.

B. Basis of Presentation

Government-wide Statements — The Statement of Net Position and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net position and changes in fiduciary net position.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets and deferred outflows of resources less liabilities and deferred inflows of resources equal net position*. The *net position* section is displayed in three components:



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Net Investment in Capital Assets* component consists of 1) capital assets, net of accumulated depreciation, and deferred outflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt less 2) outstanding balances of any bonds or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. The portion of debt and deferred inflows of resources attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net position component.
- The *Restricted Net Position* component represents the net position with constraints placed on its use that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net position is displayed in two additional components — nonexpendable and expendable. Nonexpendable net position is for those endowments that are required to be retained in perpetuity.
- The *Unrestricted Net Position* component consists of the net position that does not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenue from the federal government for the underfunded regular and extended unemployment benefits is also reported as operating revenues for the Unemployment Compensation Fund, since this source provides significant funding for the payment of unemployment benefits — the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on lottery prize liabilities, which is reported under "Other" nonoperating expenses.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following major governmental funds:

General — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Ohio Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund — This fund accounts for the payment of principal and interest on the revenue bonds issued to fund long-lived capital projects at State-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

The State reports the following major proprietary funds:

Workers' Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio, which provide workers' compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State's lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2018.

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

Investment Trust Fund — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Agency Funds — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major discretely presented component unit funds:

The *Ohio Facilities Construction Commission Fund* primarily accounts for grants that provide assistance to local entities for the construction of school buildings. The fund also provides construction services for arts and sports facilities.

The *Ohio State University Fund* is a business-type activity that uses proprietary fund reporting. It reports the university's operations, including the University's health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB 65, *Items Previously Reported as Assets and Liabilities*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred, and the revenues are collected during the availability period.

For revenue arising from exchange transactions (e.g., charges for goods and services), the State recognizes deferred inflows of resources when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of exchange.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State recognizes deferred inflows of resources for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation General Obligations
- Infrastructure Bank Revenue Bonds
- Buckeye Tobacco Settlement Financing Authority Revenue Bonds
- Lease Rental Special Obligations
- MARCS Certificates of Participation
- OAKS Certificates of Participation
- STARS Certificates of Participation
- TMS Certificates of Participation
- EDCS Certificates of Participation
- BCIRS Certificates of Participation
- VSA Certificates of Participation
- MARCS Project
- OAKS Project
- STARS Project



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TMS Project
EDCS Project
BCIRS Project

For budgeted funds, the State's Ohio Administrative Knowledge System (OAKS) controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at <https://obm.ohio.gov/wps/portal/gov/obm/areas-of-interest/state-accounting/financial-reporting/dasf>. This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue fund or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis schedules, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. The State is not legally required to report budgetary data and comparisons for the budgeted proprietary funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, the budgetary required supplementary information notes present a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

The Unemployment Compensation Enterprise Fund Trust Account has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, without prior notice or penalty. The balance in the account at fiscal year-end is reported by the State as "Deposit with Federal Government" and is considered a cash equivalent for cash flow purposes.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets" and the Deposit with Federal Government are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State primarily reports investments at fair value. STAR Ohio reports investments at amortized cost, which approximates fair value.

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

G. Taxes Receivable

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements, only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred inflows of resources. Additional disclosures on taxes receivable can be found in NOTE 5.

H. Intergovernmental Receivable

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

I. Inventories

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements. Therefore, the State reports an equivalent portion of fund balance as nonspendable.

J. Restricted Assets

The primary government reports assets restricted primarily for the payment of lottery prize awards payable, revenue bonds, and tuition benefits.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

K. Capital Assets

Primary Government

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are reported at acquisition value as of the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are reported at acquisition value as of the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset’s value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor’s residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings	\$ 15,000
Building Improvements	100,000
Land, including easements	All, regardless of cost
Land Improvements	15,000
Machinery and Equipment.....	15,000
Vehicles	15,000
Infrastructure:	
Highway Network.....	500,000
Bridge Network	500,000
Park and Natural Resources Network..	All, regardless of cost

For depreciable assets, the State applies the straight-line method over the following estimated useful lives:

Buildings.....	20-45 Years
Land Improvements	10-30 Years
Machinery and Equipment	3-15 Years
Vehicles	7-15 Years
Park and Natural Resources	
Infrastructure Network	10-50 Years

NOTE 8 contains additional disclosures about the primary government’s capital assets.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit Funds

The discretely presented component unit funds value capital assets at cost and donated capital assets at acquisition value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Medicaid Claims Payable

The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

M. Noncurrent Liabilities

Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and discretely presented component unit funds report noncurrent liabilities expected to be financed from their operations.

N. Compensated Absences

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the matured compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OPEB liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from each fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, pension benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Health care benefits are also recognized when due and payable, net of certain health care receipts, in accordance with benefit terms. The pension systems report investments at fair value. Additional disclosures on the pension systems can be found in NOTE 9.

P. Fund Balance Classification; Budget Stabilization Fund; Net Position/Fund Balance Spending Order

Fund balance reported in the governmental fund financial statements is classified as follows:

Nonspendable

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, such as prepaids and inventories or 2) legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted

Fund balance amounts should be *restricted* when constraints placed on the use of resources are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted

Committed

Amounts constrained for specific purposes by formal action (i.e., legislation) of the government's highest level of decision-making authority (i.e., General Assembly) should be reported as *committed* fund balance. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the constraints.

Assigned

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as *assigned* fund balance, except for stabilization arrangements. The intent should be conveyed by the governing body itself or through delegation to a body or official authorized on behalf of the government to assign amounts to be used for specific purposes. The Controlling Board created under Chapter 127, Ohio Revised Code, is an example of a body delegated by the government to make assignments. The Director of the Office of Budget and Management is an example of an authorized official granted assignment authority through legislative language, including enacted budget bills. While both the committed and assigned fund balance classifications include amounts constrained for specific use by actions taken by the government itself, the authority for making an assignment is not required to be the government's highest level of decision-making authority. Amounts should not be reported as assigned if the assignment would result in a deficit in unassigned fund balance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents spendable fund balance that has not been otherwise restricted, committed or assigned to specific purposes within the General Fund. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance due to overspending amounts that are restricted or committed.

Fund balance in the State's Budget Stabilization Fund, as discussed in Sections 131.43 and 131.44, Ohio Revised Code, does not meet the criteria to be classified as restricted or committed and is, therefore, reported as unassigned in the General Fund.

For reporting purposes, restricted amounts are generally considered to have been spent first, followed by unrestricted amounts. Within the unrestricted fund balance amounts, the spending order is generally committed, followed by assigned, and then unassigned when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Risk Management

The State's primary government is self-insured for claims under its traditional healthcare plan and for vehicle liability while it has placed employee and public official fidelity bonding with a private insurer. The State self-funds tort liability although several agencies also choose to participate in private insurance programs. All State-owned buildings are covered under a catastrophic property policy that covers both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis.

While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental and proprietary funds under the "Interfund Payable" account. (See NOTE 7).

R. Interfund Balances and Activities

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. This activity includes:

Interfund Transfers – Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Interfund Reimbursements — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

S. Intra-Entity Balances and Activities

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For the discretely presented component units, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Derivatives Instruments

The State's derivative instruments include investment derivatives and interest rate swaps. Interest rate swaps that are ineffective hedging derivatives are reported within the investment derivatives classification.

The State reports its derivative instruments at fair value in the Statement of Net Position. Changes in fair value for investment derivatives are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivatives are reported as deferred outflows/inflows of resources in the Statement of Net Position and disclosed in NOTE 18.

Additional disclosures on the State's investment derivatives and its hedging derivatives can be found in NOTE 4 and NOTE 10, respectively.

U. 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 at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS

A. Restatements

Restatements of net position, as of June 30, 2018, for fiduciary funds and discretely presented component units are presented in the following table (dollars in thousands):

Government-Wide Financial Statements:

	Total Discretely Presented Component Units
Net Position, as of June 30, 2018, As Previously Reported	\$ 10,053,359
<i>Implementation of a New Accounting Standard:</i>	
GASB Statement No. 75 (Fiscal Year Ended December 31, 2018).....	(37,855)
<i>Implementation of a New Accounting Standard:</i>	
GASB Statement No. 83.....	(15,776)
Total Changes in Net Position.....	(53,631)
Net Position, July 1, 2018, As Restated	<u>\$ 9,999,728</u>

Fiduciary Fund Financial Statements:

	Pension Trust Fund
Net Position, as of June 30, 2018, As Previously Reported	\$ 898,155
<i>Implementation of a New Accounting Standard:</i>	
GASB Statement No. 75 (Fiscal Year Ended December 31, 2018).....	(485)
Total Changes in Net Position.....	(485)
Net Position, July 1, 2018, As Restated	<u>\$ 897,670</u>



**NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES,
EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)**

B. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

For the fiscal year ended June 30, 2019, the State implemented the provisions of:

GASB 83, *Certain Asset Retirement Obligations*, establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (ARO's), including obligations that may not have been previously reported. This Statement also requires disclosures related to those ARO's. There was no material impact on the primary government.

GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing debt related information. There was no material impact on the primary government.

C. GASB Pronouncements for Fiscal Year 2020 Implementation

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The provisions of GASB 84 are effective for reporting periods beginning after December 15, 2018. This statement enhances consistency and comparability by 1) establishing criteria to identify fiduciary activities and 2) clarifying whether and how business-type activities should report their fiduciary activities.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The provisions of GASB 90 are effective for reporting periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Management is assessing the impact that the new GASB pronouncements will have on the State's financial statements.

D. Extinguishments of Debt – Major Funds

As of June 30, 2019, the State had no material extinguishments of debt to report.

NOTE 3 TAX ABATEMENTS

As of June 30, 2019, the State offers the following tax abatement programs – Job Creation Credit, Sales of Qualified Property Used in an Eligible Computer Data Center (Computer Data Center), Job Retention Credit, Historic Preservation Tax Credit, Motion Picture Tax Credit and New Markets Tax Credit. The programs are described below:

Job Creation Credit

As established in Ohio Revised Code 122.17, a taxpayer proposing a project to create new jobs in the state may be granted a refundable tax credit through an agreement with the Ohio Tax Credit Authority. This tax credit applies to non-retail projects or the non-retail portion of a project only. The credit equals an agreed upon percentage of the taxpayer's "excess payroll", which is the taxpayer's "Ohio employee payroll" less "baseline payroll." "Ohio employee payroll" is compensation paid by an employer that is subject to Ohio income tax withholding requirements. "Baseline payroll" is "Ohio employee payroll," for the 12 months immediately preceding the agreement. The Ohio Tax Credit Authority must determine that the project will increase payroll; is economically sound, will provide increasing opportunities for employment, and will strengthen the economy; and the tax credit was a major factor in the decision to go forward with the project. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.



NOTE 3 TAX ABATEMENTS (Continued)

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

The computer data center tax abatement, established in Ohio Revised Code 122.175, also requires job creation and is included in the job creation credit category on the following tax abatement table. Sales, storage, use or other consumption of computer data center equipment used or to be used at an eligible computer data center are exempt from the sales and use tax. To be eligible for this tax exemption, the Ohio Tax Credit Authority must determine: that the computer data center will increase payroll and the corresponding taxes withheld; the applicant is economically sound, can affect the completion of the capital investment project, and intends to maintain operations at the project site for the term of agreement; and the exemption was a major factor in the applicant's decision to be part of the capital investment project. The taxpayer operating a computer data center at the project site will, in the aggregate, pay annual compensation that is subject to the withholding obligation of at least \$1.5 million to employees at the eligible computer data center. If it is determined that a taxpayer who received the exemption no longer meets eligibility criteria, and/or is no longer in compliance with the agreement, the agreement may be terminated or the taxpayer may have to pay to the state all or a portion of the taxes the taxpayer would have owed.

Job Retention Credit

The job retention credit, established in Ohio Revised Code 122.171, allows an eligible business to be granted a nonrefundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a designated percentage of the taxpayer's Ohio employee payroll. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The taxpayer must also retain at least 500 full-time equivalent employees at the project site and within this state for the entire term of the credit, or the taxpayer must maintain an annual Ohio employee payroll of at least \$35 million dollars for the entire term of the credit. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

Historic Preservation Tax Credit

Ohio Revised Code section 149.311 establishes the historic preservation tax credit. The program provides a tax credit to leverage the private redevelopment of historically designated buildings. The State uses a cost-benefit analysis to determine whether rehabilitation of the historic building will result in a net revenue gain in state taxes once the building is placed into use. The analysis must be completed prior to eligibility approval. The credit shall equal 25 percent of the taxpayer's qualified rehabilitation expenditures. The credit claimed shall not exceed \$5 million for any calendar or tax year. Tax credits received by the applicant shall be deemed to be an unpaid tax assessment subject to collection if all required criteria are not met. The tax credit can be applied to the financial institution tax, foreign and domestic insurance taxes and individual income tax.

Motion Picture Tax Credit

The motion picture tax credit is established by Ohio Revised Code 122.85. A refundable tax credit may be claimed for Ohio production expenditures by eligible motion picture productions. The credit equals 30 percent of eligible expenditures. The credit is based on the lesser of initially budgeted production expenditures or actual production expenditures. No credits will be issued until a minimum of \$300 thousand in eligible expenditures have been made. The total amount of issued credits may not exceed \$40 million per fiscal year. The abated tax types are insurance, financial institutions, foreign insurance, and income tax.

No tax credits may be taken until the production is complete and a report has been filed showing the expenses that were incurred, which provides the basis for determining the amount of the tax credit. The Department of Taxation has the authority, under Ohio Revised Code 122.85(C)(3), to examine the claimed expenses for validity.



NOTE 3 TAX ABATEMENTS (Continued)

New Markets Tax Credit

Ohio Revised Code sections 5725.33, 5726.54, and 5729.16 establish the new markets tax credit. Taxpayers with an equity investment in a qualified community development entity may claim a nonrefundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, seven percent in the third year of the investment, and eight percent in the following four years. The taxes abated are insurance, financial institutions, and foreign insurance.

The foregone revenue through tax abatements for fiscal year 2019 is presented in the following table (dollars in thousands):

<u>Abatement Program</u>	<u>Amount of Taxes Abated</u>
Job Creation Credit	\$ 177,378
Job Retention Credit.....	56,039
Historic Preservation Tax Credit	33,797
Motion Picture Tax Credit	14,050
New Markets Tax Credit	6,744
Total of Tax Abatements	<u>\$ 288,008</u>

NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

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

Active Deposits – Moneys required to be kept in cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State’s treasury or in any of the following: a commercial account that is payable or about to be withdrawn, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account or a designated warrant clearance account.

Inactive Deposits – Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

- US Treasury bills, notes, bonds or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Ohio Turnpike and Infrastructure Commission;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any registered U.S. government securities dealer;
- No-load money market mutual funds;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances of any domestic bank or federally chartered domestic branch office of a foreign bank;
- Certificates of deposit in the eligible institutions applying for interim moneys as provided in section 135.08 of the Ohio Revised Code, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, business linked deposits as authorized under Sections 135.77 to 135.774, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under section 135.45, Ohio Revised Code;
- The Treasurer of State's STAR Plus program;
- Debt interests, other than commercial paper as described above, of corporations incorporated under the laws of the United States or a state, or foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are denominated and payable in U.S. funds;
- Bonds, notes, and other obligations of any state or political subdivision thereof;
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code; and
- Obligations of a political subdivision issued under Chapter 133, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit or appropriate governing authority and generally must be fully collateralized. However, financial institutions that are part of the Ohio Pooled Collateral System may apply to the Treasurer of State to be approved for a reduced collateral floor, at a level as low as 50 percent. The Treasurer of State then conducts an analysis to determine if the financial institution is eligible for a reduced collateral floor. The financial institution will then notify the Treasurer of State of each account holder's contractual collateral floor.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate and other investments.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215, by calling 1-800-648-7827, or by accessing the Treasurer of State's website at www.tos.ohio.gov.

C. Deposit and Investment Risks

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government sponsored enterprises.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

1. Custodial Credit Risk

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when uninsured deposits are collateralized in one of two methods. The Treasurer's office administers the Ohio Pooled Collateral System (OPCS) that allows eligible financial institutions to pool collateral to secure Ohio's public deposits. The total market value of pledged securities is 102 percent of all uninsured public deposits or at a percentage determined by the Treasurer's rules. Another option is for the financial institutions outside of OPCS to pledge 105 percent of the uninsured public deposits. In both methods, a qualified trustee must hold the eligible securities in an account indicating the public depositor's security interest in the eligible securities. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.

The table below reports the carrying amount of deposits, as of June 30, 2019, held by the primary government, including fiduciary activities, and its major discretely presented component unit and the extent of exposure to custodial credit risk.

Primary Government (including Fiduciary Activities) and Major Discretely Presented Component Unit Deposits—Custodial Credit Risk As of June 30, 2019 (dollars in thousands)					
	Carrying Amount	Bank Balance	Uncollateralized	Uninsured Portion of Reported Bank Balance	
				Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor- Government's Name	Collateralized with Securities Held by the Pledging Institution
<i>Primary Government</i>	\$ 1,473,904	\$1,458,962	\$ 49,541	\$ 20,855	\$ -
<i>Major Discretely Presented Component Unit:</i>					
Ohio State University	2,017,472	2,032,397	-	-	2,024,677

Custodial credit risk for investments exists when a government is unable to recover the value of investments or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

The State's reporting entity has not established specific policies for managing custodial credit risk exposure for investments.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports the fair value, as of June 30, 2019, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk:

Primary Government (including Fiduciary Activities)		
Investments—Fair Value and Custodial Credit Risk		
As of June 30, 2019		
<i>(dollars in thousands)</i>		
	Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
<i>Investments Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations	\$ 25,356,041	\$ -
U.S. Government Obligations-Strips	1,385,135	910,697
U.S. Agency Obligations	6,042,367	-
U.S. Agency Obligations-Strips	141,196	-
Common and Preferred Stock	49,596,455	-
Corporate Bonds and Notes	19,485,860	-
Corporate Bonds and Notes-Strips	411	-
Municipal Obligations.....	458,807	-
Negotiable Certificates of Deposit	512,013	-
Commercial Paper	6,849,958	-
Repurchase Agreements	2,152,565	-
Mortgage and Asset-Backed Securities	8,689,965	-
International Investments:		
Foreign Stocks	36,156,418	-
Foreign Bonds	4,024,655	-
High-Yield/Emerging Markets Fixed Income	6,962,999	-
Securities Lending Collateral:		
Corporate Bonds and Notes.....	134,607	-
Commercial Paper	288,370	-
Repurchase Agreements	2,618,827	-
Variable Rate Notes	674,639	-
		<u>\$ 910,697</u>
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	3,755,069	
U.S. Government Obligations-Strips	57,849	
U.S. Agency Obligations	9,462	
Corporate Bonds and Notes.....	75,179	
International Investments:		
Commingled Equity Funds.....	6,507,701	
Equity Mutual Funds	14,432,189	
Bond Mutual Funds	10,270,164	
Real Estate	25,273,655	
Venture Capital	24,194,191	
Partnerships and Hedge Funds	17,842,911	
Deposit with Federal Government	1,269,370	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(437,364)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(776,339)	
Total Investments — Primary Government	<u>\$ 274,005,325</u>	



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component unit. The Ohio Facilities Construction Commission Component Unit also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government. The Ohio State University’s policy is to hold investments in custodial accounts with the securities registered solely in the name of the university.

**Major Discretely Presented Component Unit
Investments—Fair Value and Custodial Credit Risk
As of June 30, 2019
(dollars in thousands)**

	Fair Value	Uninsured, Unregistered, and Held by the Counterparty
<i>Ohio State University:</i>		
U.S. Government Obligations	\$ 742,228	\$ 742,228
U.S. Agency Obligations	111,730	111,730
Common and Preferred Stock	533,400	533,400
Corporate Bonds and Notes	1,226,984	1,226,984
Municipal Obligations	8,051	8,051
Negotiable Certificates of Deposit.....	501,971	501,971
Commercial Paper.....	18,068	18,068
International Investments:		
Foreign Stocks	391,301	391,301
Foreign Bonds	11,473	11,473
Securities Lending Collateral:		
Commercial Paper	950	950
Repurchase Agreements	18,703	18,703
Variable Rate Notes	24,772	24,772
Total Ohio State University.....	<u>\$ 3,589,631</u>	<u>\$ 3,589,631</u>

2. Credit Risk

The risk that an investment’s issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury’s cash and investment pool and reported as “Cash Equity with Treasurer” and other investment securities managed by the Treasurer of State’s Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating;
- No-load money market mutual funds must carry a rating of the highest category by one nationally recognized rating agency; and
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by one nationally recognized rating agency.

Investment policies of the Treasurer of State’s Office further define required credit ratings as follows:

- Commercial paper must have a short-term debt rating of at least “A-1” by Standard & Poor’s and an equivalent rating by one other nationally recognized rating agency;
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by Standard & Poor’s;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Corporate bonds and notes must be rated in the three highest categories by two nationally recognized rating agencies;
- Banker acceptances must carry a minimum of “A+” for long-term debt (“AAA” for foreign issuers) by a majority of the nationally recognized rating agencies rating the issuer. For short-term debt, the rating must be at least “A-1” or equivalent by at least two nationally recognized rating agencies;
- Foreign debt, or the implicit rating of the issuer of the debt, must be rated in one of the three highest categories by at least two nationally recognized rating agencies;
- Repurchase agreements must, in the case when issued by a counterparty that is not either: an Ohio financial institution that is a member of the Federal Reserve System, or a Federal Home Loan Bank, or a recognized government securities dealer, then such counterparty must have a short-term debt rating of at least “A-1” by Standard & Poor’s, or, if the counterparty is not explicitly rated “A-1” by Standard & Poor’s, then the counterparty must possess a guarantee from a Standard & Poor’s-rated parent company; and
- Registered investment companies open-end, no-load money market mutual funds must be rated “AAA” or “AAAm” by Standard & Poor’s.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State’s reporting entity are as follows:

Workers’ Compensation Enterprise Fund

The Fund requires investment-grade ratings by at least two of the following nationally recognized bond rating services: Moody’s, Fitch or Standard & Poor’s, for fixed income securities. If only one of the rating services rates a security, the rating must be investment grade.

Variable College Savings Plan Private-Purpose Trust Fund

The fixed income portfolio should consist primarily of domestic investment grade bonds and may be partially invested in below investment grade bonds. Any portion of the portfolio in below-investment grade securities should be mostly invested in “BB” and “B” rated securities.

STAR Ohio Investment Trust Fund

Investment policies governing the STAR Ohio external investment pool generally require that all securities must be rated the equivalent of “A-1+” or “A-1” by Standard & Poor’s rating agency. Exceptions to the general policy are: mutual funds must be rated “AAA” or “AAAm” by Standard and Poor’s, while commercial paper, corporate bonds and notes, and bankers’ acceptances must have a second equivalent rating from another nationally recognized rating agency, and municipal obligations must be rated in the three highest categories by Standard & Poor’s.

Retirement Systems Agency Fund

For the Ohio Public Employees Retirement System, the percentage by market value of non-investment grade securities in the Fixed Income Asset Class will be within 15 percentage points of the percentage by market value of non-investment grade securities in the Fixed Income Aggregate Benchmark.

For the Ohio Police and Fire Pension Fund:

- Securities in the core fixed income portfolio shall be rated “BBB-” or better by two standard rating agencies at the time of the purchase;
- Securities in the high yield fixed income portfolio are high yield bonds issued by U.S. corporations with a minimum rating of “CCC” or equivalent;
- Investment managers may purchase securities in the portfolios mentioned above that are “Not Rated” if they deem these securities to be at least equivalent to the minimum ratings; and
- Short-term investments must be rated within the two highest classifications established by two standard rating agencies.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The Ohio Facilities Construction Commission Component Unit also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.

All investments, as categorized by credit ratings in the tables below and on the following page, meet the requirements of the State's laws and policies, when applicable.

Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2019
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations.....	\$ 413,869	\$ 5,439,093	\$ 2,430	\$ 523	\$ -	\$ -
U.S. Agency Obligations-Strips.....	15,154	126,042	-	-	-	-
Corporate Bonds and Notes.....	572,290	2,198,049	7,252,674	6,248,869	1,934,491	1,025,016
Corporate Bonds and Notes-Strips.....	385	-	-	-	-	-
Municipal Obligations.....	44,259	293,635	94,364	19,501	6,134	-
Negotiable Certificates of Deposit.....	488,102	-	-	-	-	-
Commercial Paper.....	1,180,635	1,652,100	3,947,618	-	-	-
Repurchase Agreements.....	1,000,000	200,000	-	-	-	-
Mortgage and Asset-Backed Securities.....	4,400,534	2,852,765	220,065	580,877	94,683	41,293
Bond Mutual Funds.....	6,357,452	2,970,832	113,179	370,108	76,548	39,085
International Investments:						
Foreign Bonds.....	930,976	513,274	859,628	1,161,721	354,033	170,765
High-Yield/Emerging Markets Fixed Income.....	57,230	144,510	941,961	1,599,776	1,571,924	1,981,467
Securities Lending Collateral:						
Corporate Bonds and Notes.....	-	-	134,607	-	-	-
Commercial Paper.....	-	-	288,370	-	-	-
Repurchase Agreements.....	-	-	1,612,500	1,006,327	-	-
Variable Rate Notes.....	-	40,039	634,600	-	-	-
Bond Mutual Funds.....	205,744	-	-	-	-	-
Total Primary Government.....	<u>\$15,666,630</u>	<u>\$16,430,339</u>	<u>\$16,101,996</u>	<u>\$ 10,987,702</u>	<u>\$4,037,813</u>	<u>\$ 3,257,626</u>

Investment Type	Credit Rating					Total
	CCC/Caa	CC/Ca	C	D	Unrated	
U.S. Agency Obligations.....	\$ -	\$ -	\$ -	\$ -	\$ 195,914	\$ 6,051,829
U.S. Agency Obligations-Strips.....	-	-	-	-	-	141,196
Corporate Bonds and Notes.....	184,627	1,643	316	326	142,738	19,561,039
Corporate Bonds and Notes-Strips.....	-	-	-	-	26	411
Municipal Obligations.....	79	-	-	-	835	458,807
Negotiable Certificates of Deposit.....	-	-	-	-	23,911	512,013
Commercial Paper.....	-	-	-	-	69,605	6,849,958
Repurchase Agreements.....	-	-	-	-	952,565	2,152,565
Mortgage and Asset-Backed Securities.....	57,989	45,266	1,255	37,998	357,240	8,689,965
Bond Mutual Funds.....	3,355	-	18	108	133,735	10,064,420
International Investments:						
Foreign Bonds.....	23,803	2,086	-	-	8,369	4,024,655
High-Yield/Emerging Markets Fixed Income.....	330,184	2,607	18,419	80,614	234,307	6,962,999
Securities Lending Collateral:						
Corporate Bonds and Notes.....	-	-	-	-	-	134,607
Commercial Paper.....	-	-	-	-	-	288,370
Repurchase Agreements.....	-	-	-	-	-	2,618,827
Variable Rate Notes.....	-	-	-	-	-	674,639
Bond Mutual Funds.....	-	-	-	-	-	205,744
Total Primary Government.....	<u>\$ 600,037</u>	<u>\$ 51,602</u>	<u>\$ 20,008</u>	<u>\$ 119,046</u>	<u>\$2,119,245</u>	<u>\$ 69,392,044</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Unit						
Investment Credit Ratings						
As of June 30, 2019						
<i>(dollars in thousands)</i>						
<i>Ohio State University:</i>	Credit Rating					
Investment Type	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations.....	\$ 4,250	\$ 51,581	\$ 55,899	\$ -	\$ -	\$ -
Corporate Bonds and Notes.....	75,329	193,194	442,285	358,615	21,993	652
Municipal Obligations.....	-	5,110	2,941	-	-	-
Negotiable Certificates of Deposit.....	-	-	-	-	-	-
Commercial Paper.....	-	-	4,986	-	-	-
Bond Mutual Funds.....	20,344	60,958	11,970	12,409	1,938	673
International Investments:						
Foreign Bonds.....	4,343	990	5,514	-	-	-
Securities Lending Collateral:						
Commercial Paper.....	-	-	950	-	-	-
Repurchase Agreements.....	-	-	-	-	-	-
Variable Rate Notes.....	-	7,856	16,916	-	-	-
Total Ohio State University.....	<u>\$ 104,266</u>	<u>\$ 319,689</u>	<u>\$ 541,461</u>	<u>\$ 371,024</u>	<u>\$ 23,931</u>	<u>\$ 1,325</u>
<i>Ohio State University (continued):</i>	Credit Rating					
Investment Type	CCC/Caa	Unrated	Total			
U.S. Agency Obligations.....	\$ -	\$ -	\$ 111,730			
Corporate Bonds and Notes.....	-	134,916	1,226,984			
Municipal Obligations.....	-	-	8,051			
Negotiable Certificates of Deposit.....	-	501,971	501,971			
Commercial Paper.....	-	13,082	18,068			
Bond Mutual Funds.....	724	24	109,040			
International Investments:						
Foreign Bonds.....	-	626	11,473			
Securities Lending Collateral:						
Commercial Paper.....	-	-	950			
Repurchase Agreements.....	-	18,703	18,703			
Variable Rate Notes.....	-	-	24,772			
Total Ohio State University.....	<u>\$ 724</u>	<u>\$ 669,322</u>	<u>\$ 2,031,742</u>			

At June 30, 2019, the Ohio Facilities Construction Commission had \$2.1 million invested in Bond Mutual Funds with a credit rating of AAA.

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
D	Currently highly vulnerable to nonpayment for failure to pay by due date



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

3. Concentration of Credit Risk

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury’s cash and investment pool, and reported as “Cash Equity with Treasurer” and other investment securities managed by the Treasurer of State’s Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 40 percent of the State’s total average portfolio;
- Bankers acceptances cannot exceed ten percent of the State’s total average portfolio;
- Debt interest (other than commercial paper) shall not exceed 25 percent of the State’s total average portfolio, and when combined with commercial paper, the amount of a single issuer may not exceed five percent of the total average portfolio; and
- Debt interests in foreign nations may not exceed two percent of the State’s portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury	100
Federal Agency (fixed rate)	100
Federal Agency (callable)	55
Federal Agency (variable rate)	10
Repurchase Agreements	50
Bankers’ Acceptances	10
Commercial Paper	40
Corporate Notes	25
Foreign Notes	2
Certificates of Deposit	20
Municipal Obligations	20
STAR Ohio	25
Mutual Funds	100

The investment policies of the Treasurer of State’s Office also specify that:

- Commercial paper, when combined with investments in other corporate obligations of a single issuer, are further limited to no more than five percent of the book value of the portfolio;
- Bankers’ Acceptances are further limited to no more than five percent of the book value of the portfolio in any single issuer;
- Mutual funds are limited in that the Treasurer’s holdings in a single mutual fund cannot be more than ten percent of the total assets of that mutual fund, nor more than ten percent of the book value of the portfolio;
- Repurchase Agreements are limited in that any one counterparty may not exceed ten percent of the book value of the portfolio; and
- Municipal obligations are limited to no more than 2.5 percent of the book value of the portfolio in any single issuer.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment policies regarding concentration of investments that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State’s reporting entity are as follows:

Lottery Commission Enterprise Fund

No more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or \$250 million; and mutual funds, 10 percent maximum.

State Highway Patrol Retirement System Pension Trust Fund

Policy prohibits the investment of more than ten percent of its fixed income portfolio in securities of any one issuer except for U.S. government securities, or the investment of more than five percent of the Fund’s total investments in any one issue except for U.S. government securities.

STAR Ohio Investment Trust Fund

Investments in a single issuer are limited to no more than five percent of the net assets except as follows:

- U.S. Treasury obligations, limited at 100 percent;
- U.S. Agency obligations, limited to 100 percent with no single U.S. Agency exceeding 33 percent unless maturing in 30 days or less and rated “AA-“ or higher;
- Repurchase agreements with terms to maturity of 5 days or less, limited at 100 percent; investments with any one counterparty limited at a maximum of 5 percent for “A-2” rated counterparties, a maximum of 25 percent for “A-1” rated counterparties, and at a maximum of 50 percent for “A-1+” rated counterparties, with further limitations based on the maturity of the investment;
- Mutual funds, limited at 100 percent; with no more than 10 percent of the total average portfolio invested in any single mutual fund and limited to STAR Ohio representing no more than 10 percent of the total assets under management of any single mutual fund;
- Corporate obligations, limited to 25 percent, and when added to investments in commercial paper, no more than five percent invested with any single issuer;
- Municipal bonds, limited at 10 percent and limited to no more than 2.5 percent with any single issuer;
- Commercial paper, limited to 40 percent, and when added to investments in other corporate obligations, no more than 5 percent invested with any single issuer; and
- Bankers’ acceptances, limited at 10 percent, with no more than 5 percent invested with any single issuer.

Retirement Systems Agency Fund

For the Ohio Police and Fire Pension Fund, no more than ten percent of the core Fixed Income Portfolio may be invested in the securities of any one issuer, and no more than five percent in any one issue on a dollar duration basis, with the exception of U.S. government or agency securities. For its High Yield Portfolio, no more than ten percent of the portfolio may be invested in securities of a single issue or issuer, unless approved by the Board of Trustees.

As of June 30, 2019, all investments meet the requirements of the State’s law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
<i>STAR Ohio Investment Trust Fund:</i>		
Federal Farm Credit Bank.....	\$ 623,292	5%



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted laws and policies to mitigate this risk.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires that Bankers Acceptances must mature in 270 days or less.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short-term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments. Policy also limits maturities for specific investment types as follows:

- Corporate notes - five years;
- Commercial paper - 270 days;
- Repurchase agreements - 90 days; and
- Foreign debt - five years.

Investment policies regarding investment maturities that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund

Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Bloomberg Barclay's Fixed Income Index ranges.

Lottery Commission Enterprise Fund

Investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

Variable College Savings Plan Private-Purpose Trust Fund

Policy requires the fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Aggregate Index ranges.

STAR Ohio Investment Trust Fund

Investment policies limit maturities of investments to a final stated maturity of 397 days or less, with a 762-day limit for floating rate U.S. Treasury and U.S. Agency obligations. Repurchase agreements are limited to maturities of 30 days and both commercial paper and bankers' acceptances are limited to maturities of 270 days.

Retirement Systems Agency Fund

The Fixed Income Policy of the Ohio Public Employees Retirement System requires that the Fixed Income Asset Class duration will be within 20 percent of the option-adjusted duration of the aggregate market value weighted Fixed Income sub-asset class benchmarks.

As of June 30, 2019, investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes \$1.62 billion with call dates from fiscal years 2020 through 2022, and maturity dates from fiscal years 2020 through 2024. The Corporate Bonds and Notes investment type has \$511.6 million with call dates and maturity dates from fiscal years 2020 through 2024.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Additionally, several investments reported as “Investments” have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of \$83 million have call dates in fiscal year 2020, and maturity dates from fiscal years 2020 through 2023. Corporate bonds in the amount of \$527.2 million have call dates in fiscal year 2020, and maturity dates in fiscal years 2020 and 2021.

Also, during fiscal year 2019, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund’s investments. These investments may contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective retirement system’s Comprehensive Annual Financial Report.

The table below and on the following page list the investment maturities of the investments for the primary government, including fiduciary activities, and its major discretely presented component units. All investments at June 30, 2019, meet the requirements of the State’s laws and policies, when applicable. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government.

Primary Government (including Fiduciary Activities)					
Investments Subject to Interest Rate Risk					
As of June 30, 2019					
<i>(dollars in thousands)</i>					
Investment Type	Investment Maturities (in years)				Total
	< 1	1 - 5	6 - 10	> 10	
U.S. Government Obligations.....	\$ 8,934,079	\$ 11,029,778	\$ 5,827,197	\$ 3,320,056	\$29,111,110
U.S. Government Obligations-Strips.....	436,125	622,827	108,443	275,589	1,442,984
U.S. Agency Obligations.....	1,677,109	2,819,112	609,114	946,494	6,051,829
U.S. Agency Obligations-Strips.....	28,093	90,232	14,415	8,456	141,196
Corporate Bonds and Notes.....	2,938,714	6,436,012	4,134,349	6,051,964	19,561,039
Corporate Bonds and Notes-Strips.....	-	-	-	411	411
Municipal Obligations.....	891	10,553	21,703	425,660	458,807
Negotiable Certificates of Deposit.....	488,817	23,196	-	-	512,013
Commercial Paper.....	6,849,958	-	-	-	6,849,958
Repurchase Agreements.....	2,152,565	-	-	-	2,152,565
Mortgage and Asset-Backed Securities.....	416,600	932,949	630,735	6,709,681	8,689,965
Bond Mutual Funds.....	6,889,017	158,608	1,354,499	1,662,296	10,064,420
International Investments:					
Foreign Bonds.....	510,744	899,198	1,171,569	1,443,144	4,024,655
High-Yield/Emerging Markets Fixed Income.....	415,828	2,149,080	2,673,132	1,724,959	6,962,999
Securities Lending Collateral:					
Corporate Bonds and Notes.....	134,607	-	-	-	134,607
Commercial Paper.....	288,370	-	-	-	288,370
Repurchase Agreements.....	2,618,827	-	-	-	2,618,827
Variable Rate Notes.....	674,639	-	-	-	674,639
Bond Mutual Funds.....	205,744	-	-	-	205,744
Total Primary Government.....	<u>\$ 35,660,727</u>	<u>\$ 25,171,545</u>	<u>\$ 16,545,156</u>	<u>\$22,568,710</u>	<u>\$99,946,138</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Unit					
Investments Subject to Interest Rate Risk					
As of June 30, 2019					
<i>(dollars in thousands)</i>					
<i>Ohio State University:</i>	Investment Maturities (in years)				
Investment Type	< 1	1 - 5	6 - 10	> 10	Total
U.S. Government Obligations.....	\$ 596,348	\$ 112,073	\$ 19,315	\$ 14,492	\$ 742,228
U.S. Agency Obligations.....	21,128	10,497	15,888	64,217	111,730
Corporate Bonds and Notes.....	247,953	831,466	65,590	81,975	1,226,984
Municipal Obligations.....	1,358	4,226	1,163	1,304	8,051
Negotiable Certificates of Deposit.....	501,971	-	-	-	501,971
Commercial Paper.....	18,068	-	-	-	18,068
Bond Mutual Funds.....	(134)	61,014	32,811	15,349	109,040
International Investments:					
Foreign Bonds.....	5,514	1,616	-	4,343	11,473
Securities Lending Collateral:					
Commercial Paper.....	950	-	-	-	950
Repurchase Agreements.....	18,703	-	-	-	18,703
Variable Rate Notes.....	24,772	-	-	-	24,772
Total Ohio State University.....	<u>\$ 1,436,631</u>	<u>\$ 1,020,892</u>	<u>\$ 134,767</u>	<u>\$ 181,680</u>	<u>\$ 2,773,970</u>

At June 30, 2019, the Ohio Facilities Construction Commission had \$2.1 million invested in Bond Mutual Funds with a maturity of less than one year.

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates.

As of June 30, 2019, investments denominated in the currency of foreign nations, as detailed in the following tables for the primary government, including fiduciary activities, and the Ohio State University, a major discretely presented component unit, meet the requirements of the State's laws and policies, when applicable.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)					
International Investments—Foreign Currency Risk					
As of June 30, 2019					
(dollars in thousands)					
Currency	Stocks	Bonds	High-Yield/ Emerging Markets Fixed Income	Commingled International Equity	Total
Argentinean Peso.....	\$ -	\$ 2,397	\$ 69,212	\$ 2,014	\$ 73,623
Australian Dollar.....	867,057	423	-	125,142	992,622
Bermudian Dollar.....	-	-	-	2,893	2,893
Brazilian Real.....	591,827	5,052	287,417	53,718	938,014
British Pound.....	2,918,272	4,051	-	347,613	3,269,936
Canadian Dollar.....	906,988	1,382	-	182,274	1,090,644
Caymanian Dollar.....	-	-	-	559	559
Chilean Peso.....	58,195	737	70,390	6,468	135,790
Chinese Renminbi.....	60,614	(336)	146	200,274	260,698
Colombian Peso.....	7,799	258	198,546	2,995	209,598
Czech Koruna.....	8,928	1,172	101,549	1,086	112,735
Danish Krone.....	425,540	3,621	-	30,558	459,719
Dominican Peso.....	-	-	15,937	-	15,937
Egyptian Pound.....	9,244	-	49,734	1,010	59,988
Euro.....	4,378,852	4,959	24,357	609,963	5,018,131
Georgian Lari.....	-	-	10,023	-	10,023
Ghana Cedi.....	-	-	40,306	-	40,306
Hong Kong Dollar.....	2,348,091	-	-	91,644	2,439,735
Hungarian Forint.....	53,064	653	60,059	2,089	115,865
Indian Rupee.....	687,841	811	42,431	63,029	794,112
Indonesian Rupiah.....	179,484	(375)	271,131	14,963	465,203
Israeli Shekel.....	38,425	-	-	10,332	48,757
Japanese Yen.....	3,499,880	23,791	-	421,388	3,945,059
Kazakhstani Tenge.....	-	-	8,882	-	8,882
Kenya Shilling.....	899	-	18,026	-	18,925
Kuwaiti Dinar.....	3,536	-	-	-	3,536
Macau Pataca.....	-	-	-	2,096	2,096
Malaysian Ringgit.....	89,840	-	52,777	15,842	158,459
Manx Pound.....	-	-	-	1,011	1,011
Mexican Peso.....	138,126	(2,861)	287,256	18,096	440,617
Moroccan Dirham.....	1,950	-	-	-	1,950
New Zealand Dollar.....	88,717	(55)	-	4,452	93,114
Nigerian Naira.....	15,932	-	22,146	-	38,078
Norwegian Krone.....	243,027	1,044	-	11,897	255,968
Pakistani Rupee.....	-	-	-	220	220
Papua New Guinea Kina.....	-	-	-	831	831
Peruvian New Sol.....	759	719	77,403	443	79,324
Philippine Peso.....	57,883	(1,235)	14,747	7,938	79,333
Polish Zloty.....	102,511	(1,274)	220,673	7,883	329,793
Qatari Rial.....	24,097	-	-	6,545	30,642
Romanian Leu.....	2,440	-	22,412	-	24,852
Russian Ruble.....	117,552	(1,063)	212,275	28,801	357,565
Saudi Riyal.....	-	-	-	9,919	9,919
Singapore Dollar.....	348,019	-	-	23,876	371,895
South African Rand.....	431,895	(1,329)	245,614	40,957	717,137
South Korean Won.....	1,172,205	-	1,877	89,266	1,263,348
Swedish Krona.....	399,441	-	-	43,880	443,321
Swiss Franc.....	1,311,634	-	-	172,745	1,484,379
Taiwan Dollar.....	760,474	7	-	76,071	836,552
Thailand Baht.....	275,391	(454)	120,963	20,962	416,862
Turkish Lira.....	119,965	(95)	164,934	3,524	288,328
Ugandan Shilling.....	-	-	4,807	-	4,807
United Arab Emirates Dirham.....	25,931	-	-	4,896	30,827
Uruguayan Peso.....	-	-	57,262	-	57,262
Vietnamese Dong.....	9,466	-	-	-	9,466
Zambian Kwacha.....	-	-	2,672	-	2,672
Zimbabwean Dollar.....	514	-	-	-	514
Investments Held in Foreign Currency.....	\$ 22,782,305	\$ 42,000	\$ 2,775,964	\$ 2,762,163	28,362,432
Foreign Investments Held in U.S. Dollars.....	-	-	-	-	25,289,341
Total Foreign Investments - Primary Government, including Fiduciary Activities.....	-	-	-	-	\$ 53,651,773



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Unit
International Investments—Foreign Currency Risk
As of June 30, 2019
(dollars in thousands)

<i>Ohio State University:</i>	Commingled International			
Currency	Stocks	Bonds	Equity	Total
Australian Dollar.....	\$ 5,969	\$ -	\$ -	\$ 5,969
Brazilian Real.....	9,032	-	-	9,032
British Pound.....	40,376	3,545	104,324	148,245
Canadian Dollar.....	17,890	627	-	18,517
Chilean Peso.....	435	-	-	435
Chinese Renminbi.....	663	-	-	663
Colombian Peso.....	181	-	-	181
Czech Koruna.....	67	-	-	67
Danish Krone.....	1,236	-	-	1,236
Egyptian Pound.....	80	-	-	80
Euro.....	111,377	1,788	89,635	202,800
Hong Kong Dollar.....	24,286	-	-	24,286
Hungarian Forint.....	122	-	-	122
Indian Rupee.....	4,237	-	-	4,237
Indonesian Rupiah.....	952	-	-	952
Israeli Shekel.....	198	-	-	198
Japanese Yen.....	104,304	5,513	-	109,817
Malaysian Ringgit.....	987	-	-	987
Mexican Peso.....	1,136	-	-	1,136
New Zealand Dollar.....	288	-	-	288
Norwegian Krone.....	4,760	-	-	4,760
Pakistani Rupee.....	33	-	-	33
Philippines Peso.....	490	-	-	490
Polish Zloty.....	602	-	-	602
Qatari Rial.....	441	-	-	441
Russian Ruble.....	1,435	-	-	1,435
Saudi Riyal.....	616	-	-	616
Singapore Dollar.....	1,143	-	-	1,143
South African Rand.....	2,622	-	-	2,622
South Korean Won.....	9,700	-	-	9,700
Swedish Krona.....	3,916	-	-	3,916
Swiss Franc.....	34,631	-	29,825	64,456
Taiwan Dollar.....	5,141	-	-	5,141
Thailand Baht.....	1,416	-	-	1,416
Turkish Lira.....	253	-	-	253
United Arab Emirates Dirham.....	286	-	-	286
Total Foreign Currency Investments.....	<u>\$ 391,301</u>	<u>\$ 11,473</u>	<u>\$ 223,784</u>	<u>\$ 626,558</u>

The State's laws and investment policies include provisions to limit the exposure to this type of risk. According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation, and provided that all denomination of principal and interest be in U.S. dollars.

The Ohio Public Employees Retirement System, an agency fund, has also adopted a foreign currency risk investment policy stating that non-U.S. dollar-based securities are limited to 25 percent of the total Fixed Income assets. Additionally, no more than 40 percent of the Fixed Income assets may be from non-U.S. issuers.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

D. Securities Lending Transactions

The Treasurer of State participates in the securities lending programs for securities included in the “Cash Equity with Treasurer” and “Investments” accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State’s lent securities are collateralized at no less than 102 percent of fair value, with the exception of U.S. Treasury Bills, which are purchased at a discount and are collateralized at par. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

Consequently, as of June 30, 2019, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 26 days while the weighted average maturity of securities loans is six days.

According to the lending contracts the Treasurer of State executes for the State’s cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from the insolvency default of the lending counterparty.

During fiscal year 2019, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2019, the Treasurer of State lent U.S. government and agency obligations and corporate notes in exchange for cash collateral.

E. Investment Derivatives

As of June 30, 2019, the State reports the following investment derivatives in its financial statements:



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment Derivatives					
As of June 30, 2019					
<i>(dollars in thousands)</i>					
	Notional	Fair Value at 6/30/2019 or 12/31/2018		Increase (Decrease) in Fair Value	
		Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate sw aps	\$ 71,730	\$ (6,104)	Other Noncurrent Liability	\$ (125)	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Credit default sw aps	39,783	249	Investments	640	Investment Income
Equity sw aps	973,792	16,579	Investments	23,549	Investment Income
Foreign exchange forward currency contracts	9,427,344	(55,921)	Investments	(110,300)	Investment Income
Futures contracts	2,461,088	4,926	Investments	8,150	Investment Income
Interest rate sw ap	941,216	(999)	Investments	(259)	Investment Income
Options	7,468,021	(12,018)	Investments	(14,719)	Investment Income
Total return sw aps	1,233,850	23,028	Investments	28,248	Investment Income
Warrants	8,261	3,688	Investments	1,611	Investment Income

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2019 and are reported as investment derivatives. The decreases in fair values for fiscal year 2019 of \$125 thousand are reported as operating restricted investment losses for the primary, secondary and other education function in the Statement of Activities.

The credit quality ratings of JPMorgan Chase, the counterparty, are “Aa2/A+/AA” as of June 30, 2019. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2019. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative’s positive fair value.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement and based on the fair value of the swap. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the 10-year LIBOR. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio have entered into the derivatives reported in the Agency Fund. All derivatives of these retirement systems are categorized as investment derivatives. The fair values and associated risks of the investment derivatives for the Agency Fund are included in the balances and risks disclosed in the previous sections of this note disclosure.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

F. Fair Value Disclosures

The State categorizes fair value measurements of its investments within the fair value hierarchy shown in the tables below and on the following page:

Primary Government (including Fiduciary Activities)				
Investments - Fair Value Disclosures				
As of June 30, 2019				
<i>(dollars in thousands)</i>				
	Fair Value	Amount of Fair Value Measured Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Investments Measured by Fair Value Level:</i>				
U.S. Government Obligations.....	\$ 28,671,006	\$ 4,790,058	\$ 23,880,948	\$ -
U.S. Government Obligations-Strips.....	1,442,984	1,163,528	279,456	-
U.S. Agency Obligations.....	6,051,867	-	6,051,867	-
U.S. Agency Obligations-Strips.....	141,196	-	141,196	-
Common and Preferred Stock.....	48,092,254	47,962,914	103,408	25,932
Corporate Bonds and Notes.....	19,361,986	110,813	19,117,585	133,588
Corporate Bonds and Notes-Strips.....	411	-	411	-
Municipal Obligations.....	458,807	-	458,807	-
Negotiable Certificates of Deposit.....	512,013	488,102	23,911	-
Commercial Paper.....	5,709,221	459,634	5,249,587	-
Repurchase Agreements.....	902,565	52,565	850,000	-
Mortgage and Asset-Backed Securities.....	8,689,965	-	8,465,244	224,721
Equity Mutual Funds.....	12,084,854	12,049,122	35,732	-
Bond Mutual Funds.....	5,076,275	5,042,200	34,075	-
Real Estate.....	8,798,250	1,142,666	-	7,655,584
Venture Capital.....	1,574,294	1,391,904	96,047	86,343
Partnerships and Hedge Funds.....	927,053	811,400	14,786	100,867
<i>International Investments:</i>				
Foreign Stocks.....	35,141,316	33,809,547	1,325,324	6,445
Foreign Bonds.....	4,024,671	-	3,093,832	930,839
High-Yield/Emerging Markets Fixed Income.....	6,962,681	31,164	6,909,096	22,421
Commingled Equity Funds.....	19,110	19,110	-	-
<i>Securities Lending Collateral:</i>				
Corporate Bonds and Notes.....	134,607	-	134,607	-
Variable Rate Notes.....	674,639	-	674,639	-
Bond Mutual Funds.....	205,768	205,768	-	-
	<u>\$195,657,793</u>	<u>\$ 109,530,495</u>	<u>\$ 76,940,558</u>	<u>\$ 9,186,740</u>
<i>Investment Derivative Instruments:</i>				
Pay Fixed Interest Rate Sw aps.....	\$ (6,104)	\$ -	\$ (6,104)	\$ -
Credit Default Sw aps.....	249	-	249	-
Equity Sw aps.....	16,579	-	16,579	-
Foreign Exchange Forward Currency Contracts.....	(55,921)	-	(55,921)	-
Futures Contracts.....	4,926	4,926	-	-
Interest Rate Sw ap.....	(999)	-	(999)	-
Options.....	(12,018)	(526)	(11,492)	-
Total Return Sw aps.....	23,028	-	23,028	-
Warrants.....	3,688	-	-	3,688
	<u>\$ (26,572)</u>	<u>\$ 4,400</u>	<u>\$ (34,660)</u>	<u>\$ 3,688</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

**Primary Government (including Fiduciary Activities)
Investments—Fair Value Disclosures
As of June 30, 2019
(dollars in thousands)**

	Net Asset Value
<i>Investments Measured at Net Asset Value Level:</i>	
Common and Preferred Stock.....	\$ 1,479,303
Equity Mutual Funds.....	2,339,198
Bond Mutual Funds.....	3,137,649
Real Estate.....	16,475,405
Venture Capital.....	22,630,390
Partnerships and Hedge Funds.....	16,915,573
International Investments:	
Commingled Equity Funds.....	7,539,968
	<u>\$ 70,517,486</u>

For investments held by the Treasurer of State, \$439.4 million classified in Level 1 were valued using inputs based on published share price. Level 2 classifications in the amount of \$11.38 billion were valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications were used. Interactive Data pricing used by the Treasurer’s office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission’s structured investments are included in the Treasurer of State’s Level 2 investments noted above. Investments in the amount of \$163.1 million, classified in Level 3, were bonds for which there is no secondary market, and were therefore, valued at the original principal.

For investments held by the STAR Ohio investment pool, \$3.5 billion in open-end investment companies, including money market funds, were classified in Level 1 and were valued using the daily redemption value as reported by the underlying fund, while the \$8.41 billion in short-term investments classified in Level 2 was valued using market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and offers. Market indicators and industry and economic events were also monitored to see if further market data was needed.

Investments held by the Department of Commerce in the amount of \$910.7 million for escheat property classified in Level 1, were valued using quoted prices for identical securities in an active market. Investments held by other state agencies in the amount \$35.5 million classified in Level 1, were valued using quoted prices in a large and active market.

For investments held by independently audited organizations of the primary government, more information regarding investment valuations can be found in the organizations’ stand-alone financial reports. The stand-alone financial reports for the independently audited organizations included in the table above may be found as follows:

- STAR Ohio investment pool at the Treasurer of State’s Office, at <http://www.tos.ohio.gov/>;
- Development Services Agency-Office of Loan Administration, at <https://development.ohio.gov/>;
- Buckeye Tobacco Settlement Financing Authority, at <http://obm.ohio.gov/BondsInvestors/tobacco.aspx>;
- Southern Ohio Agricultural and Community Development Foundation, at <http://www.soacdf.net/>;
- Bureau of Workers’ Compensation/Industrial Commission of Ohio, at <https://www.bwc.ohio.gov/>;
- Tuition Trust Authority, at <https://www.collegeadvantage.com/>;
- State Highway Patrol Retirement System, at <https://www.statepatrol.ohio.gov/>;



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- State Teachers Retirement System, at <https://www.strsoh.org/>;
- School Employees Retirement System, at <https://www.ohsers.org/>;
- Ohio Public Employees Retirement System, at <https://www.opers.org/>; and
- Ohio Police and Fire Pension Fund, at <https://www.op-f.org/>.

The fair value investment hierarchy for the Ohio State University, a major discretely presented component unit, is reported in the table below:

Major Discretely Presented Component Unit				
Investments - Fair Value Disclosures				
As of June 30, 2019				
<i>(dollars in thousands)</i>				
	Fair Value	Amount of Fair Value Measured Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Ohio State University:</i>				
<i>Investments Measured by Fair Value Level:</i>				
U.S. Government Obligations	\$ 742,228	\$ 8,311	\$ 733,917	\$ -
U.S. Agency Obligations	111,730	-	111,730	-
Common and Preferred Stock	533,400	533,400	-	-
Corporate Bonds and Notes	1,226,984	-	1,225,486	1,498
Municipal Obligations.....	8,051	-	8,051	-
Negotiable Certificates of Deposit	501,971	501,971	-	-
Commercial Paper	18,068	-	18,068	-
Equity Mutual Funds	198,879	198,879	-	-
Bond Mutual Funds	109,040	109,040	-	-
Real Estate	310,029	10,147	-	299,882
Partnerships and Hedge Funds	68,474	-	-	68,474
Life Insurance	3,334	-	-	3,334
<i>International Investments:</i>				
Foreign Stocks	391,301	391,301	-	-
Foreign Bonds	11,473	-	10,846	627
Commingled Equity Funds	147,607	-	-	147,607
<i>Securities Lending Collateral:</i>				
Commercial Paper	950	-	950	-
Repurchase Agreements	18,703	-	18,703	-
Variable Rate Notes	24,772	-	24,772	-
	<u>\$ 4,426,994</u>	<u>\$ 1,753,049</u>	<u>\$ 2,152,523</u>	<u>\$ 521,422</u>
<i>Ohio State University:</i>				
	<u>Net Asset Value</u>			
<i>Investments Measured at Net Asset Value Level:</i>				
Equity Mutual Funds	\$ 944,845			
Real Estate	220,631			
Partnerships and Hedge Funds	1,613,212			
<i>International Investments:</i>				
Commingled Equity Funds	76,177			
	<u>\$ 2,854,865</u>			

More information on Ohio State University's fair value investment valuations can be found in its audited stand-alone financial report at <https://www.osu.edu/>.

The Ohio Facilities Construction Commission's investments in the amount of \$2.1 million were classified in Level 1 based on their valuation using the market approach.



NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

Current taxes receivable is expected to be collected in the next fiscal year while noncurrent taxes receivable is not expected to be collected until more than one year from the balance sheet date. As of June 30, 2019, approximately \$96.6 million of the net taxes receivable balance is also reported as Deferred Inflows of Resources on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately \$1.04 billion are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Position and in the General Fund on the governmental funds' Balance Sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands):

	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Current-Due Within One Year:			
Income Taxes	\$ 425,444	\$ -	\$ 425,444
Sales Taxes	492,294	-	492,294
Motor Vehicle Fuel Taxes	191,385	112,358	303,743
Commercial Activity Taxes	460,726	15,283	476,009
Public Utility Taxes	85,763	-	85,763
Casino Taxes	-	4,320	4,320
	<u>1,655,612</u>	<u>131,961</u>	<u>1,787,573</u>
Noncurrent-Due in More Than One Year:			
Income Taxes	17,663	-	17,663
Taxes Receivable, Net	<u>\$1,673,275</u>	<u>\$ 131,961</u>	<u>\$ 1,805,236</u>

B. Intergovernmental Receivable – Primary Government

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2019 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		Total Primary Government
	Federal Government	Local Government	Other State Governments	Local Government	
Governmental Activities:					
Major Governmental Funds:					
General	\$ 432,840	\$ -	\$ -	\$ -	\$ 432,840
Job, Family and Other Human Services	175,292	12,113	-	-	187,405
Nonmajor Governmental Funds	358,795	45,327	-	10,871	414,993
Total Governmental Activities	<u>966,927</u>	<u>57,440</u>	<u>-</u>	<u>10,871</u>	<u>1,035,238</u>
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	26	-	26
Nonmajor Proprietary Funds	-	-	-	5,529	5,529
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>26</u>	<u>5,529</u>	<u>5,555</u>
Intergovernmental Receivable	<u>\$ 966,927</u>	<u>\$ 57,440</u>	<u>\$ 26</u>	<u>\$ 16,400</u>	<u>\$ 1,040,793</u>



NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2019, are detailed in the following table (dollars in thousands):

Loan Program	Primary Government - Loans Receivable		
	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Economic Development Office of Loan Administration.....	\$ 204,185	\$ -	\$ 204,185
Local Infrastructure Improvements	588,114	-	588,114
Housing Finance	339,961	-	339,961
Highway, Transit, & Aviation Infrastructure Bank.....	-	135,063	135,063
Third Frontier Program Loans.....	-	42,507	42,507
Wayne Trace Local School District	910	-	910
Capital Access Loan Program.....	-	3,288	3,288
Loans Receivable, Net	<u>\$ 1,133,170</u>	<u>\$ 180,858</u>	<u>\$ 1,314,028</u>
Current-Due Within One Year	\$ 127,590	\$ 33,403	\$ 160,993
Noncurrent-Due in More Than One Year	1,005,580	147,455	1,153,035
Loans Receivable, Net	<u>\$ 1,133,170</u>	<u>\$ 180,858</u>	<u>\$ 1,314,028</u>

The “Loans Receivable” balance reported in the major discretely presented component units, as of June 30, 2019, is comprised of student loans and other miscellaneous loans.



NOTE 5 RECEIVABLES (Continued)

D. Other Receivables

The other receivables balances reported for the primary government, as of June 30, 2019, consist of the following (dollars in thousands):

Primary Government - Other Receivables					
Governmental Activities					
Major Governmental Funds					
Types of Receivables	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Manufacturers' Rebates	\$ 216,158	\$ 370,516	\$ -	\$ 4,540	\$ 591,214
Tobacco Settlement	-	-	617,421	34,100	651,521
Health Facility Bed Assessments	-	102,046	-	-	102,046
Managed Care Franchise Fees	-	61,807	-	-	61,807
Interest	29,585	-	-	11	29,596
Accounts	13,675	17,114	-	10,897	41,686
Miscellaneous	32,406	-	-	-	32,406
Other Receivables, Net.....	<u>\$ 291,824</u>	<u>\$ 551,483</u>	<u>\$ 617,421</u>	<u>\$ 49,548</u>	<u>\$ 1,510,276</u>
Current-Due Within One Year	\$ 291,824	\$ 551,483	\$ -	\$ 15,448	\$ 858,755
Noncurrent-Due in More Than One Year.....	-	-	617,421	34,100	651,521
Other Receivables, Net.....	<u>\$ 291,824</u>	<u>\$ 551,483</u>	<u>\$ 617,421</u>	<u>\$ 49,548</u>	<u>\$ 1,510,276</u>
Business-Type Activities					
Major Proprietary Funds					
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts.....	\$ 287,757	\$ -	\$ 36,077	\$ -	\$ 323,834
Interest and Dividends (including restricted portion).....	124,978	18	-	747	125,743
Lottery Sales Agents.....	-	64,913	-	-	64,913
Other Receivables, Gross.....	412,735	64,931	36,077	747	514,490
Estimated Uncollectible.....	(1,216)	(597)	(16,021)	-	(17,834)
Other Receivables, Net-Due Within One Year.....	<u>\$ 411,519</u>	<u>\$ 64,334</u>	<u>\$ 20,056</u>	<u>\$ 747</u>	<u>\$ 496,656</u>
Total Primary Government.....					<u>\$ 2,006,932</u>

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2019, is comprised of interest due of approximately \$24.2 million and investment trade receivables of \$232.3 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2019, is comprised of accounts receivable, interest receivable, pledges receivable, unbilled charges receivable, grants receivable, and other miscellaneous receivables.



NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government and fiduciary activities, as of June 30, 2019, follow (dollars in thousands):

Primary Government and Fiduciary Activities - Accrued Liabilities				
	Wages and Employee Benefits	Accrued Interest	Management and Administrative Expenses	Total Accrued Liabilities
Governmental Activities:				
Major Governmental Funds:				
General.....	\$ 166,591	\$ -		\$ 166,591
Job, Family and Other Human Services.....	22,758	-		22,758
Nonmajor Governmental Funds.....	64,797	-		64,797
	254,146	-		254,146
Reconciliation of fund level statements to government- wide statements due to basis differences.....	-	163,708		163,708
Total Governmental Activities.....	254,146	163,708		417,854
Business-Type Activities:				
Nonmajor Proprietary Funds.....	4,843	-		4,843
Total Primary Government.....	<u>\$ 258,989</u>	<u>\$ 163,708</u>		<u>\$ 422,697</u>
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2018).....	\$ 4,583	\$ 838	\$ -	\$ 5,421
Variable College Savings Plan Private-Purpose Trust.....	-	-	3,070	3,070
STAR Ohio Investment Trust.....	-	-	1,244	1,244
Total Fiduciary Activities.....	<u>\$ 4,583</u>	<u>\$ 838</u>	<u>\$ 4,314</u>	<u>\$ 9,735</u>

The “Accrued Liabilities” balance reported in the major discretely presented component units, as of June 30, 2019, is comprised largely of payables similar to those of the primary government, such as wages and employee benefits, self-insurance, and accrued interest.



NOTE 6 PAYABLES (Continued)

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government and fiduciary activities, as of June 30, 2019, are comprised of the following (dollars in thousands):

Primary Government and Fiduciary Activities - Intergovernmental Payable					
	Local Government				
	Shared				
	Revenue and				
	Local	Subsidies	Federal	Other	
	Permissive	and Other	Government	States	Total
	Taxes				
Governmental Activities:					
Major Governmental Funds:					
General	\$ 626,905	\$ 28,140	\$ 39,787	\$ -	\$ 694,832
Job, Family and Other Human Services ...	-	130,809	-	-	130,809
Nonmajor Governmental Funds	93,492	103,239	-	-	196,731
Total Governmental Activities	<u>\$ 720,397</u>	<u>\$ 262,188</u>	<u>\$ 39,787</u>	<u>\$ -</u>	<u>\$ 1,022,372</u>
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	\$ -	\$ 144	\$ 396	\$ -	\$ 540
Total Business-Type Activities	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 540</u>
Total Primary Government.....					<u>\$ 1,022,912</u>
Fiduciary Activities:					
Holding and Distribution Agency Fund	\$ -	\$ 929	\$ 6,836	\$ 1,802	\$ 9,567
Other Agency Fund	210,737	12,330	-	-	223,067
Total Fiduciary Activities	<u>\$ 210,737</u>	<u>\$ 13,259</u>	<u>\$ 6,836</u>	<u>\$ 1,802</u>	<u>\$ 232,634</u>

As of June 30, 2019, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately \$781.1 million for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Position, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities." The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.



NOTE 6 PAYABLES (Continued)

C. Refund and Other Liabilities

Refund and other liabilities for the primary government and fiduciary activities, as of June 30, 2019, consist of the balances, as follows (dollars in thousands):

Primary Government and Fiduciary Activities - Refund and Other Liabilities						
				Personal Income Tax Estimated Refund Claims	Other	Total
Governmental Activities:						
Major Governmental Funds:						
General				\$ 1,038,140	\$ 118	\$ 1,038,258
Job, Family and Other Human Services				-	2,905	2,905
Nonmajor Governmental Funds				-	665	665
Total Governmental Activities				<u>\$ 1,038,140</u>	<u>\$ 3,688</u>	<u>\$ 1,041,828</u>
	Reserve for Compensation Adjustment	Net Pension / OPEB Liability	Refund and Security Deposits	Compensated Absences	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	\$ 1,736,000	\$409,356	\$ -	\$ 27,860	\$1,936,134	\$ 4,109,350
Lottery Commission	-	65,708	31,830	3,918	9,131	110,587
Unemployment Compensation	-	-	5,296	-	-	5,296
Nonmajor Proprietary Funds	-	150,346	1	10,097	-	160,444
	<u>1,736,000</u>	<u>625,410</u>	<u>37,127</u>	<u>41,875</u>	<u>1,945,265</u>	<u>4,385,677</u>
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(1,736,000)	(625,410)	-	(41,875)	(1,911,062)	(4,314,347)
Total Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,127</u>	<u>\$ -</u>	<u>\$ 34,203</u>	<u>\$ 71,330</u>
Total Primary Government						<u>\$ 1,113,158</u>
	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement						
System Pension Trust (12/31/2018).....	\$ -	\$ -	\$ -	\$ -	\$ 1,273	\$ 1,273
Variable College Savings Plan						
Private-Purpose Trust.....	-	-	-	-	187,225	187,225
STAR Ohio Investment Trust	-	-	-	-	468	468
Agency Funds:						
Holding and Distribution	-	17,135	-	-	-	17,135
Centralized Child Support Collections.....	62,572	-	-	-	-	62,572
Retirement Systems	-	-	-	204,458,497	-	204,458,497
Payroll Withholding and Fringe Benefits ..	-	-	149,578	-	-	149,578
Other	-	-	-	-	574,643	574,643
Total Fiduciary Activities	<u>\$ 62,572</u>	<u>\$ 17,135</u>	<u>\$ 149,578</u>	<u>\$ 204,458,497</u>	<u>\$ 763,609</u>	<u>\$ 205,451,391</u>

In the major discretely presented component units, the "Refunds and Other Liabilities" balance reported, as of June 30, 2019, is comprised largely of payables similar to the primary government, such as refund and security deposits, compensated absences, capital leases, and other miscellaneous payables.



NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

A. Interfund Balances

Interfund balances, as of June 30, 2019, consist of the following (dollars in thousands):

Due from	Due To			Total
	Nonmajor Governmental Funds	Workers' Compensation	Nonmajor Proprietary Funds	
General	\$ -	\$ 396,855	\$ 1,719	\$398,574
Job, Family and Other Human Services	-	10,574	-	10,574
Nonmajor Governmental Funds	1,442	103,292	-	104,734
Lottery Commission	-	1,058	-	1,058
Total.....	<u>\$ 1,442</u>	<u>\$ 511,779</u>	<u>\$ 1,719</u>	<u>\$514,940</u>

Interfund balances result from the time lag between dates that 1) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$511.8 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Position, the State includes the liability in the internal balance reported for governmental activities.

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2019, consist of the following (dollars in thousands):

Transferred from	Transferred to				Total
	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	
General	\$ -	\$ 5,803	\$ 2,082,458	\$ 30,789	\$2,119,050
Job, Family and Other Human Buckeye Tobacco Settlement	234,330	-	5,130	-	239,460
Authority Revenue Bonds	17,878	-	354	-	18,232
Nonmajor Governmental Funds ..	261,384	-	257,065	-	518,449
Workers' Compensation	8,742	-	-	-	8,742
Lottery Commission	1,694	-	1,153,932	-	1,155,626
Unemployment Compensation ..	7,731	25	-	-	7,756
Total.....	<u>\$531,759</u>	<u>\$ 5,828</u>	<u>\$ 3,498,939</u>	<u>\$ 30,789</u>	<u>\$4,067,315</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as the debt service payments become due, and 3) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)

C. Discretely Presented Component Units

For fiscal year 2019, the discretely presented component units reported \$2.24 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in “Primary, Secondary, and Other Education” expenses reported for the governmental activities, is the funding that the primary government provided to the Ohio Facilities Construction Commission for capital construction at local school districts. The primary government also transferred bond proceeds to the Ohio Facilities Construction Commission to pay the State’s share of the cost of rebuilding elementary and secondary school facilities across the State.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in “Higher Education Support” expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below:

Primary Government <i>(dollars in thousands)</i>							
	Receivable from the Component Units	Payable to the Component Units	Program Expenses for State Assistance to Component Units				Total State Assistance to the Component Units
			Primary, Secondary, and Other Education Function	Higher Education Support Function	Transportation Function	Community and Economic Development Function	
Major Governmental Funds:							
General	\$ -	\$ 19,862	\$ 128,397	\$ 2,063,085	\$ 3,459	\$ 40,658	\$ 2,235,599
Job, Family and Other							
Human Services	-	1,009	-	-	-	-	-
Nonmajor Governmental Funds	9,576	1,525	-	-	-	-	-
Total Primary Government	<u>\$ 9,576</u>	<u>\$ 22,396</u>	<u>\$ 128,397</u>	<u>\$ 2,063,085</u>	<u>\$ 3,459</u>	<u>\$ 40,658</u>	<u>\$ 2,235,599</u>

Discretely Presented Component Units <i>(dollars in thousands)</i>			
	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistance from the Primary Government
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	\$ -	\$ -	\$ 169,055
Ohio State University	5,456	-	534,579
Nonmajor Discretely Presented Component Units	16,940	8,783	1,531,965
Total Discretely Presented Component Units	<u>\$ 22,396</u>	<u>\$ 8,783</u>	<u>\$ 2,235,599</u>



NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2019, reported for the primary government was as follows (dollars in thousands):

	Primary Government			Balance June 30, 2019
	Balance July 1, 2018	Increases	Decreases	
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,432,987	\$ 47,240	\$ (8,305)	\$ 2,471,922
Buildings	62,464	-	-	62,464
Land Improvements	1,439	-	-	1,439
Construction-in-Progress	2,959,550	492,518	(637,343)	2,814,725
Infrastructure:				
Highway Network:				
General Subsystem	8,661,898	51,316	-	8,713,214
Priority Subsystem	8,724,307	151,179	(401)	8,875,085
Bridge Network	2,836,116	112,093	(28,113)	2,920,096
Total Capital Assets Not Being Depreciated.....	25,678,761	854,346	(674,162)	25,858,945
Other Capital Assets:				
Buildings	3,971,133	113,538	(61,378)	4,023,293
Land Improvements	520,436	32,511	(9,461)	543,486
Machinery and Equipment	1,597,473	376,068	(230,681)	1,742,860
Vehicles	465,703	87,787	(33,983)	519,507
Infrastructure:				
Parks, Recreation and Natural Resources Network.....	149,387	50,468	(17,990)	181,865
Total Other Capital Assets at Historical Cost.....	6,704,132	660,372	(353,493)	7,011,011
Less Accumulated Depreciation for:				
Buildings	2,470,869	125,884	(57,162)	2,539,591
Land Improvements	352,108	21,748	(7,772)	366,084
Machinery and Equipment	1,245,938	189,346	(195,896)	1,239,388
Vehicles	262,932	60,969	(29,107)	294,794
Infrastructure:				
Parks, Recreation and Natural Resources Network.....	45,457	5,531	-	50,988
Total Accumulated Depreciation	4,377,304	403,478	(289,937)	4,490,845
Other Capital Assets, Net	2,326,828	256,894	(63,556)	2,520,166
Governmental Activities - Capital Assets, Net.....	\$ 28,005,589	\$ 1,111,240	\$ (737,718)	\$ 28,379,111
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 9,466	\$ -	\$ -	\$ 9,466
Construction-In Progress.....	96,598	-	(11,418)	85,180
Total Capital Assets Not Being Depreciated.....	106,064	-	(11,418)	94,646
Other Capital Assets:				
Buildings	209,439	-	-	209,439
Machinery and Equipment	197,460	5,715	(6,128)	197,047
Vehicles	3,686	542	(528)	3,700
Total Other Capital Assets at Historical Cost.....	410,585	6,257	(6,656)	410,186
Less Accumulated Depreciation for:				
Buildings	187,391	6,964	-	194,355
Machinery and Equipment	161,859	13,449	(6,076)	169,232
Vehicles	1,870	408	(415)	1,863
Total Accumulated Depreciation	351,120	20,821	(6,491)	365,450
Other Capital Assets, Net	59,465	(14,564)	(165)	44,736
Business-Type Activities - Capital Assets, Net.....	\$ 165,529	\$ (14,564)	\$ (11,583)	\$ 139,382



NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2019, the State charged depreciation expense to the following functions (dollars in thousands):

	Depreciation Expense
Governmental Activities:	
Primary, Secondary and Other Education.....	\$ 2,550
Public Assistance and Medicaid.....	118,375
Health and Human Services.....	13,051
Justice and Public Protection.....	70,676
Environmental Protection and Natural Resources.....	31,347
Transportation.....	81,238
General Government.....	76,375
Community and Economic Development.....	7,559
Total Depreciation Expense for Governmental Activities.....	<u>401,171</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation.....	2,307
Fiscal Year 2019 Increases to Accumulated Depreciation.....	<u>\$ 403,478</u>
Business-Type Activities:	
Workers' Compensation.....	\$ 20,945
Lottery Commission.....	11,055
Tuition Trust Authority.....	10
Office of Auditor of State.....	229
Total Depreciation Expense for Business-Type Activities.....	<u>32,239</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation.....	(11,418)
Fiscal year 2019 Increase to Accumulated Depreciation.....	<u>\$ 20,821</u>

As of June 30, 2019, the State considered the following governmental capital asset balances as being impaired and removed from service (dollars in thousands):

	Net Book Value
Governmental Activities:	
Permanently Impaired Assets Removed from Service:	
Buildings.....	\$ 4,198
Land Improvements	225
Total.....	<u>\$ 4,423</u>



NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Unit

Capital asset activity, for the year ended June 30, 2019, reported for major discretely presented component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Discretely Presented Component Unit			
	Balance			Balance
	July 1, 2018	Increases	Decreases	June 30, 2019
<u>Ohio State University:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 115,223	\$ 7,058	\$ (34)	\$ 122,247
Construction-in-Progress	398,617	38,628	-	437,245
Patents and Trademarks.....	18,459	16	-	18,475
Total Capital Assets Not Being Depreciated.....	<u>532,299</u>	<u>45,702</u>	<u>(34)</u>	<u>577,967</u>
Other Capital Assets:				
Buildings	6,463,330	368,802	(21,713)	6,810,419
Land Improvements	848,215	92,364	(648)	939,931
Machinery, Equipment and Vehicles	1,581,288	175,118	(64,726)	1,691,680
Library Books and Publications	191,275	3,890	(834)	194,331
Total Other Capital Assets at Historical Cost.....	<u>9,084,108</u>	<u>640,174</u>	<u>(87,921)</u>	<u>9,636,361</u>
Less Accumulated Depreciation for:				
Buildings	2,839,273	234,943	(14,693)	3,059,523
Land Improvements	315,280	40,150	(606)	354,824
Machinery, Equipment and Vehicles	1,141,844	141,053	(62,004)	1,220,893
Library Books and Publications	165,207	4,360	(834)	168,733
Total Accumulated Depreciation	<u>4,461,604</u>	<u>420,506</u>	<u>(78,137)</u>	<u>4,803,973</u>
Other Capital Assets, Net	<u>4,622,504</u>	<u>219,668</u>	<u>(9,784)</u>	<u>4,832,388</u>
Total Capital Assets, Net	<u>\$ 5,154,803</u>	<u>\$ 265,370</u>	<u>\$ (9,818)</u>	<u>\$ 5,410,355</u>

For fiscal year 2019, Ohio State University reported approximately \$420.5 million in depreciation expense.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

All part-time and full-time employees and elected officials of the State, including its component units (unless otherwise excluded in Ohio Revised Code), are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – the Traditional Pension Plan (Traditional Plan) which is a defined benefit plan, the Member-Directed Plan which is a defined contribution plan, and the Combined Plan with features of both the defined benefit plan and the defined contribution plan.

OPERS issues a stand-alone financial report, which may be obtained by visiting <https://www.opers.org> or by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (800) 222-7377.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and survivor and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

New employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers, who must participate in the defined benefit plan, college and university employees who choose to participate in one of the university's alternative retirement plans (see NOTE 9D), and re-employed OPERS retirees.

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members eligible to retire under the law in effect prior to Senate Bill 343 or who will be eligible to retire no later than five years after January 7, 2013, comprise Transition Group A. Members with 20 years of service credit prior to January 7, 2013, or who will be eligible to retire no later than 10 years after January 7, 2013, are included in Transition Group B. Those members who are not in Group A or B or were hired after January 7, 2013, are in Transition Group C.

The age and service requirements for State and Law Enforcement employees in all transition groups are shown in the table below:

Unreduced Benefit	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State	Any	30	52	31	55	32
	N/A	N/A	Any	32	N/A	N/A
	65	5	66	5	67	5
Law Enforcement	48	25	50	25	52	25
	62	15	64	15	64	15

Reduced Benefit	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State	55	25	55	25	57	25
	60	5	60	5	62	5
Law Enforcement	52	15	52	15	56	15
	N/A	N/A	48	25	48	25

The retirement allowance for the Traditional Plan (defined benefit) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 35 years and by 2.5 percent for all other years in excess of 35 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually of the original base amount regardless of changes in the Consumer Price Index for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index, capped at three percent.

The retirement allowance for the Combined Plan (defined benefit portion) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 35 years and by 1.25 percent for all other years in excess of 35 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index, for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index,



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

capped at three percent. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Certain retirees and benefit recipients may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected and cannot result in a monthly allowance that is less than 50 percent of that monthly amount.

Regular employees who participate in the Member-Directed Plan (defined contribution) may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, a PLOP, rollovers to another eligible retirement plan, or made payable to the member, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS investment options.

Employer and employee required contributions to OPERS are established by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees.

Contribution rates for fiscal year 2019, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
<u>Regular Employees:</u>		
July 1, 2018 through June 30, 2019.....	10.00%	14.00%
<u>Law Enforcement Employees:</u>		
July 1, 2018 through June 30, 2019.....	13.00%	18.10%

In the Combined Plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the Member Directed defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

At June 30, 2019, the State reports a liability of \$5.71 billion for its proportionate share of the net pension liability for the Traditional Plan and an asset for its proportionate share of the net pension asset of \$21.9 million for the Combined Plan. Ohio State University discretely presented component unit reports liabilities of \$2.7 billion, for its proportionate share of the net pension liability for the Traditional Plan. The net pension liability/asset was measured as of December 31, 2018. The Plan's total pension liability used to calculate the Plan's net pension liability/asset was determined by an actuarial valuation as of December 31, 2018. The State's proportion of the net pension liability/asset is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers and non-employer contributing entities to the Plan. At December 31, 2018, the State's proportion was 20.86 percent for the Traditional Plan based on employer contributions of \$395.8 million, as compared to the December 31, 2017, proportion of 20.85 percent. For the Combined Plan, the State's proportion at December 31, 2018 was 19.59 percent based on employer contributions



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

of \$11.3 million, as compared to the December 31, 2017, proportion of 19.13 percent. The proportion for the Traditional Plan for Ohio State University discretely presented component unit was 9.9 percent based on employer contributions totaling \$220.1 million compared to 9.4 percent for the previous fiscal year. For purposes of measuring the net pension liability/asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned. Refunds are payable two months after termination of the member's employment. All investments are reported at fair value.

For the year ended June 30, 2019, the State recognized pension expense of \$1.26 billion for the Traditional Plan, and \$5.4 million for the Combined Plan. Ohio State University discretely presented component unit, recognized \$446.6 million in pension expense.

At June 30, 2019, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension	
	Primary Government	Ohio State University
Traditional Plan		
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	\$ 265	\$ 1,288
Changes of Assumptions	497,668	238,382
Net Difference Between Projected and Actual Earnings		
on Pension Plan Investments	775,535	380,743
Change in Employers' Proportionate Share	7,717	6,478
Contributions Subsequent to the Measurement Date	173,848	107,284
Total	<u>\$ 1,455,033</u>	<u>\$ 734,175</u>
Deferred Inflow of Resources:		
Change in Employers' Proportionate Share	\$ (4,489)	\$ (43)
Differences Between Expected and Actual Experience	(75,339)	(41,458)
Total	<u>\$ (79,828)</u>	<u>\$ (41,501)</u>
Combined Plan		
Deferred Outflow of Resources:		
Change in Employers' Proportionate Share	\$ 153	
Net Difference Between Projected and Actual Earnings		
on Pension Plan Investments	4,571	
Change in Assumptions	4,738	
Contributions Subsequent to the Measurement Date	4,884	
Total	<u>\$ 14,346</u>	
Deferred Inflow of Resources:		
Change in Employers' Proportionate Share	\$ (140)	
Differences Between Expected and Actual Experience	(8,667)	
Total	<u>\$ (8,807)</u>	

Deferred Outflows of Resources of \$173.8 million related to pensions resulting from State contributions subsequent to the measurement date for the Traditional Plan will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Deferred Outflows of Resources of \$4.9 million resulting from State contributions subsequent to the measurement period for the Combined Plan will be recognized as an increase to the net pension



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

asset in the year ended June 30, 2020. Ohio State University, a discretely presented component unit, will recognize \$107.3 million resulting from contributions subsequent to the measurement period as a reduction of its net pension liability in the following year.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Traditional Plan	Pension	
	Primary Government	Ohio State University
Year Ending June 30:		
2020.....	\$ 517,938	\$ 245,594
2021.....	251,046	127,618
2022.....	71,669	40,118
2023.....	360,753	172,315
2024.....	(21)	(259)
Thereafter.....	(28)	4

Combined Plan	Primary Government
Year Ending June 30:	
2020.....	\$ 727
2021.....	(188)
2022.....	(91)
2023.....	1,340
2024.....	(540)
Thereafter.....	(593)

OPEB Benefits

In addition to the pension plan, OPERS maintains a cost-sharing, multiple-employer postemployment health care plan for the Traditional Plan and Combined Plan, which includes hospitalization, medical expenses and prescription drugs for non-Medicare retirees and eligible dependents. Medicare Eligible retirees must select coverage through the OPERS Medicare Connector and may receive an allowance to offset a portion of the monthly premium to retirees and eligible dependents. The allowance is deposited into a Health Retirement Account to be used to reimburse eligible health care expenses. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage, but qualify for a Retiree Medical Account.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible recipients, with one exception. Ohio law currently requires OPERS to provide a Medicare Part A equivalent plan or reimbursement for members and dependents who do qualify for Medicare Part A. Authority to establish and amend OPEB benefits is provided in Chapter 145 of the Ohio Revised Code as well.

To qualify for postemployment health care coverage, age-and-service retirees under the Traditional and Combined plans must have 20 years of qualifying Ohio service credit with a minimum age of 60, or 30 or more years of qualifying service at any age. The Member Directed Plan participants can use vested retiree medical account funds upon retirement for reimbursement of qualified medical expenses. Currently, an employee's interest in the medical account for qualifying health care expenses vests based on length of service, with 100 percent vesting attained after five years of credited service for employees hired prior to July 1, 2015. Members who elect the Member-Directed Plan after July 1, 2015, will vest at 15 years of service at a rate of 10 percent each year starting with the sixth year of participation.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Medicare-eligible retirees who choose to become re-employed in an OPERS covered position must enroll in the employer's health care plan if the employer offers a plan. After the two-month forfeiture period, the retiree may continue participation in an OPERS health care plan. The coverage provided by the employer plan is primary coverage and the OPERS health care plan is secondary coverage. OPERS provides a monthly allowance to offset a portion of the monthly premium. Medicare eligible spouses and dependents can also enroll in this plan if the retiree is enrolled. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Spouses eligible for Medicare will have access to OPERS Medicare Connector and, if not yet eligible for Medicare, will have access to OPERS group coverage at full cost to the spouse through 2020.

The Ohio Revised Code provides the statutory authority which allows public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside for the funding of post-retirement health care benefits. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The OPEB contribution rates for regular and law enforcement employees for 2018 and 2019 was zero percent for the Traditional and Combined Plans. The employer contribution to the Member Directed Plan participants health care accounts for 2018 was four percent (last year available). Employers make no further contributions to a member's health care account after retirement, nor do employers have any further obligation to provide postemployment health care benefits.

At June 30, 2019, the State reports a liability of \$2.7 billion for its proportionate share of the net OPEB liability compared to \$2.25 billion at June 30, 2018. Ohio State University discretely presented component unit reports liabilities of \$1.32 billion for its proportionate share of the net OPEB liability, as compared to \$1.06 billion as of June 30, 2018. The net OPEB liability was measured as of December 31, 2018. The Plan's total OPEB liability used to calculate the Plan's net OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The State's proportion of the net OPEB liability is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers. At December 31, 2018, the State's proportion was 20.75 percent based on employer contributions of \$421.2 million, as compared to the December 31, 2017, proportion of 20.74 percent. The proportion for the Ohio State University discretely presented component unit was 10.1 percent based on employer contributions totaling \$220.1 million compared to 9.7 percent for the previous fiscal year. For purposes of measuring the net OPEB liability, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB, and OPEB expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned.

For the year ended June 30, 2019, the State recognized OPEB expense of \$249.6 million. Ohio State University discretely presented component unit, recognized \$161.1 million in OPEB expense. At June 30, 2019, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

	OPEB	
	Primary Government	Ohio State University
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	\$ 917	\$ 429
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	123,879	63,078
Changes of Assumptions	87,287	40,879
Change in Employers' Proportionate Share	2,017	2,936
Total	<u>\$ 214,100</u>	<u>\$ 107,322</u>
Deferred Inflow of Resources:		
Differences Between Expected and Actual Experience	\$ (7,339)	\$ (3,584)
Change in Employers' Proportionate Share	(1,820)	-
Total	<u>\$ (9,159)</u>	<u>\$ (3,584)</u>

There were no State contributions related to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from state contributions subsequent to the measurement date recognized in the year ended June 30, 2020.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

	OPEB	
	Primary Government	Ohio State University
Year Ending June 30:		
2020.....	\$ 97,105	\$ 48,049
2021.....	24,983	14,323
2022.....	20,387	10,859
2023.....	62,466	30,507

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities were determined using the following actuarial assumptions listed in the individual tables below, applied to all periods included in the measurement:

	Pension	
	Traditional Plan	Combined Plan
Wage Inflation	3.25%	3.25%
Salary Increases (including wage inflation)	3.25-10.75%	3.25-8.25%
Investment Rate of Return	7.20%	7.20%
COLA or Ad Hoc COLA *	3.00%	3.00%
Actuarial Cost Method	Individual Entry Age (Both Plans)	

*The COLA, for both the Traditional and Combined Plans, for retirees prior to January 7, 2013, is three percent simple. For retirees after that date, the COLA is three percent simple through 2018, and then becomes 2.15 percent simple.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

	OPEB
Wage Inflation	3.25%
Salary Increases (including wage inflation)	3.25%-10.75%
Single Discount Rate	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age

The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions were assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.2 percent was applied to all periods of projected benefit payments to determine the total liability.

A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects a long-term expected rate of return on OPEB plan investments and tax-exempt municipal bond rates based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined rate; therefore, the contributions were sufficient for health care costs to 2031. The health care investment rate was applied to projected costs to 2031, and the municipal bond rate applied thereafter.

For both tables, mortality rates are based on the RP-2014 Employees mortality table. For disabled retirees, mortality rates are based on the RP-2014 Disabled mortality table. The Healthy Annuitant Mortality tables were adjusted for mortality improvements back to the observation period base year of 2006, and then established the base year as 2010 for females, and 2015 for males.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted in 2016, for the five-year period 2011 through 2015.

An estimate range for investment return assumption for pension and OPEB is developed and based on the target allocation adopted by the OPERS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Pension		OPEB	
	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*
Fixed Income	23%	2.79%	34%	2.42%
Domestic Equity	19%	6.21%	21%	6.21%
Real Estate	10%	4.90%	6%	5.98%
Private Equity	10%	10.81%	0%	0.00%
International Equities	20%	7.83%	22%	7.83%
Other Investments	18%	5.50%	17%	5.57%
Total Fund	100%	5.95%	100%	5.16%

*Arithmetic.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Sensitivity of the State's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate – The following table represents the net pension liability/(asset) as of December 31, 2018, calculated using the current period discount rate assumption of 7.2 percent. Also shown is what the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current assumption (dollars in thousands):

	Pension		
	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
<u>Traditional Plan</u>			
Net Pension Liability/(Asset):			
Primary Government	\$ 8,441,871	\$ 5,714,426	\$ 3,447,897
Ohio State University	3,994,727	2,695,368	1,616,292
<u>Combined Plan</u>			
Net Pension Liability/(Asset):			
Primary Government	\$ (7,249)	\$ (21,905)	\$ (32,517)

The table below represents sensitivity of the State's proportionate share of the net OPEB liability to changes in the current period single discount rate assumption of 3.96 percent, as of December 31, 2018. The table below shows the expected net OPEB liability if it were calculated using a discount rate that is one percentage point lower (2.96 percent) or one percentage point higher (4.96 percent) than the current single discount rate (dollars in thousands):

	OPEB		
	1% Decrease (2.96%)	Current Single Discount Rate (3.96%)	1% Increase (4.96%)
Net OPEB Liability:			
Primary Government	\$ 3,460,458	\$ 2,704,808	\$ 2,103,857
Ohio State University	1,690,029	1,321,019	1,027,493

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10 percent. The actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation. The following table represents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current health care cost trend rate assumption (dollars in thousands):

	OPEB		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability:			
Primary Government	\$ 2,599,908	\$ 2,704,808	\$ 2,825,625
Ohio State University	1,269,751	1,321,019	1,379,988



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Early Retirement Incentives (ERI)

State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years' worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when the terminations equal or exceed the lesser of 350 employees or 40 percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date. The amount of service credit offered cannot exceed five years or 20 percent of the total service credited to any participant. The ERI agreements establish an obligation to pay specific amounts on fixed dates.

As of June 30, 2019, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2019, the State did not incur any significant expenditures/expenses related to ERI agreements.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – the Defined Benefit Plan, the Defined Contribution Plan, and the Combined Plan with features of both the defined benefit plan and the defined contribution plan. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS also provides death, survivor, and disability benefits to members in the Defined Benefit and Combined Plans.

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877 or by visiting the STRS Website at <https://www.strsoh.org>.

For retirement dates between August 1, 2017 and July 1, 2019, participants in the Defined Benefit Plan may retire with an unreduced benefit after 32 years of credited service regardless of age, or age 65 with five years of credited service. Participants may also retire with a percentage reduction in benefit amounts at any age with 30 years of credited service, or at age 55 with 27 years of credited service, or at age 60 with 5 years of credited service. Eligibility changes will be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age. Benefits are based on the final average salary based on the five highest years of earnings, and by multiplying 2.2 percent times the number of years of service credit. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the "formula benefit" calculation.

For members who were eligible to retire on August 1, 2015, or later, the annual benefit amount will be the greater of either the benefit amount calculated under the current benefit formula as described above, or the benefit amount calculated as of July 1, 2015, under the previous benefit formula, as described below.

For members who were eligible to retire on or before July 1, 2015, the annual retirement allowance is the greater of the benefit amount calculated upon retirement under the current benefit formula or the previous benefit formula, which is frozen as of July 1, 2015. The previous benefit formula was based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by 0.1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service,



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by 0.1 percent starting at 2.6 percent for the 32nd year.

Retirees choose from one of four payment options, including annuity options and a “partial lump-sum” option. Under the partial lump-sum option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, may choose to participate in the Combined Plan or the Defined Contribution Plan, in lieu of participation in the Defined Benefit Plan.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and are based on percentages of covered employees’ gross salaries, which are calculated annually by the retirement system’s actuary.

Contribution rates for fiscal year 2019 were 14 percent for employers and 14 percent for employees for the Defined Benefit, Defined Contribution, and Combined Plans.

Participants in the Defined Contribution Plan are eligible to retire at age 50. All employee contributions and 9.53 percent of earned compensation is placed into individual member accounts (the remaining 4.47 percent of earned compensation is allocated to the defined benefit unfunded liability), and members direct the investment of their accounts by selecting from various professionally managed investment options. Members vest 20 percent per year in employer contributions, including associated gains and losses on those contributions. Employee contributions vest immediately. Retirees may select from various annuity payment plans or a lump-sum payment option.

Participants in the Combined Plan may start to collect the unreduced defined benefit portion of the plan at age 60 with five years of service, or participants may collect a reduced defined benefit portion of the plan before age 60 with five years of service. Of employee contributions, 12 percent of earned compensation is deposited into the defined contribution portion of the plan, while the remaining two percent is deposited into the defined benefit portion of the plan. Employee contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefits payment. The annual allowance for the defined benefit portion of the Plan is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the Combined Plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the Plan may be taken as a lump sum if the member withdraws before the age of 50, or as a lifetime monthly annuity, if paid on or after the age of 50.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for an annuity benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

At June 30, 2019, the State reports a liability of \$81.3 million for its proportionate share of the net pension liability, as compared to \$90.4 million at June 30, 2018. Ohio State University discretely presented component unit reports a net pension liability of \$1.02 billion for its proportionate share, as compared to \$1.08 billion at June 30, 2018. The net pension liability was measured as of June 30, 2018. The Plan’s total pension liability was used to calculate the net pension liability, as determined by an actuarial valuation as of July 1, 2018. The State’s proportion of the net pension liability is determined by a measure of the State’s proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers and non-employer contributing entities to the plan. At June 30, 2019, the State’s proportion was .37 percent based on employer contributions totaling \$5.9 million as compared to the State’s proportion at June 30, 2018, of .38 percent. Ohio State University’s proportionate share remained the same as the prior year at 4.6 percent based on employer contributions of \$77.8 million.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

For purposes of measuring the net pension liability, and related deferred inflows and outflows of resources and pension expenses, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2019, the State recognized pension expense of \$5.5 million and Ohio State University discretely presented component unit recognized pension expense of \$32.9 million.

At June 30, 2019, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension	
	Primary Government	Ohio State University
Deferred Outflows of Resources:		
Differences Between Expected and Actual Experience	\$ 1,876	\$ 23,538
Changes of Assumptions	14,401	180,708
Change in Employer Proportionate Share	228	1,246
Employer Contributions Subsequent to the Measurement Date	5,929	77,702
Total	<u>\$ 22,434</u>	<u>\$ 283,194</u>
Deferred Inflows of Resources:		
Differences Between Expected and Actual Experience	\$ (531)	\$ (6,659)
Change in Employer Proportionate Share	(3,945)	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(4,927)	(61,833)
Total	<u>\$ (9,403)</u>	<u>\$ (68,492)</u>

Deferred Outflows of Resources of \$5.9 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Ohio State University discretely presented component unit will recognize \$77.7 million as a reduction of its net pension liability.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

	Pension	
	Primary Government	Ohio State University
Year Ending June 30:		
2020.....	\$ 4,780	\$ 84,487
2021.....	3,641	57,227
2022.....	145	7,345
2023.....	(1,464)	(12,059)

OPEB Benefits

Additionally, STRS offers a cost-sharing, multiple employer health care plan which provides access to health care to eligible retirees who participate in the Defined Benefit Plan or Combined Plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare part B premium reimbursements will be discontinued effective January 1, 2020. Retirees enrolled in the Defined Contribution Plan receive no postemployment health care benefits.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Ohio Revised Code Chapter 3307 gives the STRS board discretionary authority over how much, if any, of associated health care costs are absorbed by the health care plan. All benefit recipients of the health care plan, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Medicare Part D allows STRS Ohio to recover part of the health care cost for providing prescription coverage through its health care plans which include creditable prescription drug coverage. For the Defined Benefit and Combined Plans, all employer contributions are used to fund pension obligations, and none was allocable to postemployment health care benefits for 2019. Under Ohio law, funding for the postemployment health care may be deducted from employer contributions. This action will reduce the amortization period for the pension fund. The Board has authority to direct part of the employer contribution back to the Health Care Fund in the future.

At June 30, 2019, the State reports a net OPEB asset of \$5.9 million for its proportionate share, as compared to a net OPEB liability of \$14.9 million at June 30, 2018. Ohio State University discretely presented component unit reports a net OPEB asset of \$74.5 million for its proportionate share, as compared to a net liability of \$177.6 million as of June 30, 2018. The net OPEB liability/(asset) was measured as of June 30, 2018. The Plan's total OPEB liability was used to calculate the net OPEB liability/(asset) determined by an actuarial valuation as of June 30, 2018. The State's proportion of the net OPEB liability/(asset) is determined by a measure of the State's proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers to the plan. At June 30, 2019, the State's proportion was 0.37 percent based on employer contributions totaling \$5.9 million, as compared to the State's proportion at June 30, 2018 of 0.38 percent. Ohio State University's proportionate share remained the same as the prior year at 4.6 percent based on employer contributions of \$77.8 million.

For purposes of measuring the net OPEB liability/(asset), related deferred inflows and outflows of resources and expenses, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2019, the State recognized OPEB expense of \$(12.9) million and Ohio State University discretely presented component unit recognized OPEB expense of \$(158.2) million.

At June 30, 2019, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

	OPEB	
	Primary Government	Ohio State University
Deferred Outflows of Resources:		
Differences Between Expected and Actual Experience	\$ 694	\$ 8,704
Change in Employer Proportionate Share	56	141
Total	<u>\$ 750</u>	<u>\$ 8,845</u>
Deferred Inflows of Resources:		
Differences Between Expected and Actual Experience	\$ (346)	\$ (4,342)
Changes of Assumptions	(8,092)	(101,540)
Change in Employer Proportionate Share	(394)	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	(678)	(8,513)
Total	<u>\$ (9,510)</u>	<u>\$ (114,395)</u>

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability/(asset) resulting from subsequent contributions recognized in the year ended June 30, 2020



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

	OPEB	
	Primary Government	Ohio State University
Year Ending June 30:		
2020.....	\$ (1,562)	\$ (18,888)
2021.....	(1,562)	(18,888)
2022.....	(1,563)	(18,888)
2023.....	(1,408)	(16,991)
2024.....	(1,354)	(16,285)
Thereafter.....	(1,311)	(15,610)

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension liability in the July 1, 2018 actuarial valuation, and total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, respectively, applied to all periods included in the measurement:

	Pension
Actuarial Cost Method	Entry Age Normal
Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of pension plan investment expenses, including inflation
COLA or Ad Hoc COLA	0 percent

	OPEB
Actuarial Cost Method	Entry Age Normal
Inflation	2.50 percent
Salary Increases	2.5 to 12.5 percent, varies by age
Payroll Increases	3.00 percent
Municipal Bond Yield	3.87 percent as of July 1, 2018 (Bond Buyer 20-Bond GO Index as of June 28, 2018)
Discount Rate	7.45 percent, based on a blend of 3.87% municipal bond yield/expected return
COLA or Ad Hoc COLA	0 percent
Health Care Cost Trends	-5.2 to 9.6 percent initial, 4 percent ultimate

Pension and OPEB mortality rates were based on the RP-2014 Annuitant mortality table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. The disabled rates are based on the RP-2014 Disabled mortality table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. The actuarial assumptions used in the valuation were adopted by the board based on the results of an actuarial experience study for July 1, 2011 through June 30, 2016.

The pension actuarial assumptions used in this valuation for fiscal year 2018 are the same as those recommended for the prior actuary. The total pension liability for 2018 was determined by an actuarial valuation as of July 1, 2018, using actuarial assumptions related to inflation of 2.5 percent, investments rate of return of 7.45 percent, and zero percent for COLA. Projected salary increases range from 2.5 percent at age 65 to 12.5 percent at age 20. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

An estimate range for investment return assumption is developed and based on the target allocation adopted by the STRS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Pension and OPEB	
	Target Allocation*	Long-Term Expected Real Rate of Return**
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total Fund	100%	

*Target weights will be phased in over 24-month period concluding on July 1, 2019.

**10-year annualized geometric nominal returns, which include the real rate of return and inflation, and does not include investment expenses.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. Only employer contributions that are intended to fund benefits of current plan members and beneficiaries are included. Projected employer contributions that are intended to fund the costs of future plan members and beneficiaries, and projected contributions from future plan members, are not included. In each period of the projection, employer contributions are assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table represents the net pension liability as of the June 30, 2018, measurement date, calculated using the current period discount rate assumption of 7.45 percent. Also shown in the table below is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption (dollars in thousands):

	Pension		
	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Net Pension Liability:			
Primary Government	\$ 118,671	\$ 81,261	\$ 49,598
Ohio State University	1,489,123	1,019,690	622,379

The projection of cash flows used to determine the net OPEB liability/(asset) discount rates assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018. Shown in the table below is what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption (dollars in thousands):



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

	OPEB		
	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Net OPEB Liability/(Asset):			
Primary Government	\$ (5,090)	\$ (5,939)	\$ (6,652)
Ohio State University	(63,871)	(74,520)	(83,471)

Sensitivity of the net OPEB liability/(asset) to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability/(asset) would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

	OPEB		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability/(Asset):			
Primary Government	\$ (6,612)	\$ (5,939)	\$ (5,255)
Ohio State University	(82,966)	(74,520)	(65,944)

Assumption changes updated were the valuation benefit percentage to reflect current elections and health plan administrative expenses included in the per capita claims cost. Retirees electing health care coverage was 75 percent of future eligible service retirees, 65 percent of eligible disabled retirees and 30 percent of inactive vested participants who do not cash out. Participants for whom the value of the benefits received is less than their contributions are assumed to drop health care coverage. Claims cost assumptions were developed based on actual medical and prescription drug claims paid from July 1, 2015 to June 30, 2017, and an adjustment was made to these claims to account for children of retirees. Additionally, administrative expenses and prescription drug plan subsidy was included resulting in a per person per month cost and then adjusted using age curves. Retiree subsidies paid out to Non-Medicare retirees, Medicare retirees, and Medicare Part B premiums are accounted for as well. A weighted average total cost across medical plans is used as the STRS Ohio subsidy. In addition, the discount rate was changed from 4.13 percent to 7.45 percent.

**C. State Highway Patrol Retirement System (SHPRS)
Pension Benefits**

SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State. The plan covers all employees of the State Highway Patrol.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 1900 Polaris Parkway, Suite 201, Columbus, Ohio 43240-4037, or by calling (614) 431-0781 or (800) 860-2268. SHPRS's Comprehensive Annual Financial Report for the year ended December 31, 2018, may also be found at <https://www.ohprs.org>.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than the employee rate paid by contributing members.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

SHPRS' investments are reported at fair value. Fair value is the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate and private equity investments are based on information provided by the Fund's managers or by independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.

Employees are eligible for an age and service pension, and health care benefits, upon reaching both an age and service requirement. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 52 with unreduced benefits, or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48 with unreduced benefits. The pension benefit is a percentage of the member's final average salary, which is the average of the member's five highest salary years. For members with 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

Employees who left SHPRS prior to meeting the requirements for receiving an age and service pension, but who have at least 15 years of service credit, are eligible for a deferred pension. Such employees who have less than 20 years of service credit, may collect a pension at age 55, at a percentage of their final average salary determined by multiplying 1.5 percent times the number of years of service credit. These employees are not eligible for health care benefits. Employees who are eligible for the deferred pension and who have at least 20 years of service credit, may receive a pension once they meet the age requirements for the age and service pension, calculated in the same manner as the age and service pension described above.

Membership data for SHPRS is presented in the table below:

Membership Data as of December 31, 2018

Active Members	1,668
Retirees Receiving Benefits	1,671
Retirees not Receiving Benefits	13
	3,352

The SHPRS Board sets employee contribution rates and cost-of-living adjustment rates. Employee contribution rates may range between 10 and 14 percent and cost-of-living adjustments range between zero and three percent. The Board may set the cost-of-living adjustments annually, but in no case shall it exceed three percent. The cost-of-living adjustment eligibility is 60 years of age, or age 53 for members retired prior to January 7, 2013.

The employer and employee contribution rates, as of December 31, 2018, were 26.5 percent and 12.5 percent, respectively. During calendar year 2018, employer's contribution rate for pension was 23 percent of payroll and 3.5 percent going to postemployment health care benefits. The employees' contributions funded pension benefits only.

The State's net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to December 31, 2018. Detailed information about SHPRS' pension plan fiduciary net position and the OPEB plan fiduciary net position is available in the separately issued SHPRS financial report. SHPRS uses the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded at the trade date.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

The Schedule of Changes in Net Pension Liability is presented below (dollars in thousands):

Fiscal year ended December 31, 2018	Pension
Total Pension Liability:	
Service Cost	\$ 19,679
Interest on the Total Pension Liability	89,298
Difference Between Expected and Actual Experience	538
Assumption Changes	256,572
Benefit Payments	(71,577)
Refunds	(717)
Net Change in Total Pension Liability	293,793
Total Pension Liability - Beginning	1,178,545
Total Pension Liability - Ending (a)	\$1,472,338
Plan Fiduciary Net Position:	
Employer Contributions	\$ 26,014
Employee Contributions	14,452
Pension Plan Net Investment Income	(37,810)
Benefit Payments	(71,577)
Refunds	(717)
Pension Plan Administrative Expense	(1,436)
Other	199
Net Change in Plan Fiduciary Net Position	(70,875)
Plan Fiduciary Net Position - Beginning	786,356
Plan Fiduciary Net Position - Ending (b)	\$ 715,481
Net Pension Liability - Ending (a) - (b)	\$ 756,857
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	48.59%
Covered Payroll*	\$ 116,010
Net Pension Liability as a Percentage of Covered Payroll	652.41%
Notes to Schedule:	N/A

*Includes members of the DROP.

For the year ended June 30, 2019, the State recognized pension expense of \$120.9 million. The amount of employer contributions from the State for the calendar year ended December 31, 2018, totaled \$26 million for pension. At June 30, 2019, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension
Deferred Outflows of Resources:	
Differences Between Expected and Actual Experience	\$ 11,452
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	65,348
Changes of Assumptions	216,451
Contributions Subsequent to Measurement Date	16,216
Total	\$ 309,467
Deferred Inflows of Resources:	
Difference Between Expected and Actual Experience	\$ (5,162)
Total	\$ (5,162)



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Deferred Outflows of Resources of \$16.2 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

	Pension
Year Ending June 30:	
2020.....	\$ 82,468
2021.....	64,766
2022.....	63,087
2023.....	70,158
2024.....	7,610

OPEB Benefits

In addition to providing pension benefits, SHPRS, a single employer plan, is authorized by Chapter 5505, Ohio Revised Code, to provide a postemployment health care plan which includes medical, hospitalization and prescription drug coverage. Health care benefits are not guaranteed and are subject to change at any time, as determined by the Board and certified by the Office of Budget and Management. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period. Qualifications for postemployment health care coverage are described along with pension qualifications under the Pension Plan section.

During calendar year 2018, the employer’s contribution rate for postemployment health care benefits was 3.5 percent of payroll. Beginning January 1, 2019, the portion of employer contributions allocated to postemployment health care decreased to zero. None of the employees’ contributions funded postemployment health care. The cost of retiree health care benefits is recognized as claims are incurred and premiums are paid.

The pension and OPEB plans’ fiduciary net position has been determined on the same basis used by the pension plan.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

The Schedule of Changes in Net OPEB Liability is presented as follows (dollars in thousands):

Fiscal year ended December 31, 2018	OPEB
Total OPEB Liability:	
Service Cost	\$ 26,137
Interest on the Total OPEB Liability	19,663
Difference Between Expected and Actual Experience	(74,912)
Assumption Changes	(68,878)
Benefit Payments	(8,539)
Net Change in Total OPEB Liability	(106,529)
Total OPEB Liability - Beginning	566,130
Total OPEB Liability - Ending (a)	\$ 459,601
Plan Fiduciary Net Position:	
Employer Contributions	\$ 4,623
Net Investment Income	(5,852)
Benefit Payments (includes refunds of employee contributions)	(8,538)
OPEB Plan Administrative Expense	(204)
Net Change in Plan Fiduciary Net Position	(9,971)
Plan Fiduciary Net Position - Beginning	111,799
Plan Fiduciary Net Position - Ending (b)	\$ 101,828
Net OPEB Liability - Ending (a) - (b)	\$ 357,773
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	22.2%
Covered Payroll*	\$ 116,010
Net OPEB Liability as a Percentage of Covered Payroll	308.4%
Notes to Schedule:	N/A

*Includes members of the DROP.

For the year ended June 30, 2019, the State recognized OPEB expense of \$24.6 million. The amount of employer contributions from the State for the calendar year ended December 31, 2018, totaled \$4.6 million to OPEB. At June 30, 2019, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

	OPEB
Deferred Outflows of Resources:	
Net Difference Between Projected and Actual	
Earnings on OPEB Plan Investments	\$ 7,448
Changes of Assumptions	32,490
Total	\$ 39,938
Deferred Inflows of Resources:	
Difference Between Expected and Actual Experience	\$ (64,602)
Changes of Assumptions	(58,631)
Total	\$ (123,233)

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from subsequent state contributions recognized in the year ending June 30, 2020.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

	OPEB
Year Ending June 30:	
2020.....	\$ (12,865)
2021.....	(12,865)
2022.....	(12,866)
2023.....	(11,520)
2024.....	(17,742)
Thereafter.....	(15,437)

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities at December 31, 2018, were determined using the following actuarial assumptions, applied to all periods included in the measurement: an investment rate of return of 7.25 percent compounded annually, projected salary increase of 3.5 percent attributable to inflation and additional projected salary increases ranging from 3.8 percent to 13.5 percent attributable to seniority and merit, and price inflation of 2.5 percent annually. The actuarial assumptions were based off a December 31, 2017 actuarial valuation date and rolled forward to December 31, 2018. A five-year experience study covering the five-year period ending December 31, 2014 was the basis for the assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant mortality and the RP-2014 Disabled mortality tables for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2018 mortality improvement scale.

An estimate range for investment return assumptions is developed and based on the target allocation adopted by the SHPRS' Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Pension and OPEB	
	Target Allocation	Long-Term Expected Real Rate of Return*
Cash	1%	0.05%
Domestic Equity - Large Cap	25%	4.78%
Domestic Equity - Small Cap	5%	5.77%
International Equity	15%	5.94%
Emerging Markets	5%	8.01%
Domestic Corporate Fixed Income	10%	1.03%
Domestic Government Fixed Income	3%	0.70%
Treasury Inflation Protected Securities	0%	0.83%
High Yield Bonds	6%	2.66%
Real Estate	5%	4.30%
Private Equity	13%	8.02%
Hedge Funds	5%	3.87%
Other Alternatives	7%	3.70%
Total Fund	100%	

*Long-Term expected rates of return as shown were calculated arithmetically.

The discount rate used to measure the total pension liability was 5.84 percent. The projection of cash flows used to determine the discount rate assumes employer contribution rates allocated to pensions will be 26.5 percent for each year, and employee contribution rates of 12.5 percent in each year. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and beneficiaries. Therefore, the long-term expected rate of return of 7.25 percent on investments and 3.71 percent on municipal bonds, was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2018.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of December 31, 2018, calculated using the current period discount rate assumption of 5.84 percent. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.84 percent) or one percentage point higher (6.84 percent) than the current assumption (dollars in thousands):

Pension		
	Current Discount	
1% Decrease	Rate	1% Increase
4.84%	5.84%	6.84%
\$ 951,721	\$ 756,857	\$ 608,007

Net OPEB Liability uses a single discount rate of 3.82 percent. This Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.25 percent and a municipal (fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds) bond rate of 3.71 percent. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate; if these assumptions were met, the net position and contributions were sufficient through 2028. Therefore, the long-term expected rate of return was applied through 2028 and the municipal rate was applied thereafter. Shown in the table below is what the net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower (2.82 percent) or one percentage point higher (4.82 percent) than the current assumption (dollars in thousands):

OPEB		
	Current Discount	
1% Decrease	Rate	1% Increase
2.82%	3.82%	4.82%
\$ 445,587	\$ 357,773	\$ 289,072

It is assumed health care cost will increase between 4 percent and 8.25 percent per year until 2027, ultimately declining to 3.5 percent for future years. The sensitivity of the net OPEB liability to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

OPEB		
	Current Health	
	Care Cost Trend	
1% Decrease	Rate Assumption	1% Increase
\$ 291,828	\$ 357,773	\$ 434,946



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS
(Continued)**

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least four or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified civil service employees hired on or after August 1, 2005, are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP. The Ohio Department of Higher Education has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. For the fiscal year ended June 30, 2019, these contribution rates are 10 percent for OPERS and 14 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2019, each public institution of higher education was required to contribute 2.44 percent of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 4.47 percent of a participating employee's gross salary, for the year ended June 30, 2019, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every fifth year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP vesting of all contributions made on behalf of participants is based on the employer's vesting requirements. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's major discretely presented component unit, employer and employee contributions required and made for the year ended June 30, 2019, for the ARP follow (dollars in thousands):

<u>Major Component Unit:</u>	<u>OPERS</u>	<u>STRS</u>
Ohio State University:		
Employer Contributions	\$ 29,534	\$ 30,891
Employee Contributions	25,557	45,381



NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 20 constitutional amendments (the last adopted May 2014 for a ten-year extension of the local government infrastructure program adopted in 2005), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, research and development support for high-tech business, business site development, and veterans compensation. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years. The State's general obligation bonds are described below.

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2019, the General Assembly had authorized the issuance of \$5.55 billion in Common Schools Capital Facilities Bonds, of which \$5.07 billion has been issued. As of June 30, 2019, the General Assembly had also authorized the issuance of \$4.45 billion in Higher Education Capital Facilities Bonds, of which \$4.13 billion has been issued.

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2019, the General Assembly has authorized the issuance of approximately \$3.74 billion in Highway Capital Improvements Bonds, of which \$3.31 billion has been issued.

Constitutional amendments in 1995, 2005, and 2014 allowed for the issuance of \$5.63 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Not more than \$175 million of Infrastructure Bonds may be issued in each fiscal year beginning in 2018 through fiscal year 2022 and \$200 million in each fiscal year beginning in fiscal year 2023 through fiscal year 2027, plus any obligations unissued from previous fiscal years. As of June 30, 2019, the General Assembly had authorized \$4.43 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$4.08 billion had been issued (net of \$214 million in unaccreted discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. Not more than \$50 million of Natural Resources Bonds may be issued in any fiscal year. As of June 30, 2019, the General Assembly had authorized the issuance of \$260 million in Coal Research and Development Bonds, of which \$246 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$492 million, as of June 30, 2019, of which \$453.1 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to \$400 million. No more than \$50 million may be issued during a fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2019, the General Assembly had authorized the issuance of approximately \$700 million in Conservation Projects Bonds of which \$550 million had been issued.

Through approval of the November 2005 and May 2010 amendments, voters authorized the issuance of \$1.2 billion of Third Frontier Research and Development Bonds. Obligations that may be issued are limited to \$175 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2019, the General Assembly had authorized the issuance of \$1.2 billion in Third Frontier Research and Development Bonds, of which \$851 million had been issued.

A November 2005 amendment authorized the issuance of \$150 million of Site Development Bonds. As of fiscal year 2014, all \$150 million had been issued.

A 2009 constitutional amendment provided for the issuance of up to \$200 million in Veterans Compensation Bonds. No obligations may be issued after December 31, 2013. The General Assembly authorized all \$200 million in Veterans' Compensation Bonds, of which \$83.9 million had been issued.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2019, are presented in the table below. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2019. As rates vary, variable-rate bond interest payments and net swap payments vary.

**Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2019
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2004-18	2.5%-5.5%	2038	\$2,836,061	\$ 475,000
Higher Education Capital Facilities	2009-19	2.0%-5.3%	2039	2,748,581	315,000
Highway Capital Improvements	2010-19	1.3%-5.0%	2034	1,165,184	427,045
Infrastructure Improvements	2002-19	2.0%-5.5%	2039	1,946,557	340,014
Coal Research and Development	2010-18	1.5%-5.0%	2028	36,302	14,000
Natural Resources Capital Facilities	2010-18	2.0%-5.0%	2033	143,307	38,870
Conservation Projects	2010-19	2.0%-5.0%	2032	314,051	150,000
Third Frontier Research and Development	2010-18	1.3%-5.0%	2028	318,570	349,000
Site Development	2010-14	2.8%-4.6%	2023	33,304	-
Veterans' Compensation	2011-12	3.2%-4.9%	2027	28,765	116,090
Total General Obligation Bonds				\$9,570,682	\$2,225,019

Future Funding of Fixed-Rate Bonds:

Year Ending June 30,	Principal	Interest	Total
2020.....	\$ 832,430	\$ 380,973	\$ 1,213,403
2021.....	822,335	345,896	1,168,231
2022.....	789,115	308,710	1,097,825
2023.....	741,690	272,940	1,014,630
2024.....	642,375	240,188	882,563
2025-2029.....	2,308,395	830,173	3,138,568
2030-2034.....	1,645,525	365,319	2,010,844
2035-2039.....	628,060	70,098	698,158
Total Fixed-Rate Bonds	\$ 8,409,925	\$ 2,814,297	\$11,224,222

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2020.....	\$ 50,465	\$ 6,854	\$ 3,436	\$ 60,755
2021.....	52,305	5,651	2,714	60,670
2022.....	54,300	4,406	1,963	60,669
2023.....	46,560	3,207	1,314	51,081
2024.....	39,315	2,058	775	42,148
2025-2029.....	39,680	1,296	562	41,538
Total Variable-Rate Bonds	\$ 282,625	\$ 23,472	\$ 10,764	\$ 316,861

Total General Obligation Bonds	\$ 8,692,550
Unamortized Premium/(Discount), Net.....	878,132
Total.....	\$ 9,570,682

For the year ended June 30, 2019, NOTE 15 summarizes changes in general obligation bonds.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives

As of June 30, 2019, approximately \$210.9 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of (\$13.2) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Position. The fair value decreased \$959 thousand during fiscal year 2019. This decrease is reported on the Statement of Net Position as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method. For information on the State's Deferred Outflows of Resources and Deferred Inflows of Resources, see NOTE 18.

Terms and objectives of the State's hedging derivatives are provided in the following table:

Hedging Derivatives As of June 30, 2019 (dollars in thousands)							
Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Sw ap Rate at 06/30/2019	State's Sw ap Rate at 06/30/2019	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate sw ap	\$26,700	SIFMA Index	1.90%	4.63%	11/29/2001	8/1/2021
Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Embedded Option: JPMorgan Chase may elect to terminate its portion of the sw ap if the SIFMA index averages 7 percent or higher over a 180-day period.							
Credit Quality Ratings of Counterparty:		50% Aa2/A+/AA JPMorgan Chase; 50% Aa2/A+/AA- Wells Fargo					
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate sw ap	\$32,375	LIBOR (See terms below)	1.76%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		Aa2/A+/AA- Wells Fargo					
Terms: 63% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate sw ap	\$67,000	LIBOR (see terms below)	1.81%	3.41%	9/14/2007	3/15/2024
Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		50% Aa2/A+/AA JPMorgan Chase; 50% Aa2/A+/AA- Wells Fargo					
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate sw ap	\$42,410	LIBOR (see terms below)	1.81%	3.20%	11/21/2014	6/15/2026
Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		A1/AA-/AA- US Bank National Association					
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate sw ap	\$42,410	LIBOR (see terms below)	1.81%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		Aa2/AA-/AA Royal Bank of Canada					
Terms: 65% of 1-month LIBOR + 25 basis points							

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2019. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities and held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

These swaps expose the State to basis risk or a mismatch between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch would increase or decrease the interest cost paid by the State.

For Infrastructure Improvements, Series 2001B, the SIFMA municipal swap index has proven to be an effective proxy for the State's variable-rate debt and substantially mitigates basis risk.

For Infrastructure Improvements, Series 2004A and for Common Schools, Series 2003D, 2006B, and 2006C, the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities, given that the variable swap receipt is based on a taxable index (LIBOR). Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State may be liable to the counterparty for a payment. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No termination events have occurred.

Advance Refundings

During fiscal year 2019, there were no advance refundings of general obligation bonds.

In prior years, the State defeased certain bond issues by placing the proceeds of refunding (new) bonds in irrevocable trusts to provide for all future debt service payments on the refunded (old) bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. At June 30, 2019, Conservation Bonds of \$22.6 million, Common School Bonds of \$169.4 million, Higher Education Bonds of \$99.5 million, Infrastructure Improvement Bonds of \$55.2 million, Natural Resources Bonds of \$13.6 million, Third Frontier Bonds of \$22.6 million, and Highway Capital Improvement Bonds of \$143 million are outstanding and considered defeased.



NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds and notes that are not supported by the full faith and credit of the State. These bonds and notes pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service.

The Treasurer of State and the Buckeye Tobacco Settlement Financing Authority (BTSFA) issue revenue bonds and notes for the primary government. The Treasurer of State issues bonds and notes on behalf of the Ohio Department of Transportation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

A. Primary Government

The Treasurer of State, since fiscal year 1998, has issued a total of \$2.74 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2030 are estimated at approximately \$1.04 billion. For fiscal year 2019, principal and interest payments on the revenue bonds was \$187.8 million and pledged receipts was \$185 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principle amount of which shall not exceed \$6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts for the next 45 years through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of \$5.53 billion. The future tobacco settlement receipts, including related investment earnings and net of specified operating and enforcement expenses, have been pledged to repay the bonds, which are payable through 2052. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts. As of June 30, 2019, the total principal and interest payments remaining to be paid on the bonds were \$16.29 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2019 were \$300.2 million and \$306.9 million, respectively. In the event the assets of BTSFA have been exhausted, no amounts thereafter will be paid on the bonds. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become payable to the State. The bonds include fixed rate serial bonds, fixed rate current interest turbo term bonds, and capital appreciation turbo term bonds which will convert to fixed rate current interest turbo term bonds. They were issued to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. Additional information on these bonds can be found in BTSFA's stand-alone financial report.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2019, are presented in the following tables:

Primary Government-Governmental Activities				
Summary of Revenue Bonds and Notes				
As of June 30, 2019				
<i>(dollars in thousands)</i>				
	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank	2007-18	2.0%-6.0%	2030	\$ 943,426
Buckeye Tobacco Settlement Financing Authority.....	2008	6.3%-7.5%	2052	5,626,892
Total Revenue Bonds and Notes				<u>\$6,570,318</u>

Primary Government-Governmental Activities			
Future Funding Requirements for Revenue Bonds and Notes			
As of June 30, 2019			
<i>(dollars in thousands)</i>			
Year Ending June 30,	Principal	Interest	Total
2020.....	\$ 568,575	\$ 326,537	\$ 895,112
2021.....	241,550	298,508	540,058
2022.....	207,010	286,909	493,919
2023.....	214,065	276,328	490,393
2024.....	229,555	265,391	494,946
2025-2029.....	880,785	1,172,627	2,053,412
2030-2034.....	667,575	954,754	1,622,329
2035-2039.....	736,840	762,749	1,499,589
2040-2044.....	1,131,275	489,241	1,620,516
2045-2049.....	1,082,665	3,126,310	4,208,975
2050-2052.....	128,183	3,289,117	3,417,300
	<u>6,088,078</u>	<u>11,248,471</u>	<u>17,336,549</u>
Unamortized Premium/(Discount), Net.....	482,240	-	482,240
Total	<u>\$6,570,318</u>	<u>\$11,248,471</u>	<u>\$17,818,789</u>

For the year ended June 30, 2019, NOTE 15 summarizes changes in revenue bonds and notes.

In prior years, the Treasurer of State defeased certain bond issues by placing cash and other monetary assets and 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 State's financial statements. At June 30, 2019, \$73.4 million of Economic Development Bonds outstanding are considered defeased.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

B. Major Discretely Presented Component Units

Future bond service requirements for revenue bonds and notes reported for the major discretely presented component units, as of June 30, 2019, are shown in the following table:

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2019
(dollars in thousands)

Year Ending June 30,	Ohio State University		
	Principal	Interest	Total
2020.....	\$ 612,337	\$ 136,447	\$ 748,784
2021.....	37,709	124,988	162,697
2022.....	37,868	123,006	160,874
2023.....	46,855	121,361	168,216
2024.....	42,292	119,353	161,645
2025-2029.....	188,004	568,344	756,348
2030-2034.....	141,267	531,713	672,980
2035-2039.....	128,039	504,727	632,766
2040-2044.....	783,501	299,483	1,082,984
2045-2049.....	358,040	204,576	562,616
2050-2054.....	-	170,600	170,600
2055-2059.....	250,000	145,300	395,300
2060-2064.....	-	120,000	120,000
2065-2069.....	-	122,863	122,863
2070-2074.....	-	120,000	120,000
2075-2079.....	-	120,000	120,000
2080-2084.....	-	120,000	120,000
2085-2089.....	-	120,000	120,000
2090-2094.....	-	120,000	120,000
2095-2099.....	-	120,000	120,000
2100-2104.....	-	120,000	120,000
2105-2109.....	-	120,000	120,000
2110-2114.....	500,000	48,000	548,000
	<u>3,125,912</u>	<u>4,300,761</u>	<u>7,426,673</u>
Unamortized Premium/(Discount), Net.....	73,328	-	73,328
Total	<u>\$ 3,199,240</u>	<u>\$ 4,300,761</u>	<u>\$ 7,500,001</u>

The bonds and notes of the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond and note agreements. The proceeds of the bonds and notes are used for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores and athletic facilities. The State is not obligated for the debt of its discretely presented component units.

NOTE 12 SPECIAL OBLIGATION BONDS

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, transportation, and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.



NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating special revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding, bonds authorized but unissued, and future debt service requirements, as of June 30, 2019, are presented in the following tables:

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2019
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds.....	2001-19	1.4%-5.4%	2039	\$ 2,213,180	\$ 1,020,135
Total Special Obligation Bonds.....				<u>\$ 2,213,180</u>	<u>\$ 1,020,135</u>

Future Funding of Special Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2020.....	\$ 204,935	\$ 91,439	\$ 296,374
2021.....	199,275	82,420	281,695
2022.....	183,580	73,337	256,917
2023.....	182,255	64,757	247,012
2024.....	173,800	56,012	229,812
2025-2029.....	577,015	180,121	757,136
2030-2034.....	340,235	68,587	408,822
2035-2039.....	134,395	13,379	147,774
	<u>1,995,490</u>	<u>630,052</u>	<u>2,625,542</u>
Unamortized Premium/(Discount), Net.....	217,690	-	217,690
Total	<u>\$ 2,213,180</u>	<u>\$ 630,052</u>	<u>\$ 2,843,232</u>

For the year ended June 30, 2019, NOTE 15 summarizes changes in special obligation bonds.

In prior years, the Treasurer of State defeased certain bond issues 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 State's financial statements. At June 30, 2019, \$134.9 million of lease rental special obligations bonds outstanding are considered defeased.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2019, approximately \$277.5 million in certificate of participation (COP) obligations were reported in governmental activities.

Beginning in fiscal year 2015, the Ohio Department of Administrative Services participated in the issuance of \$86.4 million of COP obligations to finance the cost of acquisition of the Enterprise Data Center Solutions (EDCS).

Beginning in fiscal year 2013, the Ohio Department of Administrative Services participated in the issuance of \$72 million of COP obligations to finance the upgrade of the Ohio Multi-Agency Radio Communications System (MARCS).



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of \$204.3 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for the acquisition, construction, or improvement of capital assets.

Beginning in fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of \$67.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue System (STARS).

In fiscal year 2015, the Ohio Treasurer of State's Office participated in the issuance of \$8.8 million of COP obligations to finance the cost of acquisition of the Treasury Management System (TMS).

In fiscal year 2017, the Ohio Attorney General's Office participated in the issuance of \$19.6 million of COP obligations to finance the cost of acquisition of the Bureau of Criminal Investigation Records System (BCIRS).

In fiscal year 2019, The Ohio Secretary of State participated in the issuance of \$72.4 million of COP obligations to finance Voting Systems Acquisitions (VSA).

Under the COP financing arrangements, the State is required to make rental payments from the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding and future commitments for the primary government under COP financing arrangements, as of June 30, 2019, are presented in the following tables:

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2019
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Attorney General:				
Bureau of Criminal Investigation Records System (BCIRS) ..	2017	4.0%-5.0%	2027	\$ 17,928
Department of Administrative Services:				
Enterprise Data Center Solutions (EDCS).....	2015-19	5.0%	2029	78,603
Multi-Agency Radio Communications System (MARCS)	2013-15	4.0%-5.0%	2028	54,369
Ohio Administrative Knowledge System (OAKS)	2017	5.0%	2027	18,148
State Taxation Accounting and Revenue System (STARS).....	2015-17	5.0%	2027	21,407
Secretary of State:				
Voting Systems Acquisitions (VSA).....	2019	5.0%	2029	80,687
Treasurer of State:				
Treasury Management Systems (TMS).....	2015	5.0%	2025	6,310
Total Certificates of Participation				<u>\$ 277,452</u>



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Future Commitments for Certificate of Participation Obligations (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2020.....	\$ 26,025	\$ 11,764	\$ 37,789
2021.....	25,930	10,477	36,407
2022.....	27,225	9,172	36,397
2023.....	28,580	7,806	36,386
2024.....	30,005	6,354	36,359
2025-2029.....	113,280	11,783	125,063
	251,045	57,356	308,401
Unamortized Premium, Net.....	26,407	-	26,407
Total	<u>\$ 277,452</u>	<u>\$ 57,356</u>	<u>\$ 334,808</u>

For the year ended June 30, 2019, NOTE 15 summarizes changes in COP obligations.

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2019, in addition to bonds, notes, and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

Non-Current Liabilities	
Governmental Activities:	
Compensated Absences	\$ 479,189
Net Pension Liability.....	6,127,878
Net OPEB Liability.....	2,861,839
Capital Leases Payable	21,044
Derivatives.....	19,311
Pollution Remediation Liabilities.....	1,870
Infrastructure, Capital Assets.....	364,809
Estimated Claims Payable	137
Liability for Escheat Property	335,738
Total Governmental Activities	<u>10,211,815</u>
Business-Type Activities:	
Compensated Absences	41,875
Net Pension Liability.....	424,667
Net OPEB Liability.....	200,743
Capital Leases Payable	4,654
Workers' Compensation:	
Benefits Payable	13,198,560
Other	3,642,408
Prize Awards Payable	377,243
Tuition Benefits Payable	163,900
Total Business-Type Activities	<u>18,054,050</u>
Total Primary Government	<u>\$ 28,265,865</u>

For the year ended June 30, 2019, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow:



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

A. Compensated Absences

For the primary government, the compensated absences liability, as of June 30, 2019, was \$521.1 million, of which \$479.2 million is allocable to governmental activities and \$41.9 million is allocable to business-type activities.

As of June 30, 2019, major discretely presented component units reported a total of \$194 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.

B. Net Pension Liability and Net OPEB Liability

The State recognizes a net pension liability in the amount of \$6.55 billion, as of June 30, 2019, for the primary government of which \$6.13 billion is allocable to governmental activities and \$424.7 million is allocable to business-type activities. The net pension liability represents the State's proportionate share of the difference between the total pension liability and the fiduciary net position for OPERS, STRS, and SHPRS.

For the primary government, the State recognizes a net OPEB liability in the amount of \$3.06 billion as of June 30, 2019, of which \$2.86 billion is allocable to government activities and \$200.7 million is allocable to business-type activities. The net OPEB liability represents the State's proportionate share of the difference between the total OPEB liability and the fiduciary net position for OPERS and SHPRS, whereas, STRS resulted in a net OPEB asset. See NOTE 9 for further details.

C. Lease Agreements

The State's primary government leases office buildings, computers and office equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Operating leases (leases on assets not recorded in the Statement of Net Position) contain various renewable options as well as some purchase options. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The primary government's total operating lease expenditures/expenses for fiscal year 2019 were approximately \$107.7 million. Fiscal year 2020 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2019, were \$4.3 million.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2019, are as follows (dollars in thousands):

Year Ending June 30,	Capital Leases		
	Governmental Activities	Business-Type Activities	Total
2020.....	\$ 6,750	\$ 1,742	\$ 8,492
2021.....	5,918	2,912	8,830
2022.....	4,969	-	4,969
2023.....	2,923	-	2,923
2024.....	1,537	-	1,537
2025-2026.....	568	-	568
Total Minimum Lease Payments.....	22,665	4,654	27,319
Amount for Interest.....	(1,621)	-	(1,621)
Present Value of Net Minimum Lease Payments.....	\$ 21,044	\$ 4,654	\$ 25,698



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2019, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	\$ 8,985	\$ 112,258	\$ 121,243
Vehicles	34,780	-	34,780
Total	<u>\$ 43,765</u>	<u>\$ 112,258</u>	<u>\$ 156,023</u>

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense. Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and discretely presented component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the major discretely presented component unit funds, as of June 30, 2019, (dollars in thousands):

Capital Leases	
Major Discretely Presented Component Unit	
Year Ending June 30,	Ohio State University
2020.....	\$ 7,664
2021.....	7,614
2022.....	4,071
2023.....	2,943
Total Minimum Lease Payments	<u>22,292</u>
Amount for Interest.....	<u>(1,245)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 21,047</u>
Equipment & Vehicles	<u>\$ 33,866</u>
Total	<u>\$ 33,866</u>

D. Derivatives

For governmental activities, the State has reported \$(19.3) million of investment and hedging derivatives as of June 30, 2019. Additional information regarding the State's derivatives is included in NOTE 4, NOTE 10, and NOTE 18.

E. Pollution Remediation Liabilities

The State recognizes a liability for pollution remediation in the amount of \$1.9 million, as of June 30, 2019. This represents the cost to the State to the extent that is probable for future clean up and reclamation of polluted sites within the State. See NOTE 20 for further detail.

F. Infrastructure, Capital Assets

The State records a liability for the Portsmouth Bypass Highway. Since the completion of construction in fiscal year 2019, the State has recognized payments of \$64.9 million. As of June 30, 2019, the liability totaled approximately \$364.8 million.

G. Litigation Liabilities

In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2019, no noncurrent liabilities ultimately payable from various governmental funds have been recorded for this purpose. For more information on the State's loss contingencies arising from pending litigation, see NOTE 20.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

H. Estimated Claims Payable

The State reported \$137 thousand in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Development Services Agency, Office of Loan Administration, as of June 30, 2019. The program is included in governmental activities and is accounted for in the General fund. See NOTE 16 for additional information.

The following table reflects the Ohio Enterprise Bond Fund future debt service obligations as of June 30, 2019, (dollars in thousands):

Year Ending June 30,	Principal Due
2020.....	\$ 137

I. Liability for Escheat Property

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2019, the liability totaled approximately \$335.7 million.

J. Worker’s Compensation

Benefits Payable

As discussed in NOTE 21, the Worker’s Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2019, in the amount of approximately \$13.2 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the “Benefits Payable” balance reported for the enterprise fund.

K. Prize Awards Payable

Future installment payments for the prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from two to eight percent, represent the expected long-term rate of return on the assets restricted for the payment of prize awards. Once established for a particular prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. The State reduces prize liabilities by an estimate of the amount of the prize that will ultimately be unclaimed. As of June 30, 2019, the prize awards payable totals \$377.2 million.

Future payments of prize awards, stated at present value, as of June 30, 2019, follow (dollars in thousands):

Year Ending June 30,	
2020.....	\$ 59,197
2021.....	50,840
2022.....	45,863
2023.....	38,646
2024.....	34,588
2025-2029.....	123,723
2030-2034.....	83,264
2035-2039.....	21,289
2040-2044.....	6,460
2045-2049.....	100
	463,970
Unamortized Discount	(86,727)
Net Prize Liability	\$ 377,243



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

L. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$163.9 million, as of June 30, 2019. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases in state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: three percent rate of return, compounded annually, on the investment of current and future assets, a tuition inflation assumption equal to the maximum amount of tuition and mandatory fee increases permitted by the State of Ohio biennial budget of five percent.

As of June 30, 2019, the market value of actuarial net position available for the payment of the tuition benefits payable was \$237.3 million.

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$3.64 billion in other noncurrent liabilities, as of June 30, 2019, of which 1) \$1.74 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 21, 2) \$1.3 billion consists of the premium rebate due to private employers and public taxing district employers, 3) \$556.9 million consists of retrospective rating adjustments for employers within similar industries that are enrolled in group experience rating plans, 4) \$4.5 million is contingent liabilities, and 5) \$49 million consists of other miscellaneous liabilities.



NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2019, are presented for the primary government in the following table:

**Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2019
(dollars in thousands)**

Governmental Activities:	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	\$ 9,734,361	\$ 813,670	\$ 977,349	\$ 9,570,682	\$ 891,068
Revenue Bonds and Notes (NOTE 11)	6,689,337	54,764	173,783	6,570,318	145,863
Special Obligation Bonds (NOTE 12)	2,237,096	232,897	256,813	2,213,180	239,223
Total Bonds and Notes Payable	<u>18,660,794</u>	<u>1,101,331</u>	<u>1,407,945</u>	<u>18,354,180</u>	<u>1,276,154</u>
Certificates of Participation (NOTE 13)	204,620	111,015	38,183	277,452	26,381
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	479,706	351,124	351,641	479,189	60,584
Net Pension Liability	3,508,205	2,629,018	9,345	6,127,878	-
Net OPEB Liability	2,552,677	420,840	111,678	2,861,839	-
Capital Leases Payable	19,632	1,412	-	21,044	6,091
Derivatives	18,228	1,083	-	19,311	-
Pollution Remediation Liabilities	1,870	179	179	1,870	130
Infrastructure, Capital Assets	413,394	16,306	64,891	364,809	27,747
Estimated Claims Payable	679	-	542	137	137
Liability for Escheat Property	317,173	147,323	128,758	335,738	100,576
Total Other Noncurrent Liabilities	<u>7,311,564</u>	<u>3,567,285</u>	<u>667,034</u>	<u>10,211,815</u>	<u>195,265</u>
Total Noncurrent Liabilities	<u>\$ 26,176,978</u>	<u>\$ 4,779,631</u>	<u>\$ 2,113,162</u>	<u>\$ 28,843,447</u>	<u>\$ 1,497,800</u>
Business-Type Activities:					
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	\$ 41,739	\$ 28,751	\$ 28,615	\$ 41,875	\$ 4,076
Net Pension Liability	245,784	178,883	-	424,667	-
Net OPEB Liability	168,931	31,812	-	200,743	-
Capital Leases Payable	3,164	3,444	1,954	4,654	1,742
Workers' Compensation:					
Benefits Payable	14,153,709	742,433	1,697,582	13,198,560	1,424,703
Other:					
Adjustment Expenses Liability	1,758,600	17,567	40,167	1,736,000	428,824
Miscellaneous	1,717,725	540,714	352,031	1,906,408	1,581,121
Prize Awards Payable	409,578	32,319	64,654	377,243	46,519
Tuition Benefits Payable	205,500	-	41,600	163,900	33,200
Total Other Noncurrent Liabilities	<u>\$ 18,704,730</u>	<u>\$ 1,575,923</u>	<u>\$ 2,226,603</u>	<u>\$ 18,054,050</u>	<u>\$ 3,520,185</u>

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the nonmajor governmental funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

For fiscal year 2019, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance and accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects.

	<u>(in 000s)</u>
Governmental Activities:	
Primary, Secondary and Other Education	\$ 374,578
Higher Education Support	164,354
Health and Human Services.....	1,422
Environmental Protection and Natural Resources	1,422
Transportation.....	48,461
Community and Economic Development.....	102,733
Total Interest Expense Charged to Governmental Functions	<u>\$ 692,970</u>

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2019, are presented in the following table for the State's major discretely presented component units:

**Major Discretely Presented Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2019
(dollars in thousands)**

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year
<i>Ohio Facilities Construction Commission:</i>					
Intergovernmental Payable	\$ 803,527	\$ 172,765	\$ 195,168	\$ 781,124	\$ 515,430
Compensated Absences*	1,066	856	837	1,085	137
Total	<u>\$ 804,593</u>	<u>\$ 173,621</u>	<u>\$ 196,005</u>	<u>\$ 782,209</u>	<u>\$ 515,567</u>
<i>Ohio State University:</i>					
Compensated Absences*	\$ 185,004	\$ 23,204	\$ 15,268	\$ 192,940	\$ 15,268
Capital Leases Payable* (NOTE 14).....	15,426	10,962	5,341	21,047	7,308
Net Pension Liability*	2,548,245	1,166,949	-	3,715,194	-
Net OPEB Liability*	1,249,674	89,769	-	1,339,443	-
Advance from Concessionaire*	1,046,342	-	21,787	1,024,555	-
Other Liabilities*	357,438	443,189	401,789	398,838	80,281
Revenue Bonds & Notes Payable (NOTE 11) .	3,229,544	42,591	72,895	3,199,240	612,337
Total	<u>\$ 8,631,673</u>	<u>\$1,776,664</u>	<u>\$ 517,080</u>	<u>\$ 9,891,257</u>	<u>\$ 715,194</u>

*Liability is reported under the "Refund and Other Liabilities" account.

NOTE 16 CONDUIT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities, lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred. The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance.



NOTE 16 CONDUIT DEBT (Continued)

This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

Ohio Enterprise Bond Fund bonds are issued through the Treasurer of State for the purpose of financing eligible projects of private industry organizations. The actual bonds are sold through private placement. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited solely to the pledged receipts deposited into the Ohio Enterprise Bond Fund Accounts. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the Development Services Agency, Office of Loan Administration, under Chapter 166, Ohio Revised Code. As of June 30, 2019, a liability of \$137 thousand has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14H for additional information. The cumulative guarantee payments made for defaulted organizations with bonds currently outstanding is \$5.3 million. Recoveries for guarantee payments are submitted to the Attorney General’s Office for collection; however, no amounts are expected to be recovered from guarantee payments made through June 30, 2019.

The Development Services Agency also participates in the issuance of Hospital Facilities Bonds, as authorized under Chapter 140, Ohio Revised Code. These revenue bonds are payable solely from payments made by the borrowing entities and are secured by the property financed. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

Under Chapter 5531, Ohio Revised Code, the Ohio Department of Transportation is authorized to issue State Infrastructure Bond Program debt issuances through the Treasurer of State for highway and transit capital projects of eligible Ohio political subdivisions. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited to the pledged receipts and those special funds pledged by each debt issuance. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the State Infrastructure Bank program of the Ohio Department of Transportation. In the event of a borrower’s default, amounts recovered from the secured capital project would be used to replenish any reserve funds and any remaining amounts would be transferred to the State Infrastructure Bank accounts. Any amounts provided to repay bonds using appropriations of the Ohio Department of Transportation would be submitted to the Attorney General’s Office for collection. Currently, guarantees are outstanding through fiscal year 2044, when the bonds mature, and no circumstances presently exist that indicate the State will be required to make any payments as a result of these guarantees.

As of June 30, 2019, revenue bonds and notes outstanding that represent conduit debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Development Services Agency:	
Ohio Enterprise Bond Program	\$ 89,210
Hospital Facilities Bonds	3,290
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program.....	74,245
Total Primary Government	<u>\$ 166,745</u>

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING

A. Fund Balance Reporting-Constraints by Purpose

Fund balance constraints reported in the governmental funds, as of June 30, 2019, are presented by purpose in the table on the following page:



NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

Primary Government					
Fund Balance Constraints by Purpose					
<i>(dollars in thousands)</i>					
Major Funds					
	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Fund Balance:					
<i>Nonspendable</i>					
Inventories.....	\$ 22,643	\$ -	\$ -	\$ 92,572	\$ 115,215
Noncurrent Portion of Loans Receivable.....	910	-	-	-	910
Advances to Local Government.....	31,944	-	-	-	31,944
Total Nonspendable.....	<u>55,497</u>	<u>-</u>	<u>-</u>	<u>92,572</u>	<u>148,069</u>
<i>Restricted</i>					
Primary, Secondary and Other Education.....	19	67	-	125,146	125,232
Higher Education Support.....	422,923	-	-	15,126	438,049
Public Assistance and Medicaid.....	-	118,924	-	284,127	403,051
Health and Human Services.....	-	-	-	60,594	60,594
Justice and Public Protection.....	17,705	1,512	-	14,341	33,558
Environmental Protection and Natural Resources.....	11,460	-	-	211,827	223,287
Transportation.....	-	-	-	9,549	9,549
Transit Project Loans.....	-	-	-	234,004	234,004
Highway Construction/Preservation.....	-	-	-	762,838	762,838
General Government.....	9,147	20,088	-	117,875	147,110
Community and Economic Development.....	71,765	9	-	281,846	353,620
Grants/Loans-Local Government Capital Improvements.....	835,687	-	-	-	835,687
Local Government Road/Bridge Improvements.....	224,010	-	-	-	224,010
Capital Outlay.....	-	-	-	564,483	564,483
Debt Service.....	-	-	4,425,747	9,597	4,435,344
Total Restricted.....	<u>1,592,716</u>	<u>140,600</u>	<u>4,425,747</u>	<u>2,691,353</u>	<u>8,850,416</u>
<i>Committed</i>					
Primary, Secondary and Other Education.....	-	-	-	86,004	86,004
Higher Education Support.....	-	-	-	1,533	1,533
Public Assistance and Medicaid.....	-	125,120	-	81,125	206,245
Health and Human Services.....	1,259	538	-	12,214	14,011
Justice and Public Protection.....	1,082	4,652	-	70,113	75,847
Environmental Protection and Natural Resources.....	-	-	-	203,340	203,340
Transportation.....	-	-	-	1,386	1,386
General Government.....	22,093	15,637	-	94,345	132,075
Community and Economic Development.....	39,981	-	-	42,662	82,643
Business Development Loans.....	664,283	-	-	-	664,283
Total Committed.....	<u>728,698</u>	<u>145,947</u>	<u>-</u>	<u>592,722</u>	<u>1,467,367</u>
<i>Assigned</i>					
Primary, Secondary and Other Education.....	43,062	-	-	-	43,062
Higher Education Support.....	9,739	-	-	-	9,739
Public Assistance and Medicaid.....	559,390	-	-	-	559,390
Health and Human Services.....	95,305	-	-	-	95,305
Justice and Public Protection.....	144,343	-	-	-	144,343
Environmental Protection and Natural Resources.....	29,073	-	-	-	29,073
General Government.....	505,853	-	-	-	505,853
Escheat Investments used for Mortgage Insurance/ Minority Contractor Bonding/Housing Finance Loans.....	1,421,926	-	-	-	1,421,926
Community and Economic Development.....	77,205	-	-	-	77,205
Total Assigned.....	<u>2,885,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,885,896</u>
<i>Unassigned</i>					
Total Unassigned.....	<u>2,455,345</u>	<u>-</u>	<u>-</u>	<u>(6,242)</u>	<u>2,449,103</u>
Total Fund Balance.....	<u>\$ 7,718,152</u>	<u>\$ 286,547</u>	<u>\$ 4,425,747</u>	<u>\$ 3,370,405</u>	<u>\$ 15,800,851</u>



NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

As of June 30, 2019, the Budget Stabilization Fund had a fund balance of \$2.69 billion, which was included as a part of the unassigned fund balance in the General Fund.

B. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2019 (dollars in thousands):

Primary Government:

Nonmajor Governmental Capital Project Fund:	
Adult Correctional Building Improvements.....	\$ (5,163)
Nonmajor Proprietary Fund:	
Office of Auditor of State.....	(93,611)
<i>Total Primary Government</i>	<u>\$ (98,774)</u>

Discretely Presented Component Units:

Major Component Unit:	
Ohio Facilities Construction Commission	\$ (3,750,015)
Nonmajor Component Units:	
Ohio Capital Fund.....	(80,755)
Cincinnati State Community College.....	(7,119)
<i>Total Component Units</i>	<u>\$ (3,837,889)</u>

Deficits are due to the timing of revenue recognition and the accrual of expenses not recorded under the cash basis of accounting.

NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

A. Deferred Outflows of Resources

Details on deferred outflows of resources for the primary government, as of June 30, 2019, follow (dollars in thousands):

Primary Government - Deferred Outflows of Resources					
	Net Pension and OPEB Liability/Asset	Hedging Derivatives	Loss on Debt Refundings	Resources of a Future Period	Total
Governmental Activities:					
Major Governmental Funds:					
Buckeye Tobacco Settlement Financing					
Authority Revenue Bonds.....	\$ -	\$ -	\$ -	\$ 4,042,486	\$ 4,042,486
<i>Total Governmental Activities</i>	-	-	-	4,042,486	4,042,486
Reconciliation of fund level statements to government-wide statements due to basis differences.....					
	1,924,558	13,207	101,153	-	2,038,918
<i>Total Governmental Activities</i>	<u>\$ 1,924,558</u>	<u>\$ 13,207</u>	<u>\$ 101,153</u>	<u>\$ 4,042,486</u>	<u>\$ 6,081,404</u>
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation.....	\$ 137,416	\$ -	\$ -	\$ -	\$ 137,416
Lottery Commission.....	13,449	-	-	-	13,449
Nonmajor Proprietary Funds	31,628	-	-	-	31,628
<i>Total Business-Type Activities</i>	<u>\$ 182,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,493</u>
<i>Total Primary Government</i>					<u>\$ 6,263,897</u>

As of June 30, 2019, The Ohio State University, a major discretely presented component unit, reported Deferred Outflows of Resources totaling approximately \$1.13 billion for net pension and OPEB liability/asset, \$20.6 million for losses on debt-related transactions and \$1.6 million for future asset retirement obligation.



NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (Continued)

B. Deferred Inflows of Resources

The deferred inflows of resources for the primary government, as of June 30, 2019, are comprised of the following (dollars in thousands):

Primary Government - Deferred Inflows of Resources					
	Net Pension and OPEB Liability/Asset	Resources from the Sale of Future Revenues	Unavailable Resources	Debt Refundings	Total
Governmental Activities:					
Major Governmental Funds:					
General	\$ -	\$ 750,691	\$ 278,208	\$ -	\$ 1,028,899
Job, Family and Other Human Services	-	-	68,696	-	68,696
Buckeye Tobacco Settlement Financing					
Authority Revenue Bonds.....	-	-	617,326	-	617,326
Nonmajor Governmental Funds	-	34,100	4,847	-	38,947
Total Governmental Activities	-	784,791	969,077	-	1,753,868
Reconciliation of fund level statements to government-wide statements due to basis differences.....					
	232,369	1,053,773	(969,077)	2,124	319,189
Total Governmental Activities	<u>\$ 232,369</u>	<u>\$ 1,838,564</u>	<u>\$ -</u>	<u>\$ 2,124</u>	<u>\$ 2,073,057</u>
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation.....	\$ 61,116	\$ -	\$ -	\$ -	\$ 61,116
Lottery Compensation.....	812	-	-	-	812
Nonmajor Proprietary Funds	1,754	-	-	-	1,754
Total Business-Type Activities	<u>\$ 63,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,682</u>
Total Primary Government.....					<u>\$ 2,136,739</u>

As of June 30, 2019, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported Deferred Inflows of Resources totaling approximately \$3.29 billion pertaining to resources from the sale of future revenues. In addition, the Ohio State University, another major discretely presented component unit, reported Deferred Inflows of Resources of \$228 million for net pension and OPEB liability/asset, \$18.7 million for gains on debt-related transactions, \$13.8 million for irrevocable split-interest agreements, and \$416.5 million related to service concession arrangements.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.



NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately \$197 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2018 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	\$ 25,000	\$ 25,000	30.9%
Indiana*	16,000	-	-
Illinois	15,000	15,000	18.4%
Ohio	14,000	14,000	17.3%
New York	12,000	12,000	14.8%
Wisconsin	12,000	12,000	14.8%
Minnesota	1,500	1,500	1.9%
Pennsylvania	1,500	1,500	1.9%
Total	<u>\$ 97,000</u>	<u>\$ 81,000</u>	<u>100%</u>

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2018, was as follows (dollars in thousands):

Cash and Investments	\$ 124,608
Other Assets	190
Total Assets	<u>\$ 124,798</u>
Total Liabilities	\$ 1,306
Total Net Position	123,492
Total Liabilities and Net Position	<u>\$ 124,798</u>
Total Revenues and Other Additions.....	\$ 5,069
Total Expenditures and Other Deductions.....	(18,722)
Change in Net Position	<u>\$ (13,653)</u>

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.



NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

The governing boards of the technical colleges consist of either seven or nine trustees, of which State officials appoint two or three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2019 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands):

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga	\$ 70,692	\$ 4,968	\$ 75,660
Eastern Gateway.....	9,548	1,098	10,646
Lakeland	20,042	219	20,261
Lorain County	29,042	6,389	35,431
Rio Grande	6,127	389	6,516
Sinclair	50,888	8,252	59,140
Total Local Community Colleges.....	<u>186,339</u>	<u>21,315</u>	<u>207,654</u>
Technical Colleges:			
Belmont	4,682	411	5,093
Central Ohio	12,247	196	12,443
Hocking	12,264	769	13,033
James A. Rhodes	10,865	1,042	11,907
Marion	7,622	551	8,173
Zane	8,057	1,353	9,410
North Central	8,276	1,371	9,647
Stark	29,181	3,204	32,385
Total Technical Colleges	<u>93,194</u>	<u>8,897</u>	<u>102,091</u>
Total	<u>\$ 279,533</u>	<u>\$ 30,212</u>	<u>\$ 309,745</u>

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the Ohio Water Development Authority, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.



NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 2019, the State had the following related-party transactions with its related organizations:

- The General Fund reports a \$340 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$4.7 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

NOTE 20 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. There are no legal proceedings, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

B. Federal Awards

The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

Federal Single Audit

As a result of the fiscal year 2018 State of Ohio Single Audit (issued in March 2019), \$222 thousand plus an undetermined amount of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for these questioned costs in the state's financial statements for the fiscal year ended June 30, 2019.

C. Tobacco Settlement

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state healthcare expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

As of October 23, 2007, the State transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority (BTSFA).

While BTSFA's share of the total base payments to the states through 2052 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.



NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

In addition to the base payments in 2008 through 2017, BTSFA received payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state’s contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA. Strategic contribution payments ended in 2017. Beginning in 2018, payments consist solely of the base payment plus amounts, if any, paid by participating manufacturers relating to prior years and amounts, if any, released from the disputed payment account.

During fiscal year 2019, Ohio received \$297.7 million, which is approximately \$138.6 million or 31.78 percent less than the pre-adjusted base payment for the year.

As of June 30, 2019, the estimated tobacco settlement receivable in the amount of \$651.4 million is included in “Other Receivables” reported for the governmental funds. The receivable includes \$436.5 million for payments withheld from BTSFA beginning fiscal year 2008 and \$34.1 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

The Tobacco Settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other collateral pledged under an indenture between BTSFA and U.S. Bank National Association, as trustee. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTFSA may not have adequate financial resources to make payment on the bonds.

A schedule of pre-adjusted base payments for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-Adjusted MSA Base Payments
2020.....	\$ 441,189
2021.....	446,563
2022.....	451,881
2023.....	457,447
2024.....	463,001
2025-2029.....	2,408,257
2030-2034.....	2,573,239
2035-2039.....	2,742,919
2040-2044.....	2,920,625
2045-2049.....	3,107,378
2050-2052.....	1,961,754
Total	<u>\$ 17,974,253</u>



NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

D. Construction Commitments

As of June 30, 2019, the Ohio Department of Transportation had total contractual commitments of approximately \$2.93 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$1.41 billion, \$737.8 million, \$689 million, and \$93.3 million, respectively.

As of June 30, 2019, other major non-highway construction commitments for the primary government’s budgeted capital projects funds and major discretely presented component unit were as follows (dollars in thousands):

Primary Government	
Mental Health/Developmental Disabilities Facilities Improvements	\$ 63,644
Parks and Recreation Improvements	79,199
Administrative Services Building Improvements	101,142
Youth Services Building Improvements	8,835
Adult Correctional Building Improvements	104,396
Ohio Parks and Natural Resources	20,946
Transportation Building Improvements.....	20,038
Total	<u>\$ 398,200</u>
Major Discretely Presented Component Unit	
Ohio State University	\$ 344,324

E. Pollution Remediation Activities

During fiscal year 2019, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than \$1 million at June 30 are not listed).

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be \$1.9 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liability described above is reported as “Other Noncurrent Liabilities-Due in One Year” and “Other Noncurrent Liabilities-Due in More Than One Year” for governmental activities in the government-wide Statement of Net Position. The reported liability for this activity is an estimate and subject to change over time. Variances in the final costs may result from changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State’s capital assets policy. As of June 30, 2019, no capital assets were created nor reported as a result of any pollution remediation process.

F. Encumbrances

At June 30, 2019, the State has significant encumbrances of \$732.8 million in the General Fund, \$896.4 million in the Job, Family and Other Human Services Special Revenue Fund, and \$4.21 billion in the nonmajor governmental funds.



NOTE 21 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund (Fund) provides benefits to employees for losses sustained from job-related injury, disease, or death.

"Benefits Payable" of \$13.2 billion is reported in the Fund as of June 30, 2019. This amount represents reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately \$1.74 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Bureau of Workers' Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at four percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves.

The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$24.6 billion, as of June 30, 2019, and \$26.6 billion, as of June 30, 2018. For additional information, refer to the Fund's separately audited financial report, for the fiscal year ended June 30, 2019.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below:

Primary Government
Changes in Workers' Compensation Benefits Payable
and Compensation Adjustment Expenses Liability
Last Two Fiscal Years
(dollars in millions)

	Fiscal Year 2019	Fiscal Year 2018
Benefits Payable and Compensation		
Adjustment Expenses Liability, as of July 1	\$ 15,912	\$ 16,866
Incurring Compensation		
and Compensation Adjustment Benefits	760	804
Incurring Compensation		
and Compensation Adjustment Benefit Payments		
and Other Adjustments	(1,738)	(1,758)
Benefits Payable and Compensation		
Adjustment Expenses Liability, as of June 30	<u>\$ 14,934</u>	<u>\$ 15,912</u>



NOTE 21 RISK FINANCING (Continued)

B. State Employee Healthcare Plan

Employees of the State’s primary government have the option of participating in the Ohio Med PPO Plan (Plan). The Plan is managed by three third party administrators (TPAs), Medical Mutual of Ohio (MMO), Aetna and Anthem. The three TPAs are responsible for processing claims for separate regions throughout the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, liabilities are reported in the governmental and proprietary funds for claims that have been incurred but not reported. The Plan’s actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund (Agency Fund) until such time that the accumulated resources are distributed to MMO, Aetna or Anthem for claims settlement.

For governmental funds, claims are recognized as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2019, approximately \$145.1 million in total assets was available in the Agency Fund to cover healthcare claims. Changes in the balance of claims liabilities for the Plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med PPO		
	Fiscal Year 2019	Fiscal Year 2018
Claims Liabilities, as of July 1	\$ 75,076	\$ 59,938
Incurred Claims	592,537	591,261
Claims Payments	(592,174)	(576,123)
Claims Liabilities, as of June 30	<u>\$ 75,439</u>	<u>\$ 75,076</u>

As of June 30, 2019, the resources on deposit in the Agency Fund were more than the estimated claims liability by approximately \$69.7 million, thereby resulting in a funding surplus. Eighty-five percent or \$59.3 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting decrease in expenditures/expenses.

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State’s financial position.



NOTE 22 SUBSEQUENT EVENTS

Bond Issuances

Subsequent to June 30, 2019, the State issued major debt as detailed in the table below:

Debt Issuances			
Subsequent to June 30, 2019			
<i>(dollars in thousands)</i>			
	<u>Date Issued</u>	<u>Net Interest Rate or True Interest Cost</u>	<u>Amount</u>
Primary Government:			
<i>Ohio Public Facilities Commission (OPFC)- General Obligation Bonds:</i>			
Common Schools Capital Facilities, Series 2019A.....	08/27/19	2.36%	\$300,000
Third Frontier Research and Development, Series 2019A.....	08/27/19	1.24%	20,000
Third Frontier Research and Development-Taxable, Series 2019B.....	11/06/19	2.24%	100,000
Infrastructure Improvements, Series 2019A.....	11/06/19	2.93%	147,000
Total General Obligation Bonds.....			<u>567,000</u>
<i>Treasurer of State - Revenue Bonds:</i>			
State Infrastructure Project, Series 2019-1.....	12/04/19	1.65%	180,010
Total Revenue Bonds.....			<u>180,010</u>
<i>Treasurer of State-Special Obligation Bonds:</i>			
State Facilities (Administrative Building), Refunding Series 2019A.....	10/30/18	* 3.03%	25,935
Adult Correctional Facilities, Refunding Series 2019A.....	10/30/18	* 3.03%	25,350
Adult Correctional Facilities, Series 2019B.....	07/23/19	1.80%	53,000
Adult Correctional Facilities, Series 2019C.....	08/06/19	3.03%	45,000
State Facilities (Administrative Building), Refunding Series 2019B.....	10/22/19	1.76%	22,270
Juvenile Correctional Facilities, Series 2019A.....	10/22/19	2.80%	33,000
Juvenile Correctional Facilities, Refunding Series 2019B.....	10/22/19	1.68%	13,205
Total Special Obligation Bonds			<u>217,760</u>
Total Primary Government.....			<u>\$964,770</u>

* Bond sale closed on 7/9/2019.

Financial Section

REQUIRED SUPPLEMENTARY
INFORMATION



Infrastructure Assets Accounted for Using the Modified Approach

Pavement Network

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

**Pavement Network
Condition Assessment Data**

Priority Subsystem

Fiscal Year	Pavement Condition Ratings (PCR)									
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 65-74		Poor PCR = Below 65		Total	
	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2019	7,895	57.53	3,981	29.01	1,404	10.23	444	3.23	13,724	100.00
2018	8,236	59.47	3,856	27.85	1,331	9.61	426	3.07	13,849	100.00
2017	8,103	59.06	4,345	31.67	990	7.22	282	2.05	13,720	100.00
2016	8,245	59.97	4,309	31.34	933	6.79	261	1.90	13,748	100.00
2015	8,724	63.51	3,944	28.71	901	6.56	168	1.22	13,737	100.00

General Subsystem

Fiscal Year	Pavement Condition Ratings (PCR)									
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 55-74		Poor PCR = Below 55		Total	
	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2019	16,392	55.31	7,080	23.89	5,420	18.29	745	2.51	29,637	100.00
2018	15,589	52.87	7,395	25.08	6,090	20.65	413	1.40	29,487	100.00
2017	14,022	47.58	8,472	28.74	6,755	22.92	224	0.76	29,473	100.00
2016	12,940	43.91	8,884	30.15	7,480	25.38	166	0.56	29,470	100.00
2015	14,213	48.25	8,556	29.04	6,506	22.08	186	0.63	29,461	100.00



Infrastructure Assets Accounted for Using the Modified Approach (Continued)

Pavement Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

Priority Subsystem

Fiscal Year	Estimated	Actual
2019	\$444,620	\$443,984
2018	447,590	504,877
2017	416,249	491,309
2016	619,382	533,788
2015	482,291	526,202

General Subsystem

Fiscal Year	Estimated	Actual
2019	\$299,640	\$426,696
2018	303,715	404,677
2017	314,433	427,531
2016	283,059	369,117
2015	287,411	361,582

Bridge Network

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a General Appraisal Condition Rating (GACR) from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

Bridge Network
Condition Assessment Data
(square feet in thousands)

Fiscal Year	General Appraisal Condition Ratings (GACR)									
	Excellent GACR = 7-9		Good GACR = 5-6		Fair GACR = 3-4		Poor GACR = 0-2		Total	
	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%
2019	72,499	67.01	34,012	31.44	1,680	1.55	4	0.00	108,195	100.00
2018	70,768	65.91	34,831	32.44	1,772	1.65	0	0.00	107,371	100.00
2017	69,581	64.73	35,891	33.39	2,017	1.88	0	0.00	107,489	100.00
2016	67,201	63.05	37,216	34.92	2,163	2.03	0	0.00	106,580	100.00
2015	64,945	61.15	38,702	36.44	2,541	2.39	18	0.02	106,206	100.00



Infrastructure Assets Accounted for Using the Modified Approach (Continued)

Bridge Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

Fiscal Year	Estimated	Actual
2019	\$424,377	\$451,586
2018	462,821	452,276
2017	469,804	526,003
2016	499,522	552,021
2015	534,578	571,689



STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FIVE YEARS ^(A)
(dollars in thousands)

	2018	2017	2016
Traditional Plan:			
Employer's Proportion of the Collective Net Pension Liability.....	20.86%	20.85%	20.95%
Employer's Proportionate Share of the Collective Net Pension Liability.....	\$ 5,714,426	\$ 3,271,382	\$ 4,736,652
Covered Payroll.....	\$ 2,862,809	\$ 2,791,773	\$ 2,754,860
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll.....	199.61%	117.18%	171.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	74.70%	84.66%	77.25%
Combined Plan:			
Employer's Proportion of the Collective Net Pension/(Asset).....	19.59%	19.13%	19.67%
Employer's Proportionate Share of the Collective Net Pension/(Asset).....	\$ (21,905)	\$ (26,038)	\$ (10,623)
Covered Payroll.....	\$ 85,111	\$ 81,048	\$ 77,885
Employer's Proportionate Share of the Collective Net Pension/(Asset) as a Percentage of the Employer's Covered Payroll.....	25.74%	32.13%	13.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset.....	126.64%	137.28%	116.55%

Notes:

^(A) This table will present ten years of information as it becomes available.



2015	2014
20.65%	20.73%
\$ 3,561,458	\$ 2,496,359
\$ 2,589,575	\$ 2,608,075
137.53%	95.72%
81.08%	86.45%
19.64%	20.23%
\$ (9,355)	\$ (7,577)
\$ 72,010	\$ 69,383
12.99%	10.92%
116.90%	114.83%



STATE OF OHIO

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 FOR THE LAST FIVE FISCAL YEARS ^{(A)(B)}
 (dollars in thousands)

	2019	2018	2017
Traditional Plan:			
Statutorily Required Employer Contribution.....	\$ 407,968	\$ 383,973	\$ 343,330
Actual Employer Contributions Received.....	407,968	383,973	343,330
Difference.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll.....	\$ 2,903,850	\$ 2,834,015	\$ 2,794,847
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	14.05%	13.55%	12.28%
Combined Plan:			
Statutorily Required Employer Contribution.....	\$ 12,139	\$ 11,345	\$ 9,977
Actual Employer Contributions Received.....	12,139	11,345	9,977
Difference.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll.....	\$ 86,407	\$ 83,734	\$ 81,219
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	14.05%	13.55%	12.28%

Notes:

- (A) This table will present ten years of information as it becomes available.
- (B) Ohio Public Employees Retirement System reports on a December 31 calendar yearend, but is included in the State's fiscal yearend of June 30. Year reflected is fiscal year instead of calendar year (ex. CY 2017 is reflected as FY 2018, etc.).



2016	2015
\$ 314,599	\$ 308,797
<u>314,599</u>	<u>308,797</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 2,613,331	\$ 2,573,692
12.04%	12.00%
\$ 9,366	\$ 8,587
<u>9,366</u>	<u>8,587</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 77,801	\$ 71,573
12.04%	12.00%



STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
 STATE TEACHERS RETIREMENT SYSTEM

AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FIVE YEARS ^(A)

(dollars in thousands)

	2018	2017	2016
Employer's Proportion of the Collective Net Pension Liability.....	0.37%	0.38%	0.38%
Employer's Proportionate Share of the Collective Net Pension Liability.....	\$ 81,261	\$ 90,418	\$ 126,919
Covered Payroll.....	\$ 42,066	\$ 41,881	\$ 39,990
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll.....	193.18%	215.89%	317.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	77.31%	75.29%	66.78%

Notes:

^(A) This table will present ten years of information as it becomes available.



2015	2014
0.39%	0.41%
\$ 107,522	\$ 99,431
\$ 40,509	\$ 41,996
265.43%	236.76%
72.10%	74.71%



STATE OF OHIO
 SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
 STATE TEACHERS RETIREMENT SYSTEM
 FOR THE LAST FIVE FISCAL YEARS ^{(A)(B)}
 (dollars in thousands)

	2019	2018	2017
Statutorily Required Employer Contribution.....	\$ 5,929	\$ 5,888	\$ 5,863
Actual Employer Contributions Received.....	5,929	5,888	5,863
Difference.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll.....	\$ 42,360	\$ 42,066	\$ 41,881
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	14.00%	14.00%	14.00%

Notes:

- ^(A) This table will present ten years of information as it becomes available.
- ^(B) Starting in fiscal year 2017, the 2015 and 2016 data presented was adjusted to reflect the State's fiscal reporting year rather than measurement date.



2016	2015
\$ 5,692	\$ 5,671
5,692	5,671
<u>\$ -</u>	<u>\$ -</u>
\$ 39,990	\$ 40,509
14.23%	14.00%



STATE OF OHIO

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
STATE HIGHWAY PATROL RETIREMENT SYSTEM

AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FIVE YEARS ^(A)

(dollars in thousands)

	2018	2017	2016
Total Pension Liability:			
Service Cost.....	\$ 19,679	\$ 19,635	\$ 18,094
Interest on the Total Pension Liability.....	89,298	85,936	84,195
Benefit Changes.....	-	(5,681)	-
Difference between Expected and Actual Experience.....	538	17,854	(8,633)
Assumption Changes.....	256,572	-	-
Benefit Payments.....	(71,577)	(75,393)	(65,720)
Refunds.....	(717)	(1,075)	(1,731)
Net Change in Total Pension Liability.....	293,793	41,276	26,205
Total Pension Liability - Beginning.....	1,178,545	1,137,269	1,111,064
Total Pension Liability - Ending (a).....	<u>\$ 1,472,338</u>	<u>\$ 1,178,545</u>	<u>\$ 1,137,269</u>
Plan Fiduciary Net Position:			
Employer Contributions.....	\$ 26,014	\$ 26,110	\$ 25,384
Employee Contributions.....	14,452	14,505	14,101
Pension Plan Net Investment Income.....	(37,810)	101,482	46,423
Benefit Payments.....	(71,577)	(75,393)	(65,721)
Refunds.....	(717)	(1,075)	(1,731)
Pension Plan Administrative Expense.....	(1,436)	(1,437)	(1,353)
Other.....	199	479	357
Net Change in Plan Fiduciary Net Position.....	(70,875)	64,671	17,460
Plan Fiduciary Net Position - Beginning.....	786,356	721,685	704,225
Plan Fiduciary Net Position - Ending (b).....	<u>\$ 715,481</u>	<u>\$ 786,356</u>	<u>\$ 721,685</u>
Net Pension Liability - Ending (a) - (b).....	<u>\$ 756,857</u>	<u>\$ 392,189</u>	<u>\$ 415,584</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability.....	48.59%	66.72%	63.46%
Covered Payroll..... ^(B)	\$ 116,010	\$ 112,705	\$ 108,789
Net Pension Liability as a Percentage of Covered Payroll.....	652.41%	347.98%	382.01%

Notes:

^(A) This table will present ten years of information as it becomes available.

^(B) Covered payroll includes Deferred Retirement Option Program (DROP) employees.



2015	2014
\$ 17,805	\$ 17,657
81,577	79,175
-	-
(6,366)	-
40,773	-
(66,213)	(64,526)
(858)	(2,177)
66,718	30,129
1,044,346	1,014,217
<u>\$ 1,111,064</u>	<u>\$ 1,044,346</u>

\$ 22,895	\$ 22,325
13,686	11,577
(5,702)	45,105
(66,213)	(64,526)
(858)	(2,177)
(1,084)	(1,031)
839	421
(36,437)	11,694
740,662	728,968
<u>\$ 704,225</u>	<u>\$ 740,662</u>

<u>\$ 406,839</u>	<u>\$ 303,684</u>
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63.38%	70.92%
\$ 99,983	\$ 99,212
406.91%	306.10%



STATE OF OHIO

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
STATE HIGHWAY PATROL RETIREMENT SYSTEM
FOR THE LAST TEN FISCAL YEARS (B)
(dollars in thousands)

	2019	2018	2017	2016	2015
Actuarially Determined Contribution.....	\$ 26,014	\$ 25,349	\$ 24,407	\$ 22,446	\$ 29,767
Actual Employer Contributions Received.....	26,014	26,110	25,383	22,895	22,325
Difference.....	\$ -	\$ (761)	\$ (976)	\$ (449)	\$ 7,442
Covered Payroll..... (A)	\$ 116,010	\$ 112,705	\$ 108,789	\$ 99,983	\$ 99,212
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	22.42%	23.17%	23.33%	22.90%	22.50%

Notes:

- (A) Covered payroll includes Deferred Retirement Option Program (DROP) employees.
- (B) State Highway Patrol Retirement System reports on a December 31 calendar yearend, but is included in the State's fiscal yearend of June 30. Year reflected is now fiscal year instead of calendar year (ex. CY 2017 is reflected as FY 2018, etc.).

Actuarial Assumptions	
Valuation Date	December 31, 2017
Notes	Actuarially determined contribution rates are calculated as of December 31, which is one day prior to the beginning of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level-Percentage Closed
Remaining Amortization Period	27 years
Asset Valuation Method	Four-year smoothed market
Inflation	3.5 percent wage inflation; 2.75 percent price inflation
Salary Increases	3.8 percent to 13.5 percent including inflation
Investment Rate of Return	7.75 percent
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Tables for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information	There were no assumption changes during the year. There were benefit changes beginning with the December 31, 2017 annual actuarial valuation, which include changes to age and service pension eligibility, off-duty disability, and survivor benefits.



STATE OF OHIO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

JUNE 30, 2019

2014	2013	2012	2011	2010
\$ 35,430	\$ 30,488	\$ 26,956	\$ 22,872	\$ 19,978
22,908	23,766	22,966	21,212	20,454
<u>\$ 12,522</u>	<u>\$ 6,722</u>	<u>\$ 3,990</u>	<u>\$ 1,660</u>	<u>\$ (476)</u>
\$ 98,520	\$ 98,117	\$ 93,126	\$ 94,768	\$ 94,825
23.25%	24.22%	24.66%	22.38%	21.57%



STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST TWO YEARS ^(A)
 (dollars in thousands)

All Plans:	2018	2017
Employer's Proportion of the Collective Net OPEB Liability.....	20.75%	20.74%
Employer's Proportionate Share of the Collective Net OPEB Liability.....	\$ 2,704,808	\$ 2,252,428
Covered Payroll.....	\$ 2,986,152	\$ 2,915,630
Employer's Proportionate Share of the Collective Net OPEB Liability as a Percentage of the Employer's Covered Payroll.....	90.58%	77.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability.....	46.33%	54.14%

Notes:

^(A) This table will present ten years of information as it becomes available.



STATE OF OHIO

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 FOR THE LAST TWO FISCAL YEARS ^{(A),(B)}

(dollars in thousands)

	2019	2018
Actuarially Determined Employer Contribution.....	\$ 176,568	\$ 153,362
Actual Employer Contributions Received.....	0	18,802
Difference.....	<u>\$ 176,568</u>	<u>\$ 134,560</u>
Covered Payroll.....	\$ 3,070,283	\$ 2,994,040
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	0.00%	0.63%

Notes:

- (A) This table will present ten years of information as it becomes available.
- (B) Ohio Public Employees Retirement System reports on a December 31 calendar yearend, but is included in the State's fiscal yearend of June 30. Year reflected is fiscal year instead of calendar year (ex. CY 2017 is reflected as FY 2018, etc.).



STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY/(ASSET)
 STATE TEACHERS RETIREMENT SYSTEM
 AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST TWO YEARS ^(A)
 (dollars in thousands)

	2018	2017
Employer's Proportion of the Collective Net OPEB Liability/(Asset).....	0.37%	0.38%
Employer's Proportionate Share of the Collective Net OPEB Liability/(Asset).....	\$ (5,939)	\$ 14,850
Covered Payroll.....	\$ 42,066	\$ 40,918
Employer's Proportionate Share of the Collective Net OPEB Liability/(Asset) as a Percentage of the Employer's Covered Payroll.....	14.12%	36.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset).....	176.00%	47.11%

Notes:

^(A) This table will present ten years of information as it becomes available.



STATE OF OHIO
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 STATE TEACHERS RETIREMENT SYSTEM
 FOR THE LAST TWO FISCAL YEARS ^(A)
 (dollars in thousands)

	2019	2018
Actuarially Determined Employer Contribution.....	\$ -	\$ 910
Actual Employer Contributions Received.....	-	-
Difference.....	<u>\$ -</u>	<u>\$ 910</u>
Covered Payroll..... ^(B)	\$ 42,360	\$ 42,066
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	0.00%	0.00%

Notes:

- ^(A) This table will present ten years of information as it becomes available.
- ^(B) The covered payroll amount includes a small portion of the defined contribution plan payroll; which this portion of the plan is not covered for OPEB.



STATE OF OHIO

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
STATE HIGHWAY PATROL RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST TWO YEARS ^(A)
(dollars in thousands)

	2018	2017
Total OPEB Liability:		
Service Cost.....	\$ 26,137	\$ 23,657
Interest on the Total OPEB Liability.....	19,663	19,243
Benefit Changes.....	-	709
Difference between Expected and Actual Experience.....	(74,912)	(1,204)
Assumption Changes.....	(68,878)	46,862
Benefit Payments, including refunds of employee contributions.....	(8,539)	(9,434)
Net Change in Total OPEB Liability.....	(106,529)	79,833
Total OPEB Liability - Beginning.....	566,130	486,297
Total OPEB Liability - Ending (a).....	<u>\$ 459,601</u>	<u>\$ 566,130</u>
Plan Fiduciary Net Position:		
Employer Contributions.....	\$ 4,623	\$ 4,640
Employee Contributions.....	-	-
Net Investment Income.....	(5,852)	14,467
Benefit Payments, including refunds of employee contributions.....	(8,538)	(9,433)
Administrative Expense.....	(204)	(204)
Other.....	-	-
Net Change in Plan Fiduciary Net Position.....	(9,971)	9,470
Plan Fiduciary Net Position - Beginning.....	111,799	102,329
Plan Fiduciary Net Position - Ending (b).....	<u>\$ 101,828</u>	<u>\$ 111,799</u>
Net OPEB Liability - Ending (a) - (b).....	<u>\$ 357,773</u>	<u>\$ 454,331</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability.....	22.16%	19.75%
Covered Payroll..... ^(B)	\$ 116,010	\$ 112,705
Net OPEB Liability as a Percentage of Covered Payroll.....	308.39%	403.11%

Notes:

^(A) This table will present ten years of information as it becomes available.

^(B) Covered payroll includes Deferred Retirement Option Program (DROP) employees.



STATE OF OHIO
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 STATE HIGHWAY PATROL RETIREMENT SYSTEM
 FOR THE LAST TWO FISCAL YEARS ^{(A)(C)}
 (dollars in thousands)

	2019	2018
Actuarially Determined Contribution.....	\$ 22,105	\$ 30,774
Actual Employer Contributions Received.....	4,623	4,640
Difference.....	\$ 17,482	\$ 26,134
Covered Payroll..... ^(B)	\$ 116,010	\$ 112,705
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	3.99%	4.12%

Notes:

- (A) This table will present ten years of information as it becomes available.
- (B) Covered payroll includes Deferred Retirement Option Program (DROP) employees.
- (C) State Highway Patrol Retirement System reports on a December 31 calendar yearend, but is included in the State's fiscal yearend of June 30. Year reflected is now fiscal year instead of calendar year (ex. CY 2017 is reflected as FY 2018, etc.).

Actuarial Assumptions

Valuation Date	December 31, 2016 and December 31, 2017
Notes	Actuarially determined contribution rate for the period July 1, 2017 through June 30, 2018 was based upon the December 31, 2016 valuation. The actuarially determined contribution rate for the period July 1, 2018 through June 30, 2019 was based upon the December 31, 2017 valuation. The calendar year actuarially determined contribution is an average
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level percent of pay - open
Remaining Amortization Period	30 years
Asset Valuation Method	Four-year smoothed market
Inflation	3.5 percent wage inflation; 2.75 percent price inflation
Salary Increases	3.8 percent to 13.5 percent including inflation
Investment Rate of Return	7.75 percent, net of OPEB plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Table and RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2018 mortality improvement scale.



STATE OF OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	GENERAL			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
Income Taxes.....	\$ 9,150,767	\$ 9,283,167	\$ 9,313,381	\$ 30,214
Sales Taxes.....	10,568,248	10,796,148	10,803,572	7,424
Corporate and Public Utility Taxes.....	2,858,246	2,930,546	2,940,313	9,767
Motor Vehicle Fuel Taxes.....	1,139,407	1,139,407	1,139,407	—
Cigarette Taxes.....	917,000	921,100	918,179	(2,921)
Other Taxes.....	701,344	730,635	722,804	(7,831)
Licenses, Permits and Fees.....	1,199,327	1,205,528	1,205,786	258
Sales, Services and Charges.....	136,845	136,845	156,072	19,227
Federal Government.....	10,353,144	9,741,881	9,876,985	135,104
Tobacco Settlement.....	122	122	386	264
Investment Income.....	108,218	135,479	143,025	7,546
Other.....	1,877,297	1,874,591	1,841,649	(32,942)
TOTAL REVENUES.....	39,009,965	38,895,449	39,061,559	166,110
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education.....	9,722,993	9,726,283	9,654,394	71,889
Higher Education Support.....	3,235,131	3,244,028	2,803,090	440,938
Public Assistance and Medicaid.....	17,359,485	17,652,838	16,859,749	793,089
Health and Human Services.....	840,428	871,749	819,027	52,722
Justice and Public Protection.....	3,359,998	3,488,650	3,333,359	155,291
Environmental Protection and Natural Resources.....	137,357	142,892	125,349	17,543
Transportation.....	25,063	25,079	24,918	161
General Government.....	1,488,786	1,688,353	1,437,993	250,360
Community and Economic Development.....	3,492,631	3,778,178	2,634,310	1,143,868
CAPITAL OUTLAY.....	—	—	—	—
DEBT SERVICE.....	1,443,639	1,443,974	1,433,213	10,761
TOTAL BUDGETARY EXPENDITURES.....	41,105,511	42,062,024	39,125,402	2,936,622
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(2,095,546)	(3,166,575)	(63,843)	3,102,732
OTHER FINANCING SOURCES (USES):				
Bonds, Notes, and COPs Issued.....	586,655	586,655	586,655	—
Transfers-in.....	1,910,002	1,952,845	976,970	(975,875)
Transfers-out.....	(2,130,639)	(2,142,416)	(1,214,283)	928,133
TOTAL OTHER FINANCING SOURCES (USES).....	366,018	397,084	349,342	(47,742)
NET CHANGE IN FUND BALANCES.....	\$ (1,729,528)	\$ (2,769,491)	285,499	\$ 3,054,990
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			4,930,057	
Outstanding Encumbrances at Beginning of Fiscal Year.....			918,097	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....			\$ 6,133,653	



JOB, FAMILY AND OTHER HUMAN SERVICES

BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL		
		\$ —	
		—	
		—	
		—	
		1,236	
		2,134,378	
		—	
		7,296,008	
		—	
		11,811	
		1,794,044	
		<u>11,237,477</u>	

\$ 24	\$ 24	23	\$ 1
750	750	—	750
12,650,439	13,107,673	11,494,102	1,613,571
388,504	392,615	353,564	39,051
73,925	77,482	72,235	5,247
—	—	—	—
—	—	—	—
3,335	3,356	2,968	388
—	—	—	—
39,245	39,245	9,104	30,141
—	—	—	—
<u>\$ 13,156,222</u>	<u>\$ 13,621,145</u>	<u>11,931,996</u>	<u>\$ 1,689,149</u>

(694,519)

—
5,803

(241,529)

(235,726)

(930,245)

(725,840)

1,038,926

\$ (617,159)



Note: GAAP versus NON-GAAP BUDGETARY BASIS

In the accompanying *Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred resources, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Original Budget amounts in the accompanying budgetary schedules have been taken from the first complete appropriated budget for fiscal year 2019. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

Final Budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2019, whenever signed into law or otherwise legally authorized.

For fiscal year 2019, no excess expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue fund is presented on the following page.



Note: GAAP versus NON-GAAP BUDGETARY BASIS (Continued)

**Primary Government
Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Fund
As of June 30, 2019**

(dollars in thousands)

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis	\$ 7,718,152	\$ 286,547
Less: Nonspendable Fund Balances.....	55,497	-
Less: Restricted Fund Balances.....	1,592,716	140,600
Less: Committed Fund Balances.....	728,698	145,947
Less: Assigned Fund Balances.....	2,885,896	-
Unassigned Fund Balances — GAAP Basis	<u>2,455,345</u>	<u>-</u>
BASIS DIFFERENCES		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer	(93,177)	(29,837)
Taxes Receivable	(1,673,275)	-
Intergovernmental Receivable	(432,840)	(187,405)
Loans Receivable, Net	(1,133,170)	-
Other Receivables	(291,824)	(551,483)
Unearned Revenue	-	427,049
Total Revenue Accruals/Adjustments	<u>(3,624,286)</u>	<u>(341,676)</u>
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer	(72,056)	(4,628)
Inventories	(22,643)	-
Other Assets	(90)	-
Accounts Payable	242,936	146,923
Accrued Liabilities	166,591	22,758
Medicaid Claims Payable	627,403	4,364
Intergovernmental Payable	694,832	130,809
Interfund Payable	398,574	10,574
Payable to Component Units	19,862	1,009
Refund and Other Liabilities	1,038,258	2,905
Liability for Escheat Property	335,738	-
Total Expenditure Accruals/Adjustments	<u>3,429,405</u>	<u>314,714</u>
Deferred Inflows of Resources.....	<u>1,028,899</u>	<u>68,696</u>
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable	55,497	-
Restricted.....	1,592,716	140,600
Committed	728,698	145,947
Assigned.....	2,885,896	-
Cash and Investments Held Outside State Treasury	(1,555,981)	(2,891)
Total Other Adjustments	<u>3,706,826</u>	<u>283,656</u>
Total Basis Differences	<u>4,540,844</u>	<u>325,390</u>
TIMING DIFFERENCES		
Encumbrances	(862,536)	(942,549)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	<u>\$ 6,133,653</u>	<u>\$ (617,159)</u>

Financial Section

COMBINING FINANCIAL
STATEMENTS & SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Capital Projects Funds

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019
 (dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
ASSETS:			
Cash Equity with Treasurer.....	\$ 2,895,890	\$ 661	\$ 581,026
Cash and Cash Equivalents.....	46,926	922	—
Investments.....	2,585	8,713	35,474
Collateral on Lent Securities.....	937,722	215	188,142
Taxes Receivable	131,961	—	—
Intergovernmental Receivable.....	414,993	—	—
Loans Receivable, Net	180,858	—	—
Interfund Receivable	1,442	—	—
Receivable from Component Units.....	9,576	—	—
Other Receivables	49,548	—	—
Inventories	92,572	—	—
TOTAL ASSETS.....	\$ 4,764,073	\$ 10,511	\$ 804,642
LIABILITIES:			
Accounts Payable	\$ 287,451	\$ 34	\$ 57,179
Accrued Liabilities.....	64,797	—	—
Medicaid Claims Payable.....	225,815	—	—
Obligations Under Securities Lending.....	937,722	215	188,142
Intergovernmental Payable.....	196,731	—	—
Interfund Payable.....	104,734	—	—
Payable to Component Units.....	1,525	—	—
Unearned Revenue.....	104,864	—	—
Refund and Other Liabilities.....	—	665	—
TOTAL LIABILITIES.....	1,923,639	914	245,321
DEFERRED INFLOWS OF RESOURCES.....	38,947	—	—
FUND BALANCES (DEFICITS):			
Nonspendable.....	92,572	—	—
Restricted.....	2,117,272	9,597	564,484
Committed.....	592,722	—	—
Unassigned.....	(1,079)	—	(5,163)
TOTAL FUND BALANCES (DEFICITS).....	2,801,487	9,597	559,321
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,764,073	\$ 10,511	\$ 804,642

TOTAL

\$ 3,477,577
47,848
46,772
1,126,079
131,961
414,993
180,858
1,442
9,576
49,548
92,572
\$ 5,579,226

\$ 344,664
64,797
225,815
1,126,079
196,731
104,734
1,525
104,864
665
2,169,874
38,947

92,572
2,691,353
592,722
(6,242)
3,370,405

\$ 5,579,226

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>
REVENUES:			
Income Taxes.....	\$ 86	\$ —	\$ —
Corporate and Public Utility Taxes.....	87,873	—	—
Motor Vehicle Fuel Taxes.....	720,869	—	—
Other Taxes.....	350,675	—	—
Licenses, Permits and Fees.....	716,660	—	—
Sales, Services and Charges.....	38,885	—	—
Federal Government.....	6,585,143	—	—
Tobacco Settlement.....	45	—	—
Investment Income.....	27,788	3,156	16,483
Other.....	672,161	5	137
TOTAL REVENUES.....	9,200,185	3,161	16,620
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	3,132,673	—	—
Higher Education Support.....	32,430	—	—
Public Assistance and Medicaid.....	2,170,877	—	—
Health and Human Services.....	695,945	—	—
Justice and Public Protection.....	397,950	—	—
Environmental Protection and Natural Resources.....	349,248	—	—
Transportation.....	2,614,124	—	—
General Government.....	378,520	—	—
Community and Economic Development.....	694,221	—	—
CAPITAL OUTLAY.....	19,682	—	797,710
DEBT SERVICE.....	—	1,792,821	—
TOTAL EXPENDITURES.....	10,485,670	1,792,821	797,710
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,285,485)	(1,789,660)	(781,090)
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....	—	—	383,892
Premiums/Discounts.....	—	19,869	46,460
Transfers-in.....	1,728,221	1,770,707	11
Transfers-out.....	(518,449)	—	—
TOTAL OTHER FINANCING SOURCES (USES).....	1,209,772	1,790,576	430,363
NET CHANGE IN FUND BALANCES.....	(75,713)	916	(350,727)
FUND BALANCES (DEFICITS), July 1.....	2,863,627	8,681	910,048
Increase (Decrease) for Changes in Inventories.....	13,573	—	—
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 2,801,487	\$ 9,597	\$ 559,321

TOTAL

\$ 86
87,873
720,869
350,675
716,660
38,885
6,585,143
45
47,427
672,303
9,219,966

3,132,673
32,430
2,170,877
695,945
397,950
349,248
2,614,124
378,520
694,221
817,392
1,792,821
13,076,201

(3,856,235)

383,892
66,329
3,498,939
(518,449)
3,430,711

(425,524)

3,782,356
13,573

\$ 3,370,405

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Education Fund

The Education Fund accounts for programs administered by the Department of Education, the Department of Higher Education, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

Highway Operating Fund

The Highway Operating Fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

Community and Economic Development Fund

The Community and Economic Development Fund accounts for programs administered by the Development Services Agency and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

Health Fund

The Health Fund accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

Mental Health and Developmental Disabilities Fund

The Mental Health and Developmental Disabilities Fund accounts for mental health care and developmental disabilities programs primarily administered by the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

Highway Safety Fund

The Highway Safety Fund accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

Natural Resources Fund

The Natural Resources Fund accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

Wildlife and Waterways Safety Fund

The Wildlife and Waterways Safety Fund accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

Tobacco Settlement Fund

The Tobacco Settlement Fund accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019
 (dollars in thousands)

	<u>EDUCATION</u>	<u>HIGHWAY OPERATING</u>	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>
ASSETS:			
Cash Equity with Treasurer.....	\$ 247,614	\$ 896,033	\$ 629,137
Cash and Cash Equivalents.....	9	3	40,468
Investments.....	470	—	—
Collateral on Lent Securities.....	80,180	290,146	203,722
Taxes Receivable	—	108,157	20,709
Intergovernmental Receivable.....	69,584	137,378	15,130
Loans Receivable, Net	—	135,063	45,795
Interfund Receivable	—	—	—
Receivable from Component Units.....	—	9,576	—
Other Receivables	—	5,600	—
Inventories	10,387	62,702	—
TOTAL ASSETS.....	\$ 408,244	\$ 1,644,658	\$ 954,961
LIABILITIES:			
Accounts Payable	\$ 8,877	\$ 207,945	\$ 43,110
Accrued Liabilities.....	1,854	27,554	10,135
Medicaid Claims Payable.....	—	—	—
Obligations Under Securities Lending.....	80,180	290,146	203,722
Intergovernmental Payable.....	67,131	—	97,548
Interfund Payable.....	1,456	54,477	5,693
Payable to Component Units.....	248	148	694
Unearned Revenue.....	6,816	—	26,723
TOTAL LIABILITIES.....	166,562	580,270	387,625
DEFERRED INFLOWS OF RESOURCES.....	—	4,843	—
FUND BALANCES (DEFICITS):			
Nonspendable.....	10,387	62,702	—
Restricted.....	143,661	996,843	408,443
Committed.....	87,634	—	158,893
Unassigned.....	—	—	—
TOTAL FUND BALANCES (DEFICITS).....	241,682	1,059,545	567,336
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 408,244	\$ 1,644,658	\$ 954,961

HEALTH	MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES	HIGHWAY SAFETY	NATURAL RESOURCES	WILDLIFE AND WATERWAYS SAFETY	TOBACCO SETTLEMENT
\$ 93,255	\$ 527,922	\$ 54,722	\$ 386,099	\$ 59,850	\$ 1,258
29	—	67	5,599	3	748
—	—	—	—	—	2,115
30,197	170,947	17,720	125,023	19,380	407
86	—	—	—	3,009	—
15,166	177,735	—	—	—	—
—	—	—	—	—	—
1,442	—	—	—	—	—
—	—	—	—	—	—
4,540	—	—	5,297	—	34,111
19,483	—	—	—	—	—
\$ 164,198	\$ 876,604	\$ 72,509	\$ 522,018	\$ 82,242	\$ 38,639
\$ 7,168	\$ 11,970	\$ 2,513	\$ 4,524	\$ 1,145	\$ 199
4,115	6,169	2,671	8,846	3,390	63
—	225,815	—	—	—	—
30,197	170,947	17,720	125,023	19,380	407
14,876	17,176	—	—	—	—
1,937	31,753	2,314	3,284	3,815	5
145	57	2	92	139	—
—	61,131	—	10,194	—	—
58,438	525,018	25,220	151,963	27,869	674
—	—	—	—	—	34,104
19,483	—	—	—	—	—
73,376	271,540	8,273	198,167	16,784	185
12,901	81,125	39,016	171,888	37,589	3,676
—	(1,079)	—	—	—	—
105,760	351,586	47,289	370,055	54,373	3,861
\$ 164,198	\$ 876,604	\$ 72,509	\$ 522,018	\$ 82,242	\$ 38,639

(continued)

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019
 (dollars in thousands)
 (continued)

	TOTAL
ASSETS:	
Cash Equity with Treasurer.....	\$ 2,895,890
Cash and Cash Equivalents.....	46,926
Investments.....	2,585
Collateral on Lent Securities.....	937,722
Taxes Receivable	131,961
Intergovernmental Receivable.....	414,993
Loans Receivable, Net	180,858
Interfund Receivable	1,442
Receivable from Component Units.....	9,576
Other Receivables	49,548
Inventories	92,572
TOTAL ASSETS.....	\$ 4,764,073
LIABILITIES:	
Accounts Payable	\$ 287,451
Accrued Liabilities.....	64,797
Medicaid Claims Payable.....	225,815
Obligations Under Securities Lending.....	937,722
Intergovernmental Payable.....	196,731
Interfund Payable.....	104,734
Payable to Component Units.....	1,525
Unearned Revenue.....	104,864
TOTAL LIABILITIES.....	1,923,639
DEFERRED INFLOWS OF RESOURCES.....	38,947
FUND BALANCES (DEFICITS):	
Nonspendable.....	92,572
Restricted.....	2,117,272
Committed.....	592,722
Unassigned.....	(1,079)
TOTAL FUND BALANCES (DEFICITS).....	2,801,487
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,764,073

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	<u>EDUCATION</u>	<u>HIGHWAY OPERATING</u>	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>
REVENUES:			
Income Taxes.....	\$ —	\$ —	\$ 86
Corporate and Public Utility Taxes.....	—	—	87,873
Motor Vehicle Fuel Taxes.....	—	695,543	6,532
Other Taxes.....	—	—	276,524
Licenses, Permits and Fees.....	56	44,166	390,138
Sales, Services and Charges.....	20	407	21,622
Federal Government.....	1,996,216	1,550,822	487,172
Tobacco Settlement.....	—	—	—
Investment Income.....	4,400	16,516	3,503
Other.....	5,549	96,783	44,146
TOTAL REVENUES.....	<u>2,006,241</u>	<u>2,404,237</u>	<u>1,317,596</u>
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	3,132,673	—	—
Higher Education Support.....	26,876	—	5,554
Public Assistance and Medicaid.....	187	—	—
Health and Human Services.....	1,097	—	—
Justice and Public Protection.....	7,189	—	305,316
Environmental Protection and Natural Resources.....	—	—	575
Transportation.....	—	2,610,360	3,764
General Government.....	5,631	—	367,481
Community and Economic Development.....	—	—	679,047
CAPITAL OUTLAY.....	—	—	15,471
TOTAL EXPENDITURES.....	<u>3,173,653</u>	<u>2,610,360</u>	<u>1,377,208</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>(1,167,412)</u>	<u>(206,123)</u>	<u>(59,612)</u>
OTHER FINANCING SOURCES (USES):			
Transfers-in.....	1,154,191	544,430	18,491
Transfers-out.....	—	(375,895)	(88,097)
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,154,191</u>	<u>168,535</u>	<u>(69,606)</u>
NET CHANGE IN FUND BALANCES.....	<u>(13,221)</u>	<u>(37,588)</u>	<u>(129,218)</u>
FUND BALANCES (DEFICITS), July 1.....	254,903	1,083,583	696,554
Increase (Decrease) for Changes in Inventories.....	—	13,550	—
FUND BALANCES (DEFICITS), JUNE 30.....	<u>\$ 241,682</u>	<u>\$ 1,059,545</u>	<u>\$ 567,336</u>

HEALTH	MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES	HIGHWAY SAFETY	NATURAL RESOURCES	WILDLIFE AND WATERWAYS SAFETY	TOBACCO SETTLEMENT
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	18,794	—
5,585	—	—	68,566	—	—
18,398	56,370	14,061	151,341	42,130	—
—	136	4,360	8,503	3,837	—
517,676	1,915,136	32,256	59,759	26,106	—
—	—	—	—	—	45
46	—	1,318	1,174	727	104
56,207	374,577	31,220	60,794	2,819	66
597,912	2,346,219	83,215	350,137	94,413	215
—	—	—	—	—	—
—	—	—	—	—	—
27,322	2,143,368	—	—	—	—
558,893	135,805	150	—	—	—
—	—	84,631	258	—	556
—	—	—	251,846	95,054	1,773
—	—	—	—	—	—
290	—	—	5,039	—	79
4,347	—	—	8,668	—	2,159
—	—	388	551	3,272	—
590,852	2,279,173	85,169	266,362	98,326	4,567
7,060	67,046	(1,954)	83,775	(3,913)	(4,352)
2,722	5,249	779	366	258	1,735
(14)	—	(43,069)	(11,374)	—	—
2,708	5,249	(42,290)	(11,008)	258	1,735
9,768	72,295	(44,244)	72,767	(3,655)	(2,617)
95,969	279,291	91,533	297,288	58,028	6,478
23	—	—	—	—	—
\$ 105,760	\$ 351,586	\$ 47,289	\$ 370,055	\$ 54,373	\$ 3,861

(continued)

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	<u>TOTAL</u>
REVENUES:	
Income Taxes.....	\$ 86
Corporate and Public Utility Taxes.....	87,873
Motor Vehicle Fuel Taxes.....	720,869
Other Taxes.....	350,675
Licenses, Permits and Fees.....	716,660
Sales, Services and Charges.....	38,885
Federal Government.....	6,585,143
Tobacco Settlement.....	45
Investment Income.....	27,788
Other.....	672,161
TOTAL REVENUES.....	<u>9,200,185</u>
EXPENDITURES:	
CURRENT OPERATING:	
Primary, Secondary and Other Education.....	3,132,673
Higher Education Support.....	32,430
Public Assistance and Medicaid.....	2,170,877
Health and Human Services.....	695,945
Justice and Public Protection.....	397,950
Environmental Protection and Natural Resources.....	349,248
Transportation.....	2,614,124
General Government.....	378,520
Community and Economic Development.....	694,221
CAPITAL OUTLAY.....	19,682
TOTAL EXPENDITURES.....	<u>10,485,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>(1,285,485)</u>
OTHER FINANCING SOURCES (USES):	
Transfers-in.....	1,728,221
Transfers-out.....	(518,449)
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,209,772</u>
NET CHANGE IN FUND BALANCES.....	(75,713)
FUND BALANCES (DEFICITS), July 1.....	2,863,627
Increase (Decrease) for Changes in Inventories.....	13,573
FUND BALANCES (DEFICITS), JUNE 30.....	<u>\$ 2,801,487</u>

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	EDUCATION		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		
	FINAL	ACTUAL	
REVENUES:			
Income Taxes.....		\$ —	
Corporate and Public Utility Taxes.....		—	
Motor Vehicle Fuel Taxes.....		—	
Other Taxes.....		—	
Licenses, Permits and Fees.....		56	
Sales, Services and Charges.....		20	
Federal Government.....		1,920,145	
Tobacco Settlement.....		—	
Investment Income.....		4,388	
Other.....		15,546	
TOTAL REVENUES.....		1,940,155	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	\$ 3,340,926	3,080,928	\$ 259,998
Higher Education Support.....	38,819	34,497	4,322
Public Assistance and Medicaid.....	750	249	501
Health and Human Services.....	2,343	1,356	987
Justice and Public Protection.....	16,159	11,550	4,609
Environmental Protection and Natural Resources.....	—	—	—
Transportation.....	—	—	—
General Government.....	13,149	2,959	10,190
Community and Economic Development.....	—	—	—
CAPITAL OUTLAY.....	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 3,412,146	3,131,539	\$ 280,607
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(1,191,384)	
OTHER FINANCING SOURCES (USES):			
Transfers-in.....		1,154,241	
Transfers-out.....		(107)	
TOTAL OTHER FINANCING SOURCES (USES).....		1,154,134	
NET CHANGE IN FUND BALANCES.....		(37,250)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		222,793	
Outstanding Encumbrances at Beginning of Fiscal Year..		33,666	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		\$ 219,209	

HIGHWAY OPERATING			COMMUNITY AND ECONOMIC DEVELOPMENT		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ 86	
	—			85,650	
	718,737			6,377	
	—			275,359	
	44,166			384,092	
	407			21,621	
	1,559,477			502,756	
	—			—	
	16,516			3,503	
	184,747			68,766	
	<u>2,524,050</u>			<u>1,348,210</u>	
\$ —	—	\$ —	\$ 501	456	\$ 45
—	—	—	10,323	6,496	3,827
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	437,699	344,411	93,288
—	—	—	688	650	38
6,344,626	5,123,060	1,221,566	6,502	6,300	202
—	—	—	406,933	383,709	23,224
—	—	—	1,444,518	1,150,065	294,453
—	—	—	59,693	29,354	30,339
207,008	201,538	5,470	—	—	—
<u>\$ 6,551,634</u>	<u>5,324,598</u>	<u>\$ 1,227,036</u>	<u>\$ 2,366,857</u>	<u>1,921,441</u>	<u>\$ 445,416</u>
	<u>(2,800,548)</u>			<u>(573,231)</u>	
	558,794			29,146	
	(188,760)			(98,687)	
	<u>370,034</u>			<u>(69,541)</u>	
	<u>(2,430,514)</u>			<u>(642,772)</u>	
	(1,550,865)			140,376	
	<u>2,411,719</u>			<u>529,321</u>	
	<u>\$ (1,569,660)</u>			<u>\$ 26,925</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	HEALTH		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		
	FINAL	ACTUAL	
REVENUES:			
Income Taxes.....		\$ —	
Corporate and Public Utility Taxes.....		—	
Motor Vehicle Fuel Taxes.....		—	
Other Taxes.....		5,520	
Licenses, Permits and Fees.....		18,402	
Sales, Services and Charges.....		—	
Federal Government.....		383,090	
Tobacco Settlement.....		—	
Investment Income.....		46	
Other.....		117,822	
TOTAL REVENUES.....		524,880	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	\$ —	—	\$ —
Higher Education Support.....	—	—	—
Public Assistance and Medicaid.....	31,030	29,559	1,471
Health and Human Services.....	615,973	543,256	72,717
Justice and Public Protection.....	—	—	—
Environmental Protection and Natural Resources.....	—	—	—
Transportation.....	—	—	—
General Government.....	786	565	221
Community and Economic Development.....	7,838	7,569	269
CAPITAL OUTLAY.....	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 655,627	580,949	\$ 74,678
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(56,069)	
OTHER FINANCING SOURCES (USES):			
Transfers-in.....		2,722	
Transfers-out.....		(58)	
TOTAL OTHER FINANCING SOURCES (USES).....		2,664	
NET CHANGE IN FUND BALANCES.....		(53,405)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		19,948	
Outstanding Encumbrances at Beginning of Fiscal Year..		62,585	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		\$ 29,128	

<u>MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES</u>			<u>HIGHWAY SAFETY</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —			\$ —	
	—			—	
	—			—	
	56,953			14,119	
	136			4,360	
	2,005,654			32,256	
	—			—	
	—			1,318	
	533,202			32,170	
	<u>2,595,945</u>			<u>84,223</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
2,657,860	2,579,953	77,907	—	—	—
233,580	182,474	51,106	300	220	80
—	—	—	148,479	116,221	32,258
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	2,641	—	2,641
—	—	—	—	—	—
<u>\$ 2,891,440</u>	<u>2,762,427</u>	<u>\$ 129,013</u>	<u>\$ 151,420</u>	<u>116,441</u>	<u>\$ 34,979</u>
	<u>(166,482)</u>			<u>(32,218)</u>	
	5,249			779	
	—			(40,676)	
	<u>5,249</u>			<u>(39,897)</u>	
	<u>(161,233)</u>			<u>(72,115)</u>	
	154,348			65,542	
	<u>276,286</u>			<u>32,158</u>	
	<u>\$ 269,401</u>			<u>\$ 25,585</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	NATURAL RESOURCES		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes.....		\$ —	
Corporate and Public Utility Taxes.....		—	
Motor Vehicle Fuel Taxes.....		—	
Other Taxes.....		68,562	
Licenses, Permits and Fees.....		153,255	
Sales, Services and Charges.....		9,008	
Federal Government.....		59,968	
Tobacco Settlement.....		—	
Investment Income.....		1,174	
Other.....		65,088	
TOTAL REVENUES.....		357,055	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	\$ —	—	\$ —
Higher Education Support.....	—	—	—
Public Assistance and Medicaid.....	—	—	—
Health and Human Services.....	—	—	—
Justice and Public Protection.....	331	266	65
Environmental Protection and Natural Resources.....	383,166	346,743	36,423
Transportation.....	—	—	—
General Government.....	6,477	5,880	597
Community and Economic Development.....	9,142	9,080	62
CAPITAL OUTLAY.....	1,150	1,145	5
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 400,266	363,114	\$ 37,152
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(6,059)	
OTHER FINANCING SOURCES (USES):			
Transfers-in.....		5,102	
Transfers-out.....		(16,094)	
TOTAL OTHER FINANCING SOURCES (USES).....		(10,992)	
NET CHANGE IN FUND BALANCES.....		(17,051)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		252,785	
Outstanding Encumbrances at Beginning of Fiscal Year..		57,238	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		\$ 292,972	

<u>WILDLIFE AND WATERWAYS SAFETY</u>			<u>TOBACCO SETTLEMENT</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —			\$ —	
	—			—	
	18,827			—	
	—			—	
	42,126			—	
	3,837			—	
	26,106			—	
	—			45	
	727			—	
	4,829			353	
	<u>96,452</u>			<u>398</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	2,776	819	1,957
120,202	111,006	9,196	2,408	1,854	554
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	353	260	93
71,714	6,900	64,814	—	—	—
—	—	—	—	—	—
<u>\$ 191,916</u>	<u>117,906</u>	<u>\$ 74,010</u>	<u>\$ 5,537</u>	<u>2,933</u>	<u>\$ 2,604</u>
	<u>(21,454)</u>			<u>(2,535)</u>	
	258			1,381	
	—			—	
	<u>258</u>			<u>1,381</u>	
	<u>(21,196)</u>			<u>(1,154)</u>	
	43,110			1,903	
	<u>17,233</u>			<u>167</u>	
	<u>\$ 39,147</u>			<u>\$ 916</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	TOTAL		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		
	FINAL	ACTUAL	
REVENUES:			
Income Taxes.....		\$ 86	
Corporate and Public Utility Taxes.....		85,650	
Motor Vehicle Fuel Taxes.....		743,941	
Other Taxes.....		349,441	
Licenses, Permits and Fees.....		713,169	
Sales, Services and Charges.....		39,389	
Federal Government.....		6,489,452	
Tobacco Settlement.....		45	
Investment Income.....		27,672	
Other.....		1,022,523	
TOTAL REVENUES.....		9,471,368	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education.....	\$ 3,341,427	3,081,384	\$ 260,043
Higher Education Support.....	49,142	40,993	8,149
Public Assistance and Medicaid.....	2,689,640	2,609,761	79,879
Health and Human Services.....	852,196	727,306	124,890
Justice and Public Protection.....	605,444	473,267	132,177
Environmental Protection and Natural Resources.....	506,464	460,253	46,211
Transportation.....	6,351,128	5,129,360	1,221,768
General Government.....	427,345	393,113	34,232
Community and Economic Development.....	1,461,851	1,166,974	294,877
CAPITAL OUTLAY.....	135,198	37,399	97,799
DEBT SERVICE.....	207,008	201,538	5,470
TOTAL BUDGETARY EXPENDITURES.....	\$ 16,626,843	14,321,348	\$ 2,305,495
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(4,849,980)	
OTHER FINANCING SOURCES (USES):			
Transfers-in.....		1,757,672	
Transfers-out.....		(344,382)	
TOTAL OTHER FINANCING SOURCES (USES).....		1,413,290	
NET CHANGE IN FUND BALANCES.....		(3,436,690)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		(650,060)	
Outstanding Encumbrances at Beginning of Fiscal Year..		3,420,373	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30.....		\$ (666,377)	

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Coal Research/Development General Obligations Fund

The Coal Research/Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

Improvements General Obligations Fund

The Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

Highway Improvements General Obligations Fund

The Highway Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

Development General Obligations Fund

The Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

Highway General Obligations Fund

The Highway General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

Public Improvements General Obligations Fund

The Public Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

Vietnam Conflict Compensation General Obligations Fund

The Vietnam Conflict Compensation General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

Local Infrastructure Improvements General Obligations Fund

The Local Infrastructure Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

State Projects General Obligations Fund

The State Projects General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

Highway Capital Improvements General Obligations Fund

The Highway Capital Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

Higher Education Capital Facilities General Obligations Fund

The Higher Education Capital Facilities General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

Common Schools Capital Facilities General Obligations Fund

The Common Schools Capital Facilities General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

Conservation Projects General Obligations Fund

The Conservation Projects General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

Third Frontier Research/Development General Obligations Fund

The Third Frontier Research/Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance research and development in support of Ohio industry, commerce, and business.

Job Ready Site Development General Obligations Fund

The Job Ready Site Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance the development of sites for industry, distribution, commerce, and research and development.

Persian Gulf Conflict Compensation General Obligations Fund

The Persian Gulf Conflict Compensation General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2r of Article VIII, Ohio Constitution, to pay compensation to veterans of the Persian Gulf, Afghanistan, and Iraq Conflicts.

Infrastructure Bank Revenue Bonds Fund

The Infrastructure Bank Revenue Bonds Fund accounts for the payment of principal and interest on revenue bonds issued to finance various highway construction projects sponsored by the Department of Transportation.

Lease Rental Special Obligations Fund

The Lease Rental Special Obligations Fund accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities, mental health facilities, parks and recreation projects and facilities, and Ohio Facilities Construction Commission projects.

MARCS Certificates of Participation Fund

The MARCS Certificates of Participation Fund accounts for the payment of certificate of participation-related obligations that finance the State's statewide public service wireless communication system, known as the Multi Agency Radio Communications (MARCS).

OAKS Certificates of Participation Fund

The OAKS Certificates of Participation Fund accounts for the payment of certificate of participation-related obligations that finance the State's enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

STARS Certificates of Participation Fund

The STARS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Taxation Accounting and Revenue System, known as STARS.

TMS Certificates of Participation Fund

The TMS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Treasury Management System, known as TMS.

EDCS Certificates of Participation Fund

The EDCS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the Enterprise Data Center Solutions, known as EDCS.

BCIRS Certificates of Participation Fund

The BCIRS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Bureau of Criminal Investigation Records System, known as BCIRS.

VSA Certificates of Participation Fund

The VSA Certificates of Participation Fund accounts for the payment of certificates of participation related to obligations that finance the Secretary of State's Voters System Acquisition project, known as VSA.

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2019
 (dollars in thousands)

	<u>COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS</u>
ASSETS:			
Cash Equity with Treasurer.....	\$ 6	\$ —	\$ —
Cash and Cash Equivalents.....	—	115	55
Investments.....	—	—	—
Collateral on Lent Securities.....	2	—	—
TOTAL ASSETS.....	<u>\$ 8</u>	<u>\$ 115</u>	<u>\$ 55</u>
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ —
Obligations Under Securities Lending.....	2	—	—
Refund and Other Liabilities.....	—	115	55
TOTAL LIABILITIES.....	<u>2</u>	<u>115</u>	<u>55</u>
FUND BALANCES (DEFICITS):			
Restricted.....	6	—	—
TOTAL FUND BALANCES (DEFICITS).....	<u>6</u>	<u>—</u>	<u>—</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8</u>	<u>\$ 115</u>	<u>\$ 55</u>

DEVELOPMENT GENERAL OBLIGATIONS	HIGHWAY GENERAL OBLIGATIONS	PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS	LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS	STATE PROJECTS GENERAL OBLIGATIONS
\$ —	\$ —	\$ —	\$ —	\$ 23	\$ 3
212	170	85	28	—	—
—	—	—	—	—	—
—	—	—	—	8	1
\$ 212	\$ 170	\$ 85	\$ 28	\$ 31	\$ 4
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	8	1
212	170	85	28	—	—
212	170	85	28	8	1
—	—	—	—	23	3
—	—	—	—	23	3
\$ 212	\$ 170	\$ 85	\$ 28	\$ 31	\$ 4

(continued)

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2019
 (dollars in thousands)
 (continued)

	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS	HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS	COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS
ASSETS:			
Cash Equity with Treasurer.....	\$ 576	\$ 14	\$ 12
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	186	4	4
TOTAL ASSETS.....	\$ 762	\$ 18	\$ 16
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ —
Obligations Under Securities Lending.....	186	4	4
Refund and Other Liabilities.....	—	—	—
TOTAL LIABILITIES.....	186	4	4
FUND BALANCES (DEFICITS):			
Restricted.....	576	14	12
TOTAL FUND BALANCES (DEFICITS).....	576	14	12
TOTAL LIABILITIES AND FUND BALANCES	\$ 762	\$ 18	\$ 16

CONSERVATION PROJECTS GENERAL OBLIGATIONS	THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS	INFRASTRUCTURE BANK REVENUE BONDS	LEASE RENTAL SPECIAL OBLIGATIONS	TMS CERTIFICATES OF PARTICIPATION
\$ 5	\$ 11	\$ 11	\$ —	\$ —	\$ —
—	—	—	—	255	2
—	—	—	8,697	—	—
2	4	4	—	—	—
\$ 7	\$ 15	\$ 15	\$ 8,697	\$ 255	\$ 2
\$ —	\$ —	\$ —	\$ —	\$ 34	\$ —
2	4	4	—	—	—
—	—	—	—	—	—
2	4	4	—	34	—
5	11	11	8,697	221	2
5	11	11	8,697	221	2
\$ 7	\$ 15	\$ 15	\$ 8,697	\$ 255	\$ 2

(continued)

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2019
 (dollars in thousands)
 (continued)

	EDCS CERTIFICATES OF PARTICIPATION	VSA CERTIFICATES OF PARTICIPATION	TOTAL
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ 661
Cash and Cash Equivalents.....	—	—	922
Investments.....	7	9	8,713
Collateral on Lent Securities.....	—	—	215
TOTAL ASSETS.....	\$ 7	\$ 9	\$ 10,511
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ 34
Obligations Under Securities Lending.....	—	—	215
Refund and Other Liabilities.....	—	—	665
TOTAL LIABILITIES.....	—	—	914
FUND BALANCES (DEFICITS):			
Restricted.....	7	9	9,597
TOTAL FUND BALANCES (DEFICITS).....	7	9	9,597
TOTAL LIABILITIES AND FUND BALANCES	\$ 7	\$ 9	\$ 10,511

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS	LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS
REVENUES:			
Investment Income.....	\$ 1	\$ —	\$ 132
Other.....	5	—	—
TOTAL REVENUES.....	6	—	132
EXPENDITURES:			
DEBT SERVICE.....	7,816	3	229,158
TOTAL EXPENDITURES.....	7,816	3	229,158
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(7,810)	(3)	(229,026)
OTHER FINANCING SOURCES (USES):			
Premiums/Discounts.....	—	—	8,289
Transfers-in.....	7,810	—	220,719
TOTAL OTHER FINANCING SOURCES (USES).....	7,810	—	229,008
NET CHANGE IN FUND BALANCES.....	—	(3)	(18)
FUND BALANCES (DEFICITS), July 1.....	6	3	41
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 6	\$ —	\$ 23

STATE PROJECTS GENERAL OBLIGATIONS	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS	HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS	COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS	CONSERVATION PROJECTS GENERAL OBLIGATIONS	THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS
\$ 4	\$ 804	\$ 61	\$ 67	\$ 26	\$ 19
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>4</u>	<u>804</u>	<u>61</u>	<u>67</u>	<u>26</u>	<u>19</u>
<u>19,139</u>	<u>138,303</u>	<u>297,002</u>	<u>401,904</u>	<u>43,046</u>	<u>89,110</u>
<u>19,139</u>	<u>138,303</u>	<u>297,002</u>	<u>401,904</u>	<u>43,046</u>	<u>89,110</u>
<u>(19,135)</u>	<u>(137,499)</u>	<u>(296,941)</u>	<u>(401,837)</u>	<u>(43,020)</u>	<u>(89,091)</u>
<u>—</u>	<u>4,747</u>	<u>1,169</u>	<u>—</u>	<u>2,809</u>	<u>—</u>
<u>19,135</u>	<u>132,949</u>	<u>295,773</u>	<u>401,832</u>	<u>40,210</u>	<u>89,088</u>
<u>19,135</u>	<u>137,696</u>	<u>296,942</u>	<u>401,832</u>	<u>43,019</u>	<u>89,088</u>
<u>—</u>	<u>197</u>	<u>1</u>	<u>(5)</u>	<u>(1)</u>	<u>(3)</u>
<u>3</u>	<u>379</u>	<u>13</u>	<u>17</u>	<u>6</u>	<u>14</u>
<u>\$ 3</u>	<u>\$ 576</u>	<u>\$ 14</u>	<u>\$ 12</u>	<u>\$ 5</u>	<u>\$ 11</u>

(continued)

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS	PERSIAN GULF CONFLICT COMPENSATION GENERAL OBLIGATIONS	INFRASTRUCTURE BANK REVENUE BONDS
REVENUES:			
Investment Income.....	\$ 6	\$ —	\$ 2,023
Other.....	—	—	—
TOTAL REVENUES.....	6	—	2,023
EXPENDITURES:			
DEBT SERVICE.....	15,587	5,090	186,370
TOTAL EXPENDITURES.....	15,587	5,090	186,370
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(15,581)	(5,090)	(184,347)
OTHER FINANCING SOURCES (USES):			
Premiums/Discounts.....	—	—	—
Transfers-in.....	15,590	5,090	185,013
TOTAL OTHER FINANCING SOURCES (USES).....	15,590	5,090	185,013
NET CHANGE IN FUND BALANCES.....	9	—	666
FUND BALANCES (DEFICITS), July 1.....	2	—	8,031
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 11	\$ —	\$ 8,697

<u>LEASE RENTAL SPECIAL OBLIGATIONS</u>	<u>MARCS CERTIFICATES OF PARTICIPATION</u>	<u>OAKS CERTIFICATES OF PARTICIPATION</u>	<u>STARS CERTIFICATES OF PARTICIPATION</u>	<u>TMS CERTIFICATES OF PARTICIPATION</u>	<u>EDCS CERTIFICATES OF PARTICIPATION</u>
\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 6
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>6</u>
<u>317,074</u>	<u>6,766</u>	<u>15,333</u>	<u>8,519</u>	<u>1,112</u>	<u>7,959</u>
<u>317,074</u>	<u>6,766</u>	<u>15,333</u>	<u>8,519</u>	<u>1,112</u>	<u>7,959</u>
<u>(317,074)</u>	<u>(6,766)</u>	<u>(15,331)</u>	<u>(8,519)</u>	<u>(1,112)</u>	<u>(7,953)</u>
1,434	—	—	—	—	399
315,711	6,765	15,329	8,511	1,114	7,559
<u>317,145</u>	<u>6,765</u>	<u>15,329</u>	<u>8,511</u>	<u>1,114</u>	<u>7,958</u>
71	(1)	(2)	(8)	2	5
150	1	2	8	—	2
<u>\$ 221</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 7</u>

(continued)

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	BCIRS CERTIFICATES OF PARTICIPATION	VSA CERTIFICATES OF PARTICIPATION	TOTAL
REVENUES:			
Investment Income.....	\$ 1	\$ 4	\$ 3,156
Other.....	—	—	5
TOTAL REVENUES.....	1	4	3,161
EXPENDITURES:			
DEBT SERVICE.....	2,513	1,017	1,792,821
TOTAL EXPENDITURES.....	2,513	1,017	1,792,821
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,512)	(1,013)	(1,789,660)
OTHER FINANCING SOURCES (USES):			
Premiums/Discounts.....	—	1,022	19,869
Transfers-in.....	2,509	—	1,770,707
TOTAL OTHER FINANCING SOURCES (USES).....	2,509	1,022	1,790,576
NET CHANGE IN FUND BALANCES.....	(3)	9	916
FUND BALANCES (DEFICITS), July 1.....	3	—	8,681
FUND BALANCES (DEFICITS), JUNE 30.....	\$ —	\$ 9	\$ 9,597

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Investment Income.....		\$ 1	
Other.....		7,816	
TOTAL REVENUES.....		<u>7,817</u>	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	<u>\$ 7,821</u>	<u>7,817</u>	<u>\$ 4</u>
TOTAL BUDGETARY EXPENDITURES.....	<u>\$ 7,821</u>	<u>7,817</u>	<u>\$ 4</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....			
		—	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....			
		—	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			
		6	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....			
		<u>\$ 6</u>	

LOCAL INFRASTRUCTURE IMPROVEMENTS
GENERAL OBLIGATIONS

STATE PROJECTS GENERAL OBLIGATIONS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 132			\$ 4	
	220,718			19,135	
	<u>220,850</u>			<u>19,139</u>	
\$ 229,892	228,753	\$ 1,139	\$ 19,318	19,138	\$ 180
<u>\$ 229,892</u>	<u>228,753</u>	<u>\$ 1,139</u>	<u>\$ 19,318</u>	<u>19,138</u>	<u>\$ 180</u>
	<u>(7,903)</u>			<u>1</u>	
	7,886			—	
	—			—	
	<u>7,886</u>			<u>—</u>	
	(17)			1	
	40			2	
	<u>\$ 23</u>			<u>\$ 3</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

HIGHWAY CAPITAL IMPROVEMENTS			
GENERAL OBLIGATIONS			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
REVENUES:			
Investment Income.....		\$ 804	
Other.....		—	
TOTAL REVENUES.....		<u>804</u>	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	<u>\$ 137,200</u>	<u>137,170</u>	<u>\$ 30</u>
TOTAL BUDGETARY EXPENDITURES.....	<u>\$ 137,200</u>	<u>137,170</u>	<u>\$ 30</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....			
		<u>(136,366)</u>	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		3,614	
Transfers-in.....		<u>132,949</u>	
TOTAL OTHER FINANCING SOURCES (USES).....		<u>136,563</u>	
NET CHANGE IN FUND BALANCES.....		197	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			
		<u>379</u>	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....			
		<u>\$ 576</u>	

HIGHER EDUCATION CAPITAL FACILITIES
GENERAL OBLIGATIONS

COMMON SCHOOLS CAPITAL FACILITIES
GENERAL OBLIGATIONS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ 61		\$ 67		
	295,773		401,833		
	<u>295,834</u>		<u>401,900</u>		
\$ 311,783	295,834	\$ 15,949	\$ 404,436	401,904	\$ 2,532
<u>\$ 311,783</u>	<u>295,834</u>	<u>\$ 15,949</u>	<u>\$ 404,436</u>	<u>401,904</u>	<u>\$ 2,532</u>
	—			(4)	
	—			—	
	—			—	
	—			(4)	
	14			16	
	<u>\$ 14</u>			<u>\$ 12</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	CONSERVATION PROJECTS GENERAL OBLIGATIONS		
			VARIANCE
	BUDGET		WITH
	FINAL	ACTUAL	FINAL
			BUDGET
			POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income.....		\$ 26	
Other.....		40,210	
TOTAL REVENUES.....		40,236	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 42,878	42,703	\$ 175
TOTAL BUDGETARY EXPENDITURES.....	\$ 42,878	42,703	\$ 175
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(2,467)	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		2,466	
Transfers-in.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		2,466	
NET CHANGE IN FUND BALANCES.....			(1)
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			6
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		\$ 5	

THIRD FRONTIER RESEARCH/DEVELOPMENT
GENERAL OBLIGATIONS

JOB READY SITE DEVELOPMENT
GENERAL OBLIGATIONS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 19			\$ 6	
	89,088			12,104	
	<u>89,107</u>			<u>12,110</u>	
\$ 89,782	89,109	\$ 673	\$ 15,591	15,588	\$ 3
<u>\$ 89,782</u>	<u>89,109</u>	<u>\$ 673</u>	<u>\$ 15,591</u>	<u>15,588</u>	<u>\$ 3</u>
	(2)			(3,478)	
	—			—	
	—			3,487	
	—			<u>3,487</u>	
	(2)			9	
	13			2	
<u>\$ 11</u>				<u>\$ 11</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	PERSIAN GULF CONFLICT COMPENSATION GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income.....		\$ —	
Other.....		5,090	
TOTAL REVENUES.....		5,090	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 5,091	5,090	\$ 1
TOTAL BUDGETARY EXPENDITURES.....	\$ 5,091	5,090	\$ 1
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		—	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....		—	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		—	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		\$ —	

TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL	
	\$ 1,120	
	1,091,767	
	<u>1,092,887</u>	
\$ 1,263,792	1,243,106	\$ 20,686
<u>\$ 1,263,792</u>	<u>1,243,106</u>	<u>\$ 20,686</u>
	<u>(150,219)</u>	
	13,966	
	136,436	
	<u>150,402</u>	
	183	
	478	
	<u>\$ 661</u>	

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Infrastructure Bank Obligations Fund

The Infrastructure Bank Obligations Fund accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

Mental Health/Developmental Disabilities Facilities Improvements Fund

The Mental Health/Developmental Disabilities Facilities Improvements Fund accounts for special obligation bond proceeds that finance the construction of mental health and developmental disabilities facilities.

Parks and Recreation Improvements Fund

The Parks and Recreation Improvements Fund accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

Administrative Services Building Improvements Fund

The Administrative Services Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

Youth Services Building Improvements Fund

The Youth Services Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

Adult Correctional Building Improvements Fund

The Adult Correctional Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

Ohio Parks and Natural Resources Fund

The Ohio Parks and Natural Resources Fund accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

Highway Capital Improvement Fund

The Highway Capital Improvement Fund accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

Transportation Building Improvements Fund

The Transportation Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Transportation.

OAKS Project Fund

The OAKS Project Fund accounts for certificates of participation proceeds that finance the costs of the Ohio Administrative Knowledge System (OAKS) project for the statewide enterprise resource planning system.

STARS Project Fund

The STARS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Taxation Accounting and Revenue System (STARS) technology project.

TMS Project Fund

The TMS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Treasury Management System (TMS) technology project.

EDCS Project Fund

The EDCS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Enterprise Data Center Solutions (EDCS) technology project.

BCIRS Project Fund

The BCIRS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Bureau of Criminal Investigation Records System (BCIRS) technology project.

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019
 (dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
ASSETS:			
Cash Equity with Treasurer.....	\$ 152,753	\$ 28,228	\$ 110,343
Investments.....	—	—	—
Collateral on Lent Securities.....	49,463	9,140	35,730
TOTAL ASSETS.....	\$ 202,216	\$ 37,368	\$ 146,073
LIABILITIES:			
Accounts Payable	\$ 14,246	\$ 1,941	\$ 112
Obligations Under Securities Lending.....	49,463	9,140	35,730
TOTAL LIABILITIES.....	63,709	11,081	35,842
FUND BALANCES (DEFICITS):			
Restricted.....	138,507	26,287	110,231
Unassigned.....	—	—	—
TOTAL FUND BALANCES (DEFICITS).....	138,507	26,287	110,231
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 202,216	 \$ 37,368	 \$ 146,073

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS	YOUTH SERVICES BUILDING IMPROVEMENTS	ADULT CORRECTIONAL BUILDING IMPROVEMENTS	OHIO PARKS AND NATURAL RESOURCES	HIGHWAY CAPITAL IMPROVEMENT	TRANSPORTATION BUILDING IMPROVEMENTS
\$ 66,573	\$ 10,085	\$ 6,904	\$ 21,139	\$ 161,462	\$ 23,539
—	—	—	—	—	—
21,557	3,266	2,236	6,845	52,283	7,622
\$ 88,130	\$ 13,351	\$ 9,140	\$ 27,984	\$ 213,745	\$ 31,161
\$ 3,261	\$ 661	\$ 12,067	\$ 294	\$ 20,565	\$ 2,357
21,557	3,266	2,236	6,845	52,283	7,622
24,818	3,927	14,303	7,139	72,848	9,979
63,312	9,424	—	20,845	140,897	21,182
—	—	(5,163)	—	—	—
63,312	9,424	(5,163)	20,845	140,897	21,182
\$ 88,130	\$ 13,351	\$ 9,140	\$ 27,984	\$ 213,745	\$ 31,161

(continued)

STATE OF OHIO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019
 (dollars in thousands)
 (continued)

	<u>OAKS PROJECT</u>	<u>STARS PROJECT</u>	<u>EDCS PROJECT</u>
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Investments.....	4,843	32	16,101
Collateral on Lent Securities.....	—	—	—
TOTAL ASSETS.....	<u>\$ 4,843</u>	<u>\$ 32</u>	<u>\$ 16,101</u>
LIABILITIES:			
Accounts Payable	\$ 462	\$ —	\$ 1,213
Obligations Under Securities Lending.....	—	—	—
TOTAL LIABILITIES.....	<u>462</u>	<u>—</u>	<u>1,213</u>
FUND BALANCES (DEFICITS):			
Restricted.....	4,381	32	14,888
Unassigned.....	—	—	—
TOTAL FUND BALANCES (DEFICITS).....	<u>4,381</u>	<u>32</u>	<u>14,888</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 4,843</u>	 <u>\$ 32</u>	 <u>\$ 16,101</u>

<u>BCIRS PROJECT</u>	<u>TOTAL</u>
\$ —	\$ 581,026
14,498	35,474
—	188,142
<u>\$ 14,498</u>	<u>\$ 804,642</u>
\$ —	\$ 57,179
—	188,142
<u>—</u>	<u>245,321</u>
14,498	564,484
—	(5,163)
<u>14,498</u>	<u>559,321</u>
<u>\$ 14,498</u>	<u>\$ 804,642</u>

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
REVENUES:			
Investment Income.....	\$ 5,195	\$ 845	\$ 1,982
Other.....	—	—	—
TOTAL REVENUES.....	5,195	845	1,982
EXPENDITURES:			
CAPITAL OUTLAY.....	224,317	31,699	64,750
TOTAL EXPENDITURES.....	224,317	31,699	64,750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(219,122)	(30,854)	(62,768)
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....	—	—	100,000
Premiums/Discounts.....	—	—	12,718
Transfers-in.....	—	—	—
TOTAL OTHER FINANCING SOURCES (USES).....	—	—	112,718
NET CHANGE IN FUND BALANCES.....	(219,122)	(30,854)	49,950
FUND BALANCES (DEFICITS), July 1.....	357,629	57,141	60,281
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 138,507	\$ 26,287	\$ 110,231

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS	YOUTH SERVICES BUILDING IMPROVEMENTS	ADULT CORRECTIONAL BUILDING IMPROVEMENTS	OHIO PARKS AND NATURAL RESOURCES	HIGHWAY CAPITAL IMPROVEMENT	TRANSPORTATION BUILDING IMPROVEMENTS
\$ 1,176	\$ 385	\$ 1,067	\$ 565	\$ 3,056	\$ 1,347
27	110	—	—	—	—
1,203	495	1,067	565	3,056	1,347
45,895	18,684	94,784	12,710	194,963	83,386
45,895	18,684	94,784	12,710	194,963	83,386
(44,692)	(18,189)	(93,717)	(12,145)	(191,907)	(82,039)
69,952	—	—	—	187,125	—
8,087	—	—	—	22,875	—
—	—	—	11	—	—
78,039	—	—	11	210,000	—
33,347	(18,189)	(93,717)	(12,134)	18,093	(82,039)
29,965	27,613	88,554	32,979	122,804	103,221
\$ 63,312	\$ 9,424	\$ (5,163)	\$ 20,845	\$ 140,897	\$ 21,182

(continued)

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	<u>OAKS PROJECT</u>	<u>STARS PROJECT</u>	<u>TMS PROJECT</u>
REVENUES:			
Investment Income.....	\$ 141	\$ 2	\$ —
Other.....	—	—	—
TOTAL REVENUES.....	141	2	—
EXPENDITURES:			
CAPITAL OUTLAY.....	3,198	—	121
TOTAL EXPENDITURES.....	3,198	—	121
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,057)	2	(121)
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....	—	—	—
Premiums/Discounts.....	—	—	—
Transfers-in.....	—	—	—
TOTAL OTHER FINANCING SOURCES (USES).....	—	—	—
NET CHANGE IN FUND BALANCES.....	(3,057)	2	(121)
FUND BALANCES (DEFICITS), July 1.....	7,438	30	121
FUND BALANCES (DEFICITS), JUNE 30.....	\$ 4,381	\$ 32	\$ —

<u>EDCS PROJECT</u>	<u>BCIRS PROJECT</u>	<u>TOTAL</u>
\$ 293	\$ 429	\$ 16,483
—	—	137
<u>293</u>	<u>429</u>	<u>16,620</u>
19,204	3,999	797,710
<u>19,204</u>	<u>3,999</u>	<u>797,710</u>
<u>(18,911)</u>	<u>(3,570)</u>	<u>(781,090)</u>
26,815	—	383,892
2,780	—	46,460
—	—	11
<u>29,595</u>	<u>—</u>	<u>430,363</u>
<u>10,684</u>	<u>(3,570)</u>	<u>(350,727)</u>
<u>4,204</u>	<u>18,068</u>	<u>910,048</u>
<u>\$ 14,888</u>	<u>\$ 14,498</u>	<u>\$ 559,321</u>

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>		
	<u>BUDGET</u>		<u>VARIANCE</u>
	<u>FINAL</u>	<u>ACTUAL</u>	<u>WITH</u> <u>FINAL</u> <u>BUDGET</u> <u>POSITIVE/</u> <u>(NEGATIVE)</u>
REVENUES:			
Investment Income.....		\$ 5,195	
Other.....		—	
TOTAL REVENUES.....		<u>5,195</u>	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 733,417	720,292	\$ 13,125
TOTAL BUDGETARY EXPENDITURES.....	<u>\$ 733,417</u>	<u>720,292</u>	<u>\$ 13,125</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		<u>(715,097)</u>	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		<u>—</u>	
NET CHANGE IN FUND BALANCES.....		(715,097)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		(139,998)	
Outstanding Encumbrances at Beginning of Fiscal Year..		<u>523,779</u>	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		<u>\$ (331,316)</u>	

**MENTAL HEALTH/DEVELOPMENTAL
DISABILITIES FACILITIES IMPROVEMENTS**

PARKS AND RECREATION IMPROVEMENTS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 844			\$ 1,983	
	—			—	
	<u>844</u>			<u>1,983</u>	
\$ 279,808	95,687	\$ 184,121	\$ 314,095	157,797	\$ 156,298
<u>\$ 279,808</u>	<u>95,687</u>	<u>\$ 184,121</u>	<u>\$ 314,095</u>	<u>157,797</u>	<u>\$ 156,298</u>
	<u>(94,843)</u>			<u>(155,814)</u>	
	—			112,718	
	—			—	
	<u>—</u>			<u>112,718</u>	
	<u>(94,843)</u>			<u>(43,096)</u>	
	29,599			32,111	
	<u>29,794</u>			<u>42,129</u>	
	<u>\$ (35,450)</u>			<u>\$ 31,144</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS		
	BUDGET		VARIANCE
	FINAL	ACTUAL	WITH
			FINAL
			BUDGET
			POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income.....		\$ 1,176	
Other.....		27	
TOTAL REVENUES.....		1,203	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 239,094	148,030	\$ 91,064
TOTAL BUDGETARY EXPENDITURES.....	\$ 239,094	148,030	\$ 91,064
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(146,827)	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		78,039	
Transfers-in.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		78,039	
NET CHANGE IN FUND BALANCES.....		(68,788)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		(11,610)	
Outstanding Encumbrances at Beginning of Fiscal Year..		45,683	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30.....		\$ (34,715)	

<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>			<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 385			\$ 1,067	
	110			—	
	<u>495</u>			<u>1,067</u>	
<u>\$ 59,791</u>	<u>31,051</u>	<u>\$ 28,740</u>	<u>\$ 419,808</u>	<u>192,187</u>	<u>\$ 227,621</u>
<u>\$ 59,791</u>	<u>31,051</u>	<u>\$ 28,740</u>	<u>\$ 419,808</u>	<u>192,187</u>	<u>\$ 227,621</u>
	<u>(30,556)</u>			<u>(191,120)</u>	
	—			—	
	<u>—</u>			<u>—</u>	
	<u>—</u>			<u>—</u>	
	<u>(30,556)</u>			<u>(191,120)</u>	
	8,053			(78,168)	
	<u>23,753</u>			<u>171,796</u>	
	<u>\$ 1,250</u>			<u>\$ (97,492)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

OHIO PARKS AND NATURAL RESOURCES			
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Investment Income.....		\$ 566	
Other.....		—	
TOTAL REVENUES.....		<u>566</u>	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 69,712	35,300	\$ 34,412
TOTAL BUDGETARY EXPENDITURES.....	<u>\$ 69,712</u>	<u>35,300</u>	<u>\$ 34,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		<u>(34,734)</u>	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		11	
TOTAL OTHER FINANCING SOURCES (USES).....		<u>11</u>	
NET CHANGE IN FUND BALANCES.....		(34,723)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1.....		20,243	
Outstanding Encumbrances at Beginning of Fiscal Year..		<u>14,671</u>	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30.....		<u>\$ 191</u>	

<u>HIGHWAY CAPITAL IMPROVEMENTS</u>			<u>TRANSPORTATION BUILDING IMPROVEMENTS</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 3,056			\$ 1,346	
	<u>—</u>			<u>—</u>	
	<u>3,056</u>			<u>1,346</u>	
\$ 426,920	398,108	\$ 28,812	\$ 163,750	103,671	\$ 60,079
<u>\$ 426,920</u>	<u>398,108</u>	<u>\$ 28,812</u>	<u>\$ 163,750</u>	<u>103,671</u>	<u>\$ 60,079</u>
	<u>(395,052)</u>			<u>(102,325)</u>	
	210,000			—	
	<u>—</u>			<u>—</u>	
	<u>210,000</u>			<u>—</u>	
	<u>(185,052)</u>			<u>(102,325)</u>	
	(54,127)			2,075	
	<u>195,749</u>			<u>103,750</u>	
	<u>\$ (43,430)</u>			<u>\$ 3,500</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	<u>TOTAL</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>BUDGET</u>		
	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:			
Investment Income.....		\$ 15,618	
Other.....		137	
TOTAL REVENUES.....		<u>15,755</u>	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 2,706,395	1,882,123	\$ 824,272
TOTAL BUDGETARY EXPENDITURES.....	<u>\$ 2,706,395</u>	<u>1,882,123</u>	<u>\$ 824,272</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		<u>(1,866,368)</u>	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued.....		400,757	
Transfers-in.....		11	
TOTAL OTHER FINANCING SOURCES (USES).....		<u>400,768</u>	
NET CHANGE IN FUND BALANCES.....		<u>(1,465,600)</u>	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		<u>(191,822)</u>	
Outstanding Encumbrances at Beginning of Fiscal Year..		<u>1,151,104</u>	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....		<u>\$ (506,318)</u>	

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

Tuition Trust Authority Fund

The Tuition Trust Authority Fund accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

Office of Auditor of State Fund

The Office of Auditor of State Fund accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

STATE OF OHIO

COMBINING STATEMENT OF NET POSITION NONMAJOR PROPRIETARY FUNDS -- ENTERPRISE JUNE 30, 2019

(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 1,735	\$ 30,481	\$ 32,216
Cash and Cash Equivalents.....	34,947	50	34,997
Collateral on Lent Securities.....	562	9,988	10,550
Restricted Assets:			
Investments.....	33,200	—	33,200
Intergovernmental Receivable.....	—	5,529	5,529
Interfund Receivable.....	—	1,719	1,719
Other Receivables.....	747	—	747
TOTAL CURRENT ASSETS.....	71,191	47,767	118,958
NONCURRENT ASSETS:			
Restricted Assets:			
Investments.....	204,093	—	204,093
Other Assets.....	18	431	449
Capital Assets Being Depreciated, Net.....	36	767	803
TOTAL NONCURRENT ASSETS.....	204,147	1,198	205,345
TOTAL ASSETS.....	275,338	48,965	324,303
DEFERRED OUTFLOWS OF RESOURCES.....	904	30,724	31,628
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	276,242	79,689	355,931
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	729	364	1,093
Accrued Liabilities.....	402	4,441	4,843
Obligations Under Securities Lending.....	562	9,988	10,550
Unearned Revenue.....	—	1,016	1,016
Benefits Payable.....	33,200	—	33,200
Refund and Other Liabilities.....	—	1,715	1,715
TOTAL CURRENT LIABILITIES.....	34,893	17,524	52,417
NONCURRENT LIABILITIES:			
Benefits Payable.....	130,700	—	130,700
Refund and Other Liabilities.....	4,549	154,180	158,729
TOTAL NONCURRENT LIABILITIES.....	135,249	154,180	289,429
TOTAL LIABILITIES.....	170,142	171,704	341,846
DEFERRED INFLOWS OF RESOURCES.....	158	1,596	1,754
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	170,300	173,300	343,600
NET POSITION (DEFICITS):			
Net Investment in Capital Assets.....	36	767	803
Unrestricted.....	105,906	(94,378)	11,528
TOTAL NET POSITION (DEFICITS).....	\$ 105,942	\$ (93,611)	\$ 12,331

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION NONMAJOR PROPRIETARY FUNDS -- ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ 6,251	\$ 44,755	\$ 51,006
Investment Income.....	11,463	—	11,463
Other.....	41,600	381	41,981
TOTAL OPERATING REVENUES.....	59,314	45,136	104,450
OPERATING EXPENSES:			
Costs of Sales and Services.....	—	95,970	95,970
Administration.....	9,216	6,148	15,364
Benefits and Claims.....	41,552	—	41,552
Depreciation.....	10	229	239
TOTAL OPERATING EXPENSES.....	50,778	102,347	153,125
OPERATING INCOME (LOSS).....	8,536	(57,211)	(48,675)
NONOPERATING REVENUES (EXPENSES):			
Investment Income.....	—	24	24
Other.....	—	38	38
TOTAL NONOPERATING REVENUES (EXPENSES).....	—	62	62
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS.....	8,536	(57,149)	(48,613)
Transfers-in.....	—	30,789	30,789
TOTAL GAIN (LOSS) AND TRANSFERS.....	—	30,789	30,789
NET INCOME (LOSS).....	8,536	(26,360)	(17,824)
NET POSITION (DEFICITS), JULY 1.....	97,406	(67,251)	30,155
NET POSITION (DEFICITS), JUNE 30.....	\$ 105,942	\$ (93,611)	\$ 12,331

STATE OF OHIO
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS -- ENTERPRISE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ —	\$ 37,008	\$ 37,008
Cash Received from Interfund Services Provided.....	—	8,949	8,949
Other Operating Cash Receipts.....	7,394	1,454	8,848
Cash Payments to Suppliers for Goods and Services.....	(5,943)	(2,057)	(8,000)
Cash Payments to Employees for Services.....	(2,560)	(76,852)	(79,412)
Cash Payments for Interfund Services Used.....	(419)	(4,155)	(4,574)
Other Operating Cash Payments.....	(41,551)	—	(41,551)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(43,079)	(35,653)	(78,732)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	30,578	30,578
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	—	30,578	30,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(6)	(80)	(86)
Proceeds from Sales of Capital Assets	—	56	56
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(6)	(24)	(30)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(127,142)	—	(127,142)
Proceeds from the Sales and Maturities of Investments	168,254	—	168,254
Investment Income Received	2,243	24	2,267
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	43,355	24	43,379
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS.....	270	(5,075)	(4,805)
CASH AND CASH EQUIVALENTS, JULY 1	36,412	35,606	72,018
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 36,682	\$ 30,531	\$ 67,213

	<u>TUITION TRUST AUTHORITY</u>	<u>OFFICE OF AUDITOR OF STATE</u>	<u>TOTAL NONMAJOR PROPRIETARY FUNDS</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ 8,536	\$ (57,211)	\$ (48,675)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	(11,463)	—	(11,463)
Depreciation	10	229	239
Decrease (Increase) in Assets:			
Intergovernmental Receivable.....	—	25,617	25,617
Interfund Receivable.....	—	(211)	(211)
Other Receivables	1,144	15	1,159
Increase (Decrease) in Liabilities:			
Accounts Payable	(198)	(4,505)	(4,703)
Accrued Liabilities.....	37	(10)	27
Unearned Revenue.....	—	248	248
Benefits Payable.....	(41,600)	—	(41,600)
Refund and Other Liabilities.....	455	175	630
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (43,079)	\$ (35,653)	\$ (78,732)

AGENCY FUNDS

Agency Funds account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

Holding and Distribution Fund

The Holding and Distribution Fund accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

Centralized Child Support Collections Fund

The Centralized Child Support Collections Fund accounts for assets temporarily held for custodial parents.

Retirement Systems Fund

The Retirement Systems Fund accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

Payroll Withholding and Fringe Benefits Fund

The Payroll Withholding and Fringe Benefits Fund primarily accounts for assets held to liquidate the State's payroll withholding obligations.

Other Fund

The Other Fund accounts for assets held for others, which are not accounted for in another agency fund.

STATE OF OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019
(dollars in thousands)

	HOLDING AND DISTRIBUTION	CENTRALIZED CHILD SUPPORT COLLECTIONS	RETIREMENT SYSTEMS
ASSETS:			
Cash Equity with Treasurer.....	\$ 23,935	\$ —	\$ —
Cash and Cash Equivalents.....	2,767	56,338	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	—	—	19,428,853
Common and Preferred Stock.....	—	—	44,232,111
Corporate Bonds and Notes.....	—	—	12,138,292
Foreign Stocks and Bonds.....	—	—	45,505,528
Commercial Paper.....	—	—	1,537,614
Repurchase Agreements.....	—	—	1,050,000
Mutual Funds.....	—	—	9,246,990
Real Estate.....	—	—	21,703,575
Venture Capital.....	—	—	24,194,191
Direct Mortgage Loans.....	—	—	7,797,723
Partnership and Hedge Funds.....	—	—	17,623,620
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	6,234	—
Collateral on Lent Securities.....	7,750	—	—
Other Assets.....	—	—	—
TOTAL ASSETS.....	\$ 34,452	\$ 62,572	\$ 204,458,497
LIABILITIES:			
Obligations Under Securities Lending.....	\$ 7,750	\$ —	\$ —
Intergovernmental Payable.....	9,567	—	—
Refund and Other Liabilities.....	17,135	62,572	204,458,497
TOTAL LIABILITIES.....	\$ 34,452	\$ 62,572	\$ 204,458,497

PAYROLL WITHHOLDING AND FRINGE BENEFITS			OTHER	TOTAL
\$	149,578	\$	226,736	\$ 400,249
	—		45,513	104,618
			13,876	19,442,729
			—	44,232,111
			—	12,138,292
			—	45,505,528
			—	1,537,614
			—	1,050,000
			290	9,247,280
			—	21,703,575
			—	24,194,191
			—	7,797,723
			—	17,623,620
			58,676	64,910
	48,435		73,420	129,605
	—		452,619	452,619
\$	198,013	\$	871,130	\$ 205,624,664

\$	48,435	\$	73,420	\$ 129,605
	—		223,067	232,634
	149,578		574,643	205,262,425
\$	198,013	\$	871,130	\$ 205,624,664

STATE OF OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

	BALANCE July 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2019
HOLDING AND DISTRIBUTION				
ASSETS:				
Cash Equity with Treasurer	\$ 19,119	\$ 5,535,231	\$ 5,530,415	\$ 23,935
Cash and Cash Equivalents	2,270	11,400	10,903	2,767
Collateral on Lent Securities	5,423	7,750	5,423	7,750
Total Assets	<u>\$ 26,812</u>	<u>\$ 5,554,381</u>	<u>\$ 5,546,741</u>	<u>\$ 34,452</u>
LIABILITIES:				
Obligations Under Securities Lending.....	\$ 5,423	\$ 7,750	\$ 5,423	\$ 7,750
Intergovernmental Payable	10,390	70,793	71,616	9,567
Refund and Other Liabilities	10,999	5,475,838	5,469,702	17,135
Total Liabilities	<u>\$ 26,812</u>	<u>\$ 5,554,381</u>	<u>\$ 5,546,741</u>	<u>\$ 34,452</u>
CENTRALIZED CHILD SUPPORT COLLECTIONS				
ASSETS:				
Cash and Cash Equivalents	\$ 57,801	\$ 1,929,658	\$ 1,931,121	\$ 56,338
Investments.....	6,254	146	166	6,234
Total Assets	<u>\$ 64,055</u>	<u>\$ 1,929,804</u>	<u>\$ 1,931,287</u>	<u>\$ 62,572</u>
LIABILITIES:				
Refund and Other Liabilities	\$ 64,055	\$ 1,929,804	\$ 1,931,287	\$ 62,572
Total Liabilities	<u>\$ 64,055</u>	<u>\$ 1,929,804</u>	<u>\$ 1,931,287</u>	<u>\$ 62,572</u>
RETIREMENT SYSTEMS				
ASSETS:				
Investments.....	\$ 211,127,021	\$ 458,113,432	\$ 464,781,956	\$ 204,458,497
Total Assets	<u>\$ 211,127,021</u>	<u>\$ 458,113,432</u>	<u>\$ 464,781,956</u>	<u>\$ 204,458,497</u>
LIABILITIES:				
Refund and Other Liabilities :				
Liability to:				
Public Employees Retirement System.....	\$ 100,876,726	\$ 372,212,387	\$ 379,267,062	\$ 93,822,051
Police and Fire Pension Fund.....	15,865,497	7,142,968	8,241,753	14,766,712
School Employees Retirement System.....	14,510,617	38,076,816	37,610,873	14,976,560
State Teachers Retirement System.....	79,874,181	40,681,261	39,662,268	80,893,174
Total Liabilities	<u>\$ 211,127,021</u>	<u>\$ 458,113,432</u>	<u>\$ 464,781,956</u>	<u>\$ 204,458,497</u>

	BALANCE July 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2019
PAYROLL WITHHOLDING AND FRINGE BENEFITS				
ASSETS:				
Cash Equity with Treasurer	\$ 129,481	\$ 1,815,096	\$ 1,794,999	\$ 149,578
Cash and Cash Equivalents	—	603,649	603,649	—
Collateral on Lent Securities	36,726	48,435	36,726	48,435
Total Assets	<u>\$ 166,207</u>	<u>\$ 2,467,180</u>	<u>\$ 2,435,374</u>	<u>\$ 198,013</u>
LIABILITIES:				
Obligations Under Securities Lending.....	\$ 36,726	\$ 48,435	\$ 36,726	\$ 48,435
Refund and Other Liabilities	129,481	1,765,056	1,744,959	149,578
Total Liabilities	<u>\$ 166,207</u>	<u>\$ 1,813,491</u>	<u>\$ 1,781,685</u>	<u>\$ 198,013</u>
OTHER				
ASSETS:				
Cash Equity with Treasurer	\$ 196,293	\$ 3,492,391	\$ 3,461,948	\$ 226,736
Cash and Cash Equivalents	56,244	80,272,846	80,283,577	45,513
Investments.....	73,097	38,045	38,300	72,842
Collateral on Lent Securities	55,677	73,420	55,677	73,420
Other Assets.....	449,477	111,725	108,583	452,619
Total Assets	<u>\$ 830,788</u>	<u>\$ 83,988,427</u>	<u>\$ 83,948,085</u>	<u>\$ 871,130</u>
LIABILITIES:				
Obligations Under Securities Lending.....	\$ 55,677	\$ 73,420	\$ 55,677	\$ 73,420
Intergovernmental Payable	199,650	3,476,287	3,452,870	223,067
Refund and Other Liabilities	575,461	80,438,720	80,439,538	574,643
Total Liabilities	<u>\$ 830,788</u>	<u>\$ 83,988,427</u>	<u>\$ 83,948,085</u>	<u>\$ 871,130</u>
TOTAL AGENCY				
ASSETS:				
Cash Equity with Treasurer	\$ 344,893	\$ 10,842,718	\$ 10,787,362	\$ 400,249
Cash and Cash Equivalents	116,315	82,817,553	82,829,250	104,618
Investments.....	211,206,372	458,151,623	464,820,422	204,537,573
Collateral on Lent Securities	97,826	129,605	97,826	129,605
Other Assets.....	449,477	111,725	108,583	452,619
Total Assets	<u>\$ 212,214,883</u>	<u>\$ 552,053,224</u>	<u>\$ 558,643,443</u>	<u>\$ 205,624,664</u>
LIABILITIES:				
Obligations Under Securities Lending.....	\$ 97,826	\$ 129,605	\$ 97,826	\$ 129,605
Intergovernmental Payable	210,040	3,547,080	3,524,486	232,634
Refund and Other Liabilities	211,907,017	547,722,850	554,367,442	205,262,425
Total Liabilities	<u>\$ 212,214,883</u>	<u>\$ 551,399,535</u>	<u>\$ 557,989,754</u>	<u>\$ 205,624,664</u>

NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS

Nonmajor Discretely Presented Component Unit Funds account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

Ohio Turnpike and Infrastructure Commission Fund

The Ohio Turnpike and Infrastructure Commission Fund accounts for the operations of the Ohio Turnpike and Infrastructure Commission, including its projects to construct, maintain and operate public roadways, express or limited access highways, superhighways, or motorways necessary for safe movement of traffic including bridges, tunnels, overpasses, underpasses, interchanges, entrance plazas, approaches, and toll booths. The Commission's Financial Statements are presented for the fiscal year end December 31, 2018. The Commission is located in Berea, Ohio.

Ohio Air Quality Development Authority Fund

The Ohio Air Quality Development Authority Fund accounts for the Ohio Air Quality Development Authority's operations, including programs that assist Ohio's businesses, government agencies, and not-for-profit organizations with financing projects that increase energy efficiency and reduce air pollution. The Authority's financial statements are presented for the fiscal year ended December 31, 2018.

Ohio Capital Fund

The Ohio Capital Fund accounts for the operations of the State's venture capital program.

JobsOhio Fund

The JobsOhio Fund accounts for the operations of the nonprofit corporation, JobsOhio, including promoting economic development, job creation, job retention, job training, and the recruitment of business to the State of Ohio.

University of Cincinnati Fund

The University of Cincinnati Fund accounts for the operations of University of Cincinnati and The University of Cincinnati Foundation. The university is located in Cincinnati, Ohio.

Ohio University Fund

The Ohio University Fund accounts for the operations of Ohio University and the Ohio University Foundation. The university is located in Athens, Ohio.

Miami University Fund

The Miami University Fund accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

University of Akron Fund

The University of Akron Fund accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

Bowling Green State University Fund

The Bowling Green State University Fund accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

Kent State University Fund

The Kent State University Fund accounts for the operations of Kent State University and the Kent State University Foundation.

University of Toledo Fund

The University of Toledo Fund accounts for the operations of the University of Toledo, the University of Toledo Foundation, and the University of Toledo Physicians, Clinical Faculty, Inc.

Cleveland State University Fund

The Cleveland State University Fund accounts for the operations of Cleveland State University, the Cleveland State University Foundation, and the Euclid Avenue Housing Corporation.

Youngstown State University Fund

The Youngstown State University Fund accounts for the operations of Youngstown State University and the Youngstown State University Foundation.

Wright State University Fund

The Wright State University Fund accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

Shawnee State University Fund

The Shawnee State University Fund accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

Northeast Ohio Medical University Fund

The Northeast Ohio Medical University Fund accounts for the operations of Northeast Ohio Medical University and NEOMED Foundation. The college is located in Rootstown, Ohio.

Central State University Fund

The Central State University Fund accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

Terra State Community College Fund

The Terra State Community College Fund accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

Columbus State Community College Fund

The Columbus State Community College Fund accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

Clark State Community College Fund

The Clark State Community College Fund accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

Edison State Community College Fund

The Edison State Community College Fund accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

Southern State Community College Fund

The Southern State Community College Fund accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

Washington State Community College Fund

The Washington State Community College Fund accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

Cincinnati State Community College Fund

The Cincinnati State Community College Fund accounts for the operations of Cincinnati State Technical and Community College.

Northwest State Community College Fund

The Northwest State Community College Fund accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

Owens State Community College Fund

The Owens State Community College Fund accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

STATE OF OHIO
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 2019
 (dollars in thousands)

	OHIO TURNPIKE AND INFRASTRUCTURE COMMISSION (as of 12/31/18)	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/18)	OHIO CAPITAL FUND
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ 1,959	\$ —
Cash and Cash Equivalents.....	44,247	2,045	756
Investments.....	213,801	2,223	—
Restricted Assets:			
Cash and Cash Equivalents.....	16,621	—	—
Investments.....	94,833	—	—
Intergovernmental Receivable.....	—	—	—
Loans Receivable, Net.....	—	1,269	—
Receivable from Primary Government.....	—	—	—
Other Receivables.....	18,994	30	18
Inventories.....	5,082	—	—
Other Assets.....	3,577	3	—
TOTAL CURRENT ASSETS.....	397,155	7,529	774
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	—	62	—
Investments.....	607,592	—	—
Investments.....	—	3,659	85,770
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	468	—	—
Capital Assets Being Depreciated, Net.....	1,442,656	12	—
Capital Assets Not Being Depreciated.....	68,668	—	—
TOTAL NONCURRENT ASSETS.....	2,119,384	3,733	85,770
TOTAL ASSETS.....	2,516,539	11,262	86,544
DEFERRED OUTFLOWS OF RESOURCES.....	33,560	121	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	2,550,099	11,383	86,544
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	15,553	297	—
Accrued Liabilities.....	34,757	12	4,323
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	32,311	—	—
Payable to Primary Government.....	8,721	62	—
Bonds and Notes Payable.....	65,700	—	14,271
TOTAL CURRENT LIABILITIES.....	157,042	371	18,594
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	107,080	436	36,276
Bonds and Notes Payable.....	2,092,120	—	112,429
TOTAL NONCURRENT LIABILITIES.....	2,199,200	436	148,705
TOTAL LIABILITIES.....	2,356,242	807	167,299
DEFERRED INFLOWS OF RESOURCES.....	19,720	90	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	2,375,962	897	167,299
NET POSITION (DEFICITS):			
Net Investment in Capital Assets.....	965,814	12	—
Restricted for:			
Transportation.....	218,803	—	—
Community and Economic Development.....	—	1,271	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted.....	(1,010,480)	9,203	(80,755)
TOTAL NET POSITION (DEFICITS).....	\$ 174,137	\$ 10,486	\$ (80,755)

JOB	UNIVERSITY OF CINCINNATI	OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
140,677	76,967	124,796	140,426	17,392	11,822
713,884	184,835	354,345	565,197	192,317	230,273
164,065	—	—	—	—	—
—	—	—	—	—	—
—	—	4,870	2,969	—	—
7,547	4,987	1,183	6,643	1,513	1,373
—	3,441	2,431	325	—	—
4,817	95,840	57,921	27,363	18,963	11,342
84,670	2,370	3,122	2,871	574	784
3,509	25,538	11,471	7,049	2,095	3,994
1,119,169	393,978	560,139	752,843	232,854	259,588
—	5,765	58,545	28,606	159	—
—	1,098,116	—	510,217	9,007	20,464
—	335,699	778,065	—	273,148	197,176
84,587	18,867	10,192	432	6,210	5,448
—	76,899	6,056	40,390	13,300	7,173
1,025,743	454,478	20,820	13,234	11,628	2,634
2,042	1,478,878	974,050	1,216,215	633,377	578,702
—	273,212	103,281	190,063	61,793	36,156
1,112,372	3,741,914	1,951,009	1,999,157	1,008,622	847,753
2,231,541	4,135,892	2,511,148	2,752,000	1,241,476	1,107,341
—	213,089	130,921	104,215	111,003	66,508
2,231,541	4,348,981	2,642,069	2,856,215	1,352,479	1,173,849
20,691	58,865	42,272	45,601	7,106	12,482
207,966	24,518	40,336	17,458	32,006	11,908
—	—	—	—	—	—
—	46,496	41,612	12,186	15,710	12,817
27	91,485	9,986	15,151	6,141	8,833
—	—	—	—	—	—
46,720	63,715	15,998	31,845	17,456	19,395
275,404	285,079	150,204	122,241	78,419	65,435
—	22,198	—	—	—	8,062
—	23,184	—	—	—	—
87	959,177	549,344	445,963	420,812	290,835
1,284,471	1,068,253	602,034	625,403	387,484	268,036
1,284,558	2,072,812	1,151,378	1,071,366	808,296	566,933
1,559,962	2,357,891	1,301,582	1,193,607	886,715	632,368
—	75,766	69,284	49,326	98,616	25,893
1,559,962	2,433,657	1,370,866	1,242,933	985,331	658,261
2,042	564,667	692,937	748,383	295,796	357,096
—	—	—	—	—	—
—	—	—	—	—	—
—	184,785	—	—	—	65,340
—	64,416	—	—	—	720
—	504,513	252,323	330,945	218,626	11,161
—	429,109	6,309	—	—	28,698
—	59,526	12,775	43,367	873	35,276
—	111,208	1,861	2,248	41,417	403
—	35,301	34,019	18,847	—	34,053
—	70,495	3,762	3,413	—	—
—	29,069	6,904	43,493	—	—
—	—	—	—	948	—
—	27,693	4,065	—	2,607	23,912
—	75,401	161,737	—	37,809	3,518
—	—	10,015	10,884	—	—
—	137,220	13,211	61,993	—	—
669,537	(378,079)	71,285	349,709	(230,928)	(44,589)
\$ 671,579	\$ 1,915,324	\$ 1,271,203	\$ 1,613,282	\$ 367,148	\$ 515,588

(continued)

STATE OF OHIO
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 2019
 (dollars in thousands)
 (continued)

	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO	CLEVELAND STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	41,250	53,767	164,659
Investments.....	535,654	—	20,070
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Intergovernmental Receivable.....	3,984	8,476	—
Loans Receivable, Net.....	—	2,015	1,410
Receivable from Primary Government.....	613	2,729	—
Other Receivables.....	33,353	91,252	26,890
Inventories.....	1,047	9,382	309
Other Assets.....	7,286	5,868	1,487
TOTAL CURRENT ASSETS.....	623,187	173,489	214,825
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	11,079	2,231	—
Investments.....	—	344,434	—
Investments.....	102,997	214,056	94,020
Loans Receivable, Net.....	45,088	7,302	10,030
Other Receivables.....	10,574	7,592	10,985
Other Assets.....	4,833	21,717	—
Capital Assets Being Depreciated, Net.....	844,845	546,572	503,401
Capital Assets Not Being Depreciated.....	78,243	41,382	67,185
TOTAL NONCURRENT ASSETS.....	1,097,659	1,185,286	685,621
TOTAL ASSETS.....	1,720,846	1,358,775	900,446
DEFERRED OUTFLOWS OF RESOURCES.....	152,594	172,344	62,878
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	1,873,440	1,531,119	963,324
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	45,735	29,669	7,054
Accrued Liabilities.....	38,602	44,410	2,484
Intergovernmental Payable.....	—	1,092	—
Unearned Revenue.....	26,134	31,455	9,197
Refund and Other Liabilities.....	14,396	31,355	19,917
Payable to Primary Government.....	—	—	—
Bonds and Notes Payable.....	23,884	10,515	8,944
TOTAL CURRENT LIABILITIES.....	148,751	148,496	47,596
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	702	—	1,051
Refund and Other Liabilities.....	681,339	738,413	297,893
Bonds and Notes Payable.....	383,477	271,333	259,623
TOTAL NONCURRENT LIABILITIES.....	1,065,518	1,009,746	558,567
TOTAL LIABILITIES.....	1,214,269	1,158,242	606,163
DEFERRED INFLOWS OF RESOURCES.....	65,126	77,228	26,711
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	1,279,395	1,235,470	632,874
NET POSITION (DEFICITS):			
Net Investment in Capital Assets.....	466,461	267,125	274,546
Restricted for:			
Transportation.....	—	—	—
Community and Economic Development.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	71,520	45,341
Research.....	—	14,178	888
Endowments and Quasi-Endowments.....	197,639	—	16,739
Loans, Grants and Other College and University Purposes.....	—	57,726	1,289
Expendable:			
Scholarships and Fellowships.....	—	96,280	23,745
Research.....	—	7,485	726
Instructional Department Uses.....	—	—	8,974
Student and Public Services.....	—	—	5,103
Academic Support.....	—	70,651	—
Debt Service.....	—	17,320	—
Capital Purposes.....	—	33,069	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	10,884	16,455	33,507
Unrestricted.....	(80,939)	(356,160)	(80,408)
TOTAL NET POSITION (DEFICITS).....	\$ 594,045	\$ 295,649	\$ 330,450

YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY	SHAWNEE STATE UNIVERSITY	NORTHEAST OHIO MEDICAL UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
19,831	66,852	1,936	8,274	7,813	850
230,157	—	—	28,562	—	467
—	—	—	—	—	—
—	—	—	—	—	—
1,350	15,236	—	4,191	—	102
473	2,653	80	385	—	67
1,290	3,250	33	167	—	624
10,983	17,753	4,387	6,285	9,711	2,271
112	132	24	176	—	10
2,365	3,837	306	2,209	371	74
<u>266,561</u>	<u>109,713</u>	<u>6,766</u>	<u>50,249</u>	<u>17,895</u>	<u>4,465</u>
17	281	834	2,467	1,808	—
81,591	—	22,339	46,251	—	—
14,769	137,790	9,790	—	4,355	6,362
428	5,862	—	4,990	—	—
7,268	4,180	719	559	—	—
5,238	10,989	870	—	—	516
192,760	347,247	65,323	182,178	137,335	28,835
23,861	4,560	26,979	5,415	5,521	535
<u>325,932</u>	<u>510,909</u>	<u>126,854</u>	<u>241,860</u>	<u>149,019</u>	<u>36,248</u>
<u>592,493</u>	<u>620,622</u>	<u>133,620</u>	<u>292,109</u>	<u>166,914</u>	<u>40,713</u>
<u>43,471</u>	<u>66,341</u>	<u>11,889</u>	<u>19,045</u>	<u>10,740</u>	<u>3,472</u>
<u>635,964</u>	<u>686,963</u>	<u>145,509</u>	<u>311,154</u>	<u>177,654</u>	<u>44,185</u>
3,829	13,638	1,032	1,293	442	727
6,693	12,430	2,554	1,478	3,057	49
992	—	—	—	—	—
6,203	23,523	1,909	6,163	4,540	558
4,514	17,698	1,644	364	648	312
—	—	—	—	—	—
3,753	5,694	830	3,141	2,221	139
<u>25,984</u>	<u>72,983</u>	<u>7,969</u>	<u>12,439</u>	<u>10,908</u>	<u>1,785</u>
—	—	—	53,759	—	—
—	961	551	—	—	—
183,663	269,000	50,007	30,008	41,276	17,555
74,422	64,940	22,694	142,939	32,788	5,126
<u>258,085</u>	<u>334,901</u>	<u>73,252</u>	<u>226,706</u>	<u>74,064</u>	<u>22,681</u>
<u>284,069</u>	<u>407,884</u>	<u>81,221</u>	<u>239,145</u>	<u>84,972</u>	<u>24,466</u>
21,335	61,286	8,165	4,730	3,603	5,002
<u>305,404</u>	<u>469,170</u>	<u>89,386</u>	<u>243,875</u>	<u>88,575</u>	<u>29,468</u>
140,074	280,038	66,458	47,214	109,199	23,889
—	—	—	—	—	—
—	—	—	—	—	—
—	20,961	4,496	8,491	1,462	2,829
—	5,950	—	—	—	—
103,096	—	—	14,255	439	—
—	19,767	6,243	—	2,330	—
10,381	22,966	1,757	—	314	1,693
1,154	3,237	22	—	—	—
2,738	23,091	—	—	—	—
2,324	1,278	—	—	—	222
1,757	15,246	—	—	993	—
—	—	—	—	—	—
9,111	2,627	—	—	—	1,190
17,705	—	—	—	—	—
1,646	—	—	9,356	—	—
1,545	25,536	6,509	—	3,481	132
39,029	(202,904)	(29,362)	(12,037)	(29,139)	(15,238)
<u>\$ 330,560</u>	<u>\$ 217,793</u>	<u>\$ 56,123</u>	<u>\$ 67,279</u>	<u>\$ 89,079</u>	<u>\$ 14,717</u>

(continued)

STATE OF OHIO
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 2019
 (dollars in thousands)
 (continued)

	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	13,083	11,800	5,250
Investments.....	76,640	22,895	3,160
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Intergovernmental Receivable.....	—	523	—
Loans Receivable, Net.....	—	84	—
Receivable from Primary Government.....	5	942	—
Other Receivables.....	15,614	3,788	2,183
Inventories.....	1,702	79	2
Other Assets.....	2,198	715	107
TOTAL CURRENT ASSETS.....	109,242	40,826	10,702
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	1,183	—	—
Investments.....	—	—	1,053
Investments.....	62,036	487	2,266
Loans Receivable, Net.....	—	—	—
Other Receivables.....	4,497	505	—
Other Assets.....	7,041	1,222	553
Capital Assets Being Depreciated, Net.....	119,284	42,929	14,848
Capital Assets Not Being Depreciated.....	55,130	7,787	3,057
TOTAL NONCURRENT ASSETS.....	249,171	52,930	21,777
TOTAL ASSETS.....	358,413	93,756	32,479
DEFERRED OUTFLOWS OF RESOURCES.....	40,901	6,976	4,746
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	399,314	100,732	37,225
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	10,547	1,434	1,160
Accrued Liabilities.....	3,344	1,563	811
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	8,438	156	733
Refund and Other Liabilities.....	6,880	168	—
Payable to Primary Government.....	—	—	—
Bonds and Notes Payable.....	880	745	240
TOTAL CURRENT LIABILITIES.....	30,089	4,066	2,944
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	203,988	36,714	17,856
Bonds and Notes Payable.....	16,481	11,017	1,922
TOTAL NONCURRENT LIABILITIES.....	220,469	47,731	19,778
TOTAL LIABILITIES.....	250,558	51,797	22,722
DEFERRED INFLOWS OF RESOURCES.....	27,180	5,557	2,298
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....	277,738	57,354	25,020
NET POSITION (DEFICITS):			
Net Investment in Capital Assets.....	157,933	38,953	16,150
Restricted for:			
Transportation.....	—	—	—
Community and Economic Development.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	5,868	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	10,313	212
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	11,637	6,840	—
Research.....	—	—	—
Instructional Department Uses.....	—	345	—
Student and Public Services.....	—	4,304	—
Academic Support.....	—	—	—
Debt Service.....	—	35	178
Capital Purposes.....	111	3,600	—
Endowments and Quasi-Endowments.....	—	—	2,118
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted.....	(53,973)	(21,012)	(6,453)
TOTAL NET POSITION (DEFICITS).....	\$ 121,576	\$ 43,378	\$ 12,205

SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,959
6,111	8,818	929	5,079	3,295	978,725
—	—	24,549	3,362	25,127	3,427,518
—	—	—	—	—	180,686
—	—	—	—	—	94,833
—	—	537	583	180	43,001
—	—	—	—	—	31,682
—	237	446	405	2	16,940
3,966	4,099	5,838	3,921	5,205	482,787
8	—	115	430	—	113,001
800	186	934	39	347	86,365
<u>10,885</u>	<u>13,340</u>	<u>33,348</u>	<u>13,819</u>	<u>34,156</u>	<u>5,457,497</u>
767	—	2,634	—	—	116,438
2,560	—	—	—	—	2,743,624
—	1,191	3,998	6,986	12,310	2,346,930
—	—	—	—	42	199,478
—	—	66	—	4	190,767
815	515	2,952	743	2,536	1,589,545
23,254	14,138	71,593	18,044	66,332	9,544,850
4,569	1,290	3,577	1,827	13,045	1,077,136
<u>31,965</u>	<u>17,134</u>	<u>84,820</u>	<u>27,600</u>	<u>94,269</u>	<u>17,808,768</u>
<u>42,850</u>	<u>30,474</u>	<u>118,168</u>	<u>41,419</u>	<u>128,425</u>	<u>23,266,265</u>
<u>4,878</u>	<u>2,613</u>	<u>17,187</u>	<u>4,547</u>	<u>13,340</u>	<u>1,297,379</u>
<u>47,728</u>	<u>33,087</u>	<u>135,355</u>	<u>45,966</u>	<u>141,765</u>	<u>24,563,644</u>
—	1,948	1,423	3,025	2,330	328,153
349	164	5,452	246	3,234	500,204
—	—	—	—	—	2,084
—	1,915	3,941	561	2,450	256,697
5,419	42	2,174	287	2,063	271,815
—	—	—	—	—	8,783
1,025	—	2,800	—	—	339,911
<u>6,793</u>	<u>4,069</u>	<u>15,790</u>	<u>4,119</u>	<u>10,077</u>	<u>1,707,647</u>
—	—	—	—	—	84,019
—	—	—	—	—	26,449
20,100	11,590	74,952	20,727	67,023	5,572,114
12,525	—	27,848	—	—	7,767,365
<u>32,625</u>	<u>11,590</u>	<u>102,800</u>	<u>20,727</u>	<u>67,023</u>	<u>13,449,947</u>
<u>39,418</u>	<u>15,659</u>	<u>118,590</u>	<u>24,846</u>	<u>77,100</u>	<u>15,157,594</u>
<u>4,818</u>	<u>2,841</u>	<u>23,884</u>	<u>5,161</u>	<u>26,576</u>	<u>710,196</u>
<u>44,236</u>	<u>18,500</u>	<u>142,474</u>	<u>30,007</u>	<u>103,676</u>	<u>15,867,790</u>
14,803	15,428	44,995	19,872	79,376	5,689,261
—	—	—	—	—	218,803
—	—	—	—	—	1,271
—	529	—	1,185	1,876	414,683
—	—	—	—	—	86,152
2,639	—	6,896	—	—	1,669,796
—	—	—	—	459	551,930
126	593	—	4,998	1,035	334,182
—	—	—	—	—	169,761
—	—	—	16	—	157,384
—	—	—	—	—	90,901
—	—	—	—	—	168,113
—	—	1,022	—	—	19,503
—	632	—	390	—	109,007
—	—	4,462	—	—	302,750
—	—	—	22	—	31,923
—	—	—	100	535	311,108
(14,076)	(2,595)	(64,494)	(10,624)	(45,192)	(1,630,674)
<u>\$ 3,492</u>	<u>\$ 14,587</u>	<u>\$ (7,119)</u>	<u>\$ 15,959</u>	<u>\$ 38,089</u>	<u>\$ 8,695,854</u>

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	OHIO TURNPIKE AND INFRASTRUCTURE COMMISSION (as of 12/31/18)	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/18)	OHIO CAPITAL FUND
EXPENSES:			
Transportation.....	\$ 175,289	\$ —	\$ —
Community and Economic Development.....	—	1,904	847
Education and General:			
Instruction and Departmental Research.....	—	—	—
Separately Budgeted Research.....	—	—	—
Public Service.....	—	—	—
Academic Support.....	—	—	—
Student Services.....	—	—	—
Institutional Support.....	—	—	—
Operation and Maintenance of Plant.....	—	—	—
Scholarships and Fellowships.....	—	—	—
Auxiliary Enterprises.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	97,675	—	6,979
Depreciation.....	80,650	1	—
Other.....	—	—	—
TOTAL EXPENSES.....	353,614	1,905	7,826
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	333,049	205	—
Operating Grants, Contributions and Restricted Investment Income.....	—	281	—
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
TOTAL PROGRAM REVENUES.....	333,049	486	—
NET PROGRAM (EXPENSE) REVENUE	(20,565)	(1,419)	(7,826)
GENERAL REVENUES:			
Unrestricted Investment Income.....	16,709	118	(404)
State Assistance.....	3,459	—	—
Other.....	—	30	—
TOTAL GENERAL REVENUES.....	20,168	148	(404)
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	—
CHANGE IN NET POSITION.....	(397)	(1,271)	(8,230)
NET POSITION (DEFICITS), JULY 1 (as restated).....	174,534	11,757	(72,525)
NET POSITION (DEFICITS), JUNE 30.....	\$ 174,137	\$ 10,486	\$ (80,755)

JOB SOHIO	UNIVERSITY OF CINCINNATI	OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1,174,154	—	—	—	—	—
—	327,987	256,468	198,420	114,466	140,207
—	163,442	44,098	13,391	22,570	8,360
—	86,349	30,291	2,758	4,581	5,149
—	133,284	82,304	63,369	29,130	29,262
—	68,480	49,855	29,328	13,153	17,204
—	157,082	59,200	64,670	35,670	37,798
—	68,293	44,852	31,264	18,410	21,580
—	45,780	17,989	28,734	22,929	16,932
—	127,668	88,621	107,147	48,624	69,196
—	—	—	—	—	—
53,741	43,818	27,923	26,172	18,621	8,351
520	126,242	57,556	63,613	46,753	38,446
—	—	12,317	23,400	776	28,533
1,228,415	1,348,425	771,474	652,266	375,683	421,018
1,287,930	933,609	336,510	539,040	199,236	239,125
—	216,063	47,250	51,178	36,949	59,590
—	7,707	5,448	7,958	734	7,507
1,287,930	1,157,379	389,208	598,176	236,919	306,222
59,515	(191,046)	(382,266)	(54,090)	(138,764)	(114,796)
21,348	18,155	51,357	25,522	15,827	21,642
—	244,015	183,784	99,752	108,063	82,936
6,570	1,664	195,926	—	32,986	8,226
27,918	263,834	431,067	125,274	156,876	112,804
—	567	11,820	13,600	2,237	9,369
87,433	73,355	60,621	84,784	20,349	7,377
584,146	1,841,969	1,210,582	1,528,498	346,799	508,211
\$ 671,579	\$ 1,915,324	\$ 1,271,203	\$ 1,613,282	\$ 367,148	\$ 515,588

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO	CLEVELAND STATE UNIVERSITY
EXPENSES:			
Transportation.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	249,582	212,110	107,489
Separately Budgeted Research.....	18,015	41,778	9,391
Public Service.....	13,922	8,322	6,599
Academic Support.....	65,806	42,626	29,925
Student Services.....	38,956	24,250	18,735
Institutional Support.....	76,304	82,238	38,209
Operation and Maintenance of Plant.....	42,838	31,306	30,653
Scholarships and Fellowships.....	45,516	20,724	17,790
Auxiliary Enterprises.....	67,370	66,189	33,757
Hospitals.....	—	362,210	—
Interest on Long-Term Debt.....	16,021	13,457	8,611
Depreciation.....	54,645	56,281	32,624
Other.....	28,667	18,684	—
TOTAL EXPENSES.....	717,642	980,175	333,783
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	398,611	644,989	187,930
Operating Grants, Contributions and Restricted Investment Income.....	83,062	59,403	26,692
Capital Grants, Contributions and Restricted Investment Income.....	—	898	—
TOTAL PROGRAM REVENUES.....	481,673	705,290	214,622
NET PROGRAM (EXPENSE) REVENUE	(235,969)	(274,885)	(119,161)
GENERAL REVENUES:			
Unrestricted Investment Income.....	32,072	13,541	4,984
State Assistance.....	160,595	124,800	100,343
Other.....	15,784	71,910	23,218
TOTAL GENERAL REVENUES.....	208,451	210,251	128,545
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	—
CHANGE IN NET POSITION.....	(27,518)	(64,634)	9,384
NET POSITION (DEFICITS), JULY 1 (as restated).....	621,563	360,283	321,066
NET POSITION (DEFICITS), JUNE 30.....	\$ 594,045	\$ 295,649	\$ 330,450

YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY	SHAWNEE STATE UNIVERSITY	NORTHEAST OHIO MEDICAL UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
53,446	101,312	15,587	21,731	10,384	3,639
4,378	46,572	—	14,085	3,183	—
6,812	12,550	2,348	2,916	4,768	973
18,305	30,407	2,814	10,309	5,545	419
12,980	18,015	4,776	2,938	3,928	1,745
27,778	36,491	13,155	16,482	8,036	4,049
17,870	16,915	4,525	7,121	6,858	1,450
22,614	16,866	4,797	889	3,649	498
32,088	21,034	6,034	9,273	9,263	464
—	—	—	—	—	—
3,605	2,872	409	7,988	1,375	181
13,464	20,482	3,687	10,739	7,063	1,563
110	9,314	—	120	1,553	846
213,450	332,830	58,132	104,591	65,605	15,827
113,910	146,841	22,537	34,932	28,235	5,336
26,275	89,573	2,869	25,435	21,869	2,098
5,427	1,587	—	—	—	—
145,612	238,001	25,406	60,367	50,104	7,434
(67,838)	(94,829)	(32,726)	(44,224)	(15,501)	(8,393)
18,902	2,800	1,505	4,065	418	261
49,004	102,081	18,163	26,042	19,582	8,089
525	18,047	10,694	12,629	194	2,864
68,431	122,928	30,362	42,736	20,194	11,214
14,285	—	—	389	—	—
14,878	28,099	(2,364)	(1,099)	4,693	2,821
315,682	189,694	58,487	68,378	84,386	11,896
\$ 330,560	\$ 217,793	\$ 56,123	\$ 67,279	\$ 89,079	\$ 14,717

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(dollars in thousands)

(continued)

	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
EXPENSES:			
Transportation.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	62,403	12,101	5,560
Separately Budgeted Research.....	—	—	—
Public Service.....	12,843	2,798	498
Academic Support.....	8,153	974	706
Student Services.....	18,044	4,163	2,450
Institutional Support.....	32,321	6,133	7,869
Operation and Maintenance of Plant.....	17,814	2,882	1,583
Scholarships and Fellowships.....	9,118	3,803	411
Auxiliary Enterprises.....	10,083	1,156	9
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	666	432	72
Depreciation.....	8,294	1,908	1,019
Other.....	1,499	—	—
TOTAL EXPENSES.....	181,238	36,350	20,177
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	107,863	11,488	4,893
Operating Grants, Contributions and Restricted Investment Income.....	14,791	10,639	2,462
Capital Grants, Contributions and Restricted Investment Income.....	—	21	—
TOTAL PROGRAM REVENUES.....	122,654	22,148	7,355
NET PROGRAM (EXPENSE) REVENUE	(58,584)	(14,202)	(12,822)
GENERAL REVENUES:			
Unrestricted Investment Income.....	4,800	1,896	100
State Assistance.....	80,979	19,520	8,976
Other.....	—	264	3,251
TOTAL GENERAL REVENUES.....	85,779	21,680	12,327
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	468	—
CHANGE IN NET POSITION.....	27,195	7,946	(495)
NET POSITION (DEFICITS), JULY 1 (as restated).....	94,381	35,432	12,700
NET POSITION (DEFICITS), JUNE 30.....	\$ 121,576	\$ 43,378	\$ 12,205

SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 175,289
—	—	—	—	—	1,176,905
6,302	3,571	20,288	14,574	24,195	1,961,822
—	—	—	—	211	389,474
1,067	—	2,183	64	1,749	209,540
1,908	1,274	4,308	814	1,979	563,621
2,097	1,167	3,879	1,695	4,777	342,615
2,034	3,221	15,980	3,798	12,659	741,177
1,419	1,465	4,779	1,308	4,610	379,795
2,720	949	988	1,566	792	286,054
1,100	—	2,464	1,360	504	703,404
—	—	—	—	—	362,210
477	—	1,065	—	4	340,515
1,305	860	3,736	1,601	5,776	638,828
—	—	1,092	9	44	126,964
20,429	12,507	60,762	26,789	57,300	8,398,213
7,271	6,305	21,409	12,827	30,124	5,654,205
1,327	1,992	14,360	3,583	3,325	801,066
448	—	20	—	—	37,755
9,046	8,297	35,789	16,410	33,449	6,493,026
(11,383)	(4,210)	(24,973)	(10,379)	(23,851)	(1,905,187)
317	202	897	465	1,378	258,877
8,059	7,014	32,700	12,822	31,187	1,531,965
4,002	—	6,023	—	11,125	425,932
12,378	7,216	39,620	13,287	43,690	2,216,774
—	—	—	—	149	52,884
995	3,006	14,647	2,908	19,988	364,471
2,497	11,581	(21,766)	13,051	18,101	8,331,383
\$ 3,492	\$ 14,587	\$ (7,119)	\$ 15,959	\$ 38,089	\$ 8,695,854

STATE OF OHIO
 BALANCE SHEET
 OHIO FACILITIES CONSTRUCTION COMMISSION
 DISCRETELY PRESENTED COMPONENT UNIT
 JUNE 30, 2019
 (dollars in thousands)

	OHIO FACILITIES CONSTRUCTION COMMISSION	
ASSETS:		
Cash Equity with Treasurer.....	\$	328,919
Investments.....		2,103
Collateral on Lent Securities.....		106,486
TOTAL ASSETS.....	\$	437,508
LIABILITIES:		
Accounts Payable.....	\$	2,091
Accrued Liabilities.....		235
Obligations Under Securities Lending.....		106,486
Intergovernmental Payable.....		783,830
Refund and Other Liabilities.....		2,100
TOTAL LIABILITIES.....		894,742
DEFERRED INFLOWS OF RESOURCES.....		3,291,796
FUND BALANCES (DEFICITS):		
Restricted for:		
Community and Economic Development.....		34,709
Unassigned.....		(3,783,739)
TOTAL FUND BALANCES (DEFICITS).....		(3,749,030)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$	437,508

STATE OF OHIO

RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 OHIO FACILITIES CONSTRUCTION COMMISSION
 DISCRETELY PRESENTED COMPONENT UNIT
 JUNE 30, 2019
 (dollars in thousands)

	<u>OHIO FACILITIES CONSTRUCTION COMMISSION</u>
Total Fund Balances (Deficits).....	\$ (3,749,030)
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
<i>Machinery and Equipment, net of \$3,834 accumulated depreciation.....</i>	<u>100</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
<i>Refund and Other Liabilities-Compensated Absences.....</i>	<u>(1,085)</u>
Total Net Position (Deficits).....	\$ (3,750,015)

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OHIO FACILITIES CONSTRUCTION COMMISSION
 DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (dollars in thousands)

	OHIO FACILITIES CONSTRUCTION COMMISSION
REVENUES:	
State Assistance.....	\$ 169,055
Investment Income.....	13,406
Other.....	109,361
TOTAL REVENUES.....	<u>291,822</u>
EXPENDITURES:	
CURRENT OPERATING:	
Primary, Secondary and Other Education.....	185,291
Community and Economic Development.....	29,869
TOTAL EXPENDITURES.....	<u>215,160</u>
NET CHANGE IN FUND BALANCES.....	76,662
FUND BALANCES (DEFICITS), JULY 1.....	<u>(3,825,692)</u>
FUND BALANCES (DEFICITS), JUNE 30.....	<u>\$ (3,749,030)</u>

STATE OF OHIO

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
OHIO FACILITIES CONSTRUCTION COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(dollars in thousands)**

**OHIO FACILITIES
CONSTRUCTION
COMMISSION**

Net Change in Fund Balances	\$ 76,662
<p>The change in net position reported for governmental activities in the Statement of Activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were in excess/deficient over depreciation in the current period.</p>	
<i>Depreciation Expense</i>	<u>(391)</u>
<i>Capital Outlay Expenditures</i>	<u>19</u>
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	<u>(19)</u>
Change in Net Position	<u><u>\$ 76,271</u></u>

STATISTICAL SECTION

STATISTICAL SECTION

This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

	<u>Pages</u>
Financial Trends	274-287
<p>These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.</p>	
Revenue Capacity	288-301
<p>These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.</p>	
Debt Capacity	302-309
<p>These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and its ability to issue additional debt in the future.</p>	
Economic and Demographic Information	310-313
<p>These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.</p>	
Operating Information	314-321
<p>These schedules contain service and infrastructure data to assist the reader in understanding how the information in the State's financial report relates to the services the State provides and to the activities it performs.</p>	

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATE OF OHIO
NET POSITION BY COMPONENT
FOR THE LAST TEN FISCAL YEARS
(accrual basis of accounting)
(dollars in thousands)

	2019	2018	2017	2016
GOVERNMENTAL ACTIVITIES:				
Net Investment in Capital Assets.....	\$ 24,458,022	\$ 24,363,007	\$ 24,140,366	\$ 23,925,328
Restricted for:				
Primary, Secondary and Other Education.....	133,130	139,583	95,110	148,740
Higher Education Support.....	14,444	23,579	25,999	26,255
Public Assistance and Medicaid.....	459,789	500,747	736,002	810,132
Health and Human Services.....	126,724	116,726	143,264	103,534
Justice and Public Protection.....	38,126	159,884	160,990	132,257
Environmental Protection and Natural Resources.....	359,593	275,626	191,591	199,490
Transportation.....	1,919,480	2,534,052	3,369,425	3,191,913
General Government.....	218,522	277,782	266,681	169,286
State and Local Highway Construction.....	—	—	—	—
Federal Programs.....	—	—	—	—
Clean Ohio Program.....	—	—	—	—
Community and Economic Development.....	659,085	529,084	424,992	329,909
Enterprise Bond Program.....	—	—	—	—
Total Restricted Net Position.....	<u>3,928,893</u>	<u>4,557,063</u>	<u>5,414,054</u>	<u>5,111,516</u>
Unrestricted.....	<u>(11,132,056)</u>	<u>(12,787,140)</u>	<u>(10,571,925)</u>	<u>(9,089,117)</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION.....	<u>\$ 17,254,859</u>	<u>\$ 16,132,930</u>	<u>\$ 18,982,495</u>	<u>\$ 19,947,727</u>
BUSINESS-TYPE ACTIVITIES:				
Net Investment in Capital Assets.....	\$ 134,728	\$ 162,367	\$ 176,237	\$ 186,037
Restricted for:				
Workers' Compensation.....	11,178,867	9,791,094	9,603,996	8,596,001
Lottery Prizes.....	57,181	27,954	46,998	77,464
Unemployment Compensation.....	1,303,856	974,990	644,872	315,980
Ohio Building Authority.....	—	—	—	—
Tuition Trust Authority.....	105,906	97,366	97,985	74,559
Total Restricted Net Position.....	<u>12,645,810</u>	<u>10,891,404</u>	<u>10,393,851</u>	<u>9,064,004</u>
Unrestricted.....	<u>78,530</u>	<u>64,432</u>	<u>154,915</u>	<u>131,660</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION.....	<u>\$ 12,859,068</u>	<u>\$ 11,118,203</u>	<u>\$ 10,725,003</u>	<u>\$ 9,381,701</u>
PRIMARY GOVERNMENT:				
Net Investment in Capital Assets.....	\$ 24,592,750	\$ 24,525,374	\$ 24,316,603	\$ 24,111,365
Restricted.....	16,574,703	15,448,467	15,807,905	14,175,520
Unrestricted.....	<u>(11,053,526)</u>	<u>(12,722,708)</u>	<u>(10,417,010)</u>	<u>(8,957,457)</u>
TOTAL PRIMARY GOVERNMENT NET POSITION.....	<u>\$ 30,113,927</u>	<u>\$ 27,251,133</u>	<u>\$ 29,707,498</u>	<u>\$ 29,329,428</u>

Source:
Ohio Office of Budget and Management

Note:

Beginning in fiscal year 2011, restricted net position categories have been revised to correspond with the categories presented for restricted fund balance.

Ohio Building Authority ceased operations December 31, 2011.

When practical or material, net position reported on the above table has been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Position" table may not have been determined for presentation on that table.

2015	2014	2013	2012	2011	2010
\$ 23,396,447	\$ 22,627,911	\$ 22,489,929	\$ 22,147,262	\$ 23,157,156	\$ 22,578,727
110,978	137,427	236,391	129,353	99,169	38,495
25,974	26,320	—	—	5,936	—
746,730	508,588	535,410	219,153	492,122	—
81,982	54,834	100,424	101,056	107,431	—
122,305	30,570	42,623	29,516	86,822	—
199,409	160,607	147,955	148,200	140,229	—
3,370,828	3,238,716	3,064,127	2,613,620	2,439,080	1,601,532
200,748	133,877	131,823	93,089	82,615	—
—	—	—	—	—	117,769
—	—	—	—	—	85,232
—	—	—	—	—	47,254
243,166	164,784	250,797	245,631	403,151	1,001,840
—	—	—	—	—	10,000
<u>5,102,120</u>	<u>4,455,723</u>	<u>4,509,550</u>	<u>3,579,618</u>	<u>3,856,555</u>	<u>2,902,122</u>
<u>(9,180,751)</u>	<u>(5,828,679)</u>	<u>(5,784,139)</u>	<u>(7,128,873)</u>	<u>(8,249,343)</u>	<u>(7,384,680)</u>
<u>\$ 19,317,816</u>	<u>\$ 21,254,955</u>	<u>\$ 21,215,340</u>	<u>\$ 18,598,007</u>	<u>\$ 18,764,368</u>	<u>\$ 18,096,169</u>
\$ 159,466	\$ 129,804	\$ 92,290	\$ 67,331	\$ 54,430	\$ 51,578
9,125,985	9,334,215	6,690,414	7,760,634	5,728,951	—
66,332	73,751	85,085	123,724	77,142	86,616
—	—	—	—	—	—
—	—	—	—	27,021	—
89,896	73,631	39,379	—	11,838	—
<u>9,282,213</u>	<u>9,481,597</u>	<u>6,814,878</u>	<u>7,884,358</u>	<u>5,844,952</u>	<u>86,616</u>
<u>(163,314)</u>	<u>(670,679)</u>	<u>(1,085,302)</u>	<u>(1,383,125)</u>	<u>(1,820,494)</u>	<u>1,966,583</u>
<u>\$ 9,278,365</u>	<u>\$ 8,940,722</u>	<u>\$ 5,821,866</u>	<u>\$ 6,568,564</u>	<u>\$ 4,078,888</u>	<u>\$ 2,104,777</u>
\$ 23,555,913	\$ 22,757,715	\$ 22,582,219	\$ 22,214,593	\$ 23,211,586	\$ 22,630,305
14,384,333	13,937,320	11,324,428	11,463,976	9,701,507	2,988,738
(9,344,065)	(6,499,358)	(6,869,441)	(8,511,998)	(10,069,837)	(5,418,097)
<u>\$ 28,596,181</u>	<u>\$ 30,195,677</u>	<u>\$ 27,037,206</u>	<u>\$ 25,166,571</u>	<u>\$ 22,843,256</u>	<u>\$ 20,200,946</u>

STATE OF OHIO
CHANGES IN NET POSITION
FOR THE LAST TEN FISCAL YEARS
(accrual basis of accounting)
(dollars in thousands)

	2019	2018	2017
EXPENSES:			
GOVERNMENTAL ACTIVITIES:			
Primary, Secondary and Other Education.....	\$ 13,115,806	\$ 13,244,868	\$ 13,227,781
Higher Education Support.....	2,731,166	2,771,493	2,760,035
Public Assistance and Medicaid.....	30,187,506	30,454,468	29,873,408
Health and Human Services.....	1,926,151	1,744,243	1,636,753
Justice and Public Protection.....	4,383,344	3,670,780	3,883,836
Environmental Protection and Natural Resources.....	557,249	567,788	571,532
Transportation.....	2,715,640	2,598,688	2,860,338
General Government.....	1,223,453	951,063	946,923
Community and Economic Development.....	3,386,936	3,458,487	3,256,655
Interest on Long-Term Debt (excludes interest charged as program expense).....	102,143	97,799	94,290
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES.....	60,329,394	59,559,677	59,111,551
BUSINESS-TYPE ACTIVITIES:			
Workers' Compensation.....	2,113,612	2,227,977	2,419,185
Lottery Commission.....	3,242,547	3,022,690	2,882,887
Unemployment Compensation.....	841,040	929,460	985,624
Ohio Building Authority.....	—	—	—
Tuition Trust Authority.....	50,778	57,115	63,711
Liquor Control.....	—	—	—
Office of Auditor of State.....	102,347	81,574	91,100
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES.....	6,350,324	6,318,816	6,442,507
TOTAL PRIMARY GOVERNMENT EXPENSES.....	\$ 66,679,718	\$ 65,878,493	\$ 65,554,058
PROGRAM REVENUES:			
GOVERNMENTAL ACTIVITIES:			
Charges for Services, Fees, Fines and Forfeitures:			
Public Assistance and Medicaid.....	\$ 2,663,006	\$ 2,680,920	\$ 1,746,969
Justice and Public Protection.....	1,125,871	1,129,008	1,135,411
General Government.....	500,983	460,910	532,489
Community and Economic Development.....	402,064	343,546	500,766
Other Activities.....	591,294	615,324	641,013
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	25,555,901	25,162,423	25,070,684
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	1,481,791	1,424,697	1,442,906
TOTAL GOVERNMENTAL ACTIVITIES			
PROGRAM REVENUES.....	32,320,910	31,816,828	31,070,238
BUSINESS-TYPE ACTIVITIES:			
Charges for Services, Fees, Fines and Forfeitures:			
Workers' Compensation.....	1,299,895	1,172,347	1,554,566
Lottery Commission.....	4,423,668	4,153,363	3,933,361
Unemployment Compensation.....	1,154,235	1,253,015	1,311,094
Liquor Control.....	—	—	—
Other Activities.....	51,387	54,954	55,109
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	2,303,277	1,402,895	1,959,320
TOTAL BUSINESS-TYPE ACTIVITIES			
PROGRAM REVENUES.....	9,232,462	8,036,574	8,813,450
TOTAL PRIMARY GOVERNMENT			
PROGRAM REVENUES.....	\$ 41,553,372	\$ 39,853,402	\$ 39,883,688

	2016	2015	2014	2013	2012	2011	2010
\$	12,728,780	\$ 12,767,328	\$ 12,287,325	\$ 11,461,600	\$ 12,340,848	\$ 12,126,435	\$ 12,259,233
	2,603,480	2,536,850	2,474,851	2,403,149	2,348,154	2,726,016	2,771,611
	29,103,304	28,265,942	25,283,157	21,624,298	21,206,515	20,111,691	18,828,082
	1,656,750	1,576,185	1,579,156	3,504,235	3,835,369	4,295,483	4,003,033
	3,587,845	3,210,965	3,385,337	3,136,239	3,202,970	3,184,345	3,077,704
	586,001	507,889	419,539	437,297	407,379	350,870	416,071
	2,602,708	2,660,362	2,706,248	2,657,961	2,564,702	2,186,332	2,187,406
	948,796	921,426	835,785	921,636	599,639	795,899	623,845
	3,353,699	3,518,678	3,448,735	3,510,004	3,867,888	4,479,010	4,491,643
	99,819	102,980	103,283	114,859	118,902	134,888	133,335
	57,271,182	56,068,605	52,523,416	49,771,278	50,492,366	50,390,969	48,791,963
	3,322,700	2,533,883	2,417,674	3,428,859	1,945,190	2,354,296	2,861,222
	2,866,920	2,724,306	2,310,169	2,100,887	2,001,671	1,911,105	1,816,213
	1,021,152	1,034,060	1,444,870	1,976,518	2,754,835	4,094,207	5,605,830
	—	—	—	—	13,010	22,076	22,492
	67,385	71,801	72,215	80,560	80,157	79,671	81,119
	—	—	—	310,209	543,729	507,800	489,087
	78,917	70,032	70,586	65,845	69,183	69,185	70,637
	7,357,074	6,434,082	6,315,514	7,962,878	7,407,775	9,038,340	10,946,600
\$	64,628,256	62,502,687	58,838,930	57,734,156	57,900,141	59,429,309	59,738,563
\$	1,946,102	\$ 1,438,860	\$ 1,506,096	\$ 1,152,467	\$ 1,289,463	\$ 1,045,698	\$ 1,302,439
	1,103,131	1,071,484	1,030,928	1,078,277	943,142	1,163,286	996,420
	557,775	480,796	548,649	418,085	543,699	344,451	686,825
	571,317	519,685	506,511	594,030	406,022	504,275	479,727
	749,346	709,606	632,883	950,819	852,501	722,459	652,449
	24,721,794	23,965,473	21,454,316	20,189,757	20,053,479	22,041,874	20,839,257
	1,430,936	1,398,463	1,523,237	1,695,846	1,573,765	1,465,484	1,241,422
	31,080,401	29,584,367	27,202,620	26,079,281	25,662,071	27,287,527	26,198,539
	1,451,585	1,962,587	2,093,962	1,504,112	1,958,593	1,950,169	2,133,439
	3,987,235	3,776,450	3,288,039	2,939,773	2,781,737	2,608,235	2,498,785
	1,178,304	1,228,403	1,270,232	1,342,217	1,674,456	1,587,385	1,304,308
	—	—	—	485,607	791,454	733,573	706,736
	57,035	52,811	57,531	60,028	73,707	74,657	76,158
	1,444,535	609,269	3,398,375	1,697,735	3,568,089	5,002,792	5,403,777
	8,118,694	7,629,520	10,108,139	8,029,472	10,848,036	11,956,811	12,123,203
\$	39,199,095	37,213,887	37,310,759	34,108,753	36,510,107	39,244,338	38,321,742

(continued)

STATE OF OHIO
CHANGES IN NET POSITION
FOR THE LAST TEN FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)
(continued)

	2019	2018	2017
NET (EXPENSE) REVENUE:			
Governmental Activities.....	\$ (28,008,484)	\$ (27,742,849)	\$ (28,041,313)
Business-Type Activities.....	2,882,138	1,717,758	2,370,943
TOTAL PRIMARY GOVERNMENT NET (EXPENSE).....	\$ (25,126,346)	\$ (26,025,091)	\$ (25,670,370)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:			
GOVERNMENTAL ACTIVITIES:			
TAXES:			
Income.....	\$ 9,532,285	\$ 8,474,637	\$ 8,021,202
Sales.....	10,791,460	10,358,501	10,804,340
Corporate and Public Utility.....	3,072,683	2,843,017	2,754,290
Cigarette.....	917,278	939,953	979,973
Other.....	1,074,712	1,024,397	1,019,058
Restricted for Transportation Purposes:			
Motor Vehicle Fuel Taxes.....	1,874,409	1,891,116	1,952,512
TOTAL TAXES.....	27,262,827	25,531,621	25,531,375
Tobacco Settlement.....	343,125	352,355	350,378
Escheat Property.....	147,736	158,770	159,585
Unrestricted Investment Income.....	235,370	24,741	2,975
Other.....	20	17	30
Gain (Loss) on Extinguishment of Debt.....	—	—	—
Transfers-Internal Activities.....	1,141,335	1,168,236	1,031,738
TOTAL GOVERNMENTAL ACTIVITIES.....	29,130,413	27,235,740	27,076,081
BUSINESS-TYPE ACTIVITIES:			
Unrestricted Investment Income.....	24	15	12
Other.....	38	—	—
Gain on Extinguishment of Debt.....	—	—	4,085
Transfers-Internal Activities.....	(1,141,335)	(1,168,236)	(1,031,738)
TOTAL BUSINESS-TYPE ACTIVITIES.....	(1,141,273)	(1,168,221)	(1,027,641)
TOTAL PRIMARY GOVERNMENT.....	\$ 27,989,140	\$ 26,067,519	\$ 26,048,440
CHANGE IN NET POSITION:			
Governmental Activities.....	\$ 1,121,929	\$ (507,109)	\$ (965,232)
Business-Type Activities.....	1,740,865	549,537	1,343,302
TOTAL PRIMARY GOVERNMENT	\$ 2,862,794	\$ 42,428	\$ 378,070

Source:

Ohio Office of Budget and Management

Note:

During fiscal year 2014, Ohio House Bill 59 line item restructuring resulted in increases to Public Assistance and Medicaid expenses and decreases to Health and Human Services expenses.

Ohio Building Authority ceased operations December 31, 2011.

On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system. Activity of the Liquor Control Enterprise Fund ceased as of January 31, 2013.

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical or material.

2016	2015	2014	2013	2012	2011	2010
\$ (26,190,781)	\$ (26,484,238)	\$ (25,320,796)	\$ (23,691,997)	\$ (24,830,295)	\$ (23,103,442)	\$ (22,593,424)
761,620	1,195,438	3,792,625	66,594	3,440,261	2,918,471	1,176,603
\$ (25,429,161)	\$ (25,288,800)	\$ (21,528,171)	\$ (23,625,403)	\$ (21,390,034)	\$ (20,184,971)	\$ (21,416,821)
\$ 7,984,708	\$ 8,906,476	\$ 8,356,216	\$ 9,826,097	\$ 9,017,760	\$ 8,815,468	\$ 7,760,084
10,548,038	10,170,995	9,386,554	8,635,076	8,304,263	7,793,045	7,295,428
2,737,316	2,687,540	2,682,274	2,560,420	2,501,140	2,462,681	2,351,084
1,008,677	808,270	813,056	828,812	843,180	855,610	886,875
1,006,342	953,339	888,059	993,217	708,041	699,907	647,999
1,798,483	1,827,134	1,782,437	1,774,781	1,800,473	1,759,421	1,766,204
25,083,564	25,353,754	23,908,596	24,618,403	23,174,857	22,386,132	20,707,674
341,130	284,267	362,472	336,255	333,148	334,665	336,259
161,904	220,486	192,184	167,140	153,556	101,289	160,755
70,897	36,462	1,733	25,881	3,702	2,688	(52,677)
1,683	275	839	239,435	48,078	1,323	592
—	1,276	—	(154,607)	—	—	—
1,160,878	1,082,061	955,721	1,082,887	949,952	945,551	978,327
26,820,056	26,978,581	25,421,545	26,315,394	24,663,293	23,771,648	22,130,930
8	5	3	3	3	1,184	—
—	—	11	—	5	—	48
502,586	402,562	281,938	273,851	—	—	—
(1,160,878)	(1,082,061)	(955,721)	(1,082,887)	(949,952)	(945,551)	(978,327)
(658,284)	(679,494)	(673,769)	(809,033)	(949,944)	(944,367)	(978,279)
\$ 26,161,772	\$ 26,299,087	\$ 24,747,776	\$ 25,506,361	\$ 23,713,349	\$ 22,827,281	\$ 21,152,651
\$ 629,275	\$ 494,343	\$ 100,749	\$ 2,623,397	\$ (167,002)	\$ 668,206	\$ (462,494)
103,336	515,944	3,118,856	(742,439)	2,490,317	1,974,104	198,324
\$ 732,611	\$ 1,010,287	\$ 3,219,605	\$ 1,880,958	\$ 2,323,315	\$ 2,642,310	\$ (264,170)

STATE OF OHIO
CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

	2019	2018	2017	2016	2015
REVENUES:					
Income Taxes.....	\$ 9,503,674	\$ 8,463,731	\$ 8,035,064	\$ 7,996,349	\$ 8,906,259
Sales Taxes.....	10,791,460	10,358,501	10,804,340	10,548,038	10,170,995
Corporate and Public Utility Taxes.....	3,072,683	2,843,017	2,754,290	2,737,316	2,687,540
Motor Vehicle Fuel Taxes.....	1,874,409	1,891,116	1,952,512	1,798,483	1,827,134
Cigarette Taxes.....	917,278	939,953	979,973	1,008,677	808,270
Other Taxes.....	1,074,712	1,024,397	1,019,058	1,006,342	953,339
Licenses, Permits and Fees.....	4,043,779	4,004,408	3,281,235	3,498,903	3,000,470
Sales, Services and Charges.....	154,222	152,991	149,800	145,147	115,672
Federal Government.....	26,813,932	26,294,572	26,258,500	26,281,700	24,533,971
Tobacco Settlement.....	298,121	331,911	270,680	300,051	285,916
Escheat Property.....	147,736	158,770	159,585	161,904	220,486
Investment Income.....	485,415	157,172	74,314	113,375	62,431
Other	1,206,735	1,194,775	1,219,676	1,392,958	1,307,559
TOTAL REVENUES.....	60,384,156	57,815,314	56,959,027	56,989,243	54,880,042
EXPENDITURES:					
Current Operating:					
Primary, Secondary and Other Education.....	12,689,272	12,881,773	12,836,664	12,383,787	12,385,866
Higher Education Support.....	2,585,035	2,627,892	2,620,509	2,467,060	2,400,039
Public Assistance and Medicaid.....	30,105,826	30,327,824	29,666,058	28,937,506	28,632,189
Health and Human Services.....	1,689,843	1,643,314	1,528,658	1,560,412	1,519,151
Justice and Public Protection.....	3,659,939	3,495,950	3,444,724	3,324,692	3,195,731
Environmental Protection and Natural Resources.....	420,258	442,004	420,190	411,046	413,028
Transportation.....	2,627,115	2,518,937	2,689,150	2,841,556	2,835,705
General Government.....	1,007,616	898,737	827,684	875,371	782,777
Community and Economic Development.....	3,268,371	3,344,971	3,156,209	3,226,354	3,431,424
Capital Outlay.....	820,209	771,797	673,399	678,594	510,109
Debt service:					
Principal.....	1,249,145	1,196,470	1,209,865	1,199,620	1,229,971
Interest.....	843,917	806,468	796,699	802,556	729,002
TOTAL EXPENDITURES.....	60,966,546	60,956,137	59,869,809	58,708,554	58,064,992
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(582,390)	(3,140,823)	(2,910,782)	(1,719,311)	(3,184,950)

	2014	2013	2012	2011	2010
\$	8,411,694	\$ 9,811,982	\$ 9,076,284	\$ 8,785,047	\$ 7,818,405
	9,386,554	8,643,468	8,304,705	7,791,128	7,299,285
	2,682,274	2,555,959	2,500,905	2,463,512	2,348,948
	1,782,437	1,774,781	1,800,473	1,759,421	1,766,204
	813,056	828,812	843,180	855,610	886,875
	888,059	993,217	708,041	699,907	647,999
	3,058,221	3,207,414	3,002,172	2,796,122	2,887,560
	107,676	95,686	96,982	96,717	92,600
	22,920,755	21,537,101	21,395,852	23,301,445	21,969,544
	331,129	295,086	295,736	289,293	306,144
	208,508	175,284	151,601	124,026	113,131
	21,356	38,255	30,121	44,207	18,925
	1,126,759	1,207,030	1,091,765	970,999	1,145,925
	<u>51,738,478</u>	<u>51,164,075</u>	<u>49,297,817</u>	<u>49,977,434</u>	<u>47,301,545</u>
	11,908,976	11,029,898	11,928,522	11,711,365	11,849,154
	2,335,509	2,263,026	2,210,547	2,589,416	2,635,983
	25,302,660	21,660,378	21,211,351	20,207,348	18,872,273
	1,586,232	3,369,506	3,723,084	4,166,075	3,899,232
	3,091,789	3,062,006	3,073,862	3,004,953	3,022,427
	403,119	416,875	390,474	375,810	369,124
	2,647,937	2,637,989	2,510,742	2,369,967	1,995,280
	794,985	821,512	525,706	527,377	533,326
	3,329,205	3,376,928	3,717,160	4,331,441	4,337,066
	379,698	352,670	377,983	503,314	542,529
	1,177,305	1,813,180	702,345	693,006	703,380
	732,849	72,103	805,399	775,491	735,721
	<u>53,690,264</u>	<u>50,876,071</u>	<u>51,177,175</u>	<u>51,255,563</u>	<u>49,495,495</u>
	<u>(1,951,786)</u>	<u>288,004</u>	<u>(1,879,358)</u>	<u>(1,278,129)</u>	<u>(2,193,950)</u>

(continued)

STATE OF OHIO
CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)
(continued)

	2019	2018	2017	2016	2015
OTHER FINANCING SOURCES (USES):					
Bonds, Notes and COPs Issued.....	\$ 1,001,327	\$ 1,937,489	\$ 1,391,350	\$ 1,070,000	\$ 1,110,591
Refunding Bonds and COPs Issued.....	—	748,540	—	473,270	254,590
Payment to Refunded Bond and COPs					
Escrow Agents.....	—	(925,161)	—	(584,504)	(382,933)
Premiums.....	156,207	454,339	220,157	273,422	219,999
Capital Leases.....	792	198	540	—	—
Transfers-in.....	4,036,526	4,055,349	3,579,105	3,751,704	3,673,216
Transfers-out.....	(2,895,191)	(2,887,113)	(2,547,367)	(2,590,826)	(2,591,155)
TOTAL OTHER FINANCING SOURCES (USES).....	2,299,661	3,383,641	2,643,785	2,393,066	2,284,308
SPECIAL ITEMS.....	-	-	-	-	-
NET CHANGE IN FUND BALANCES.....	\$ 1,717,271	\$ 242,818	\$ (266,997)	\$ 673,755	\$ (900,642)
Debt Service as a Percentage of Noncapital Expenditures.....	3.5%	3.3%	3.4%	3.5%	3.4%
Additional Information:					
Increase (Decrease) for Changes in Inventories.....	\$ 14,738	\$ (16,831)	\$ (19,689)	\$ 26,495	\$ 924

Source:

Ohio Office of Budget and Management

Note:

During fiscal year 2014, Ohio House Bill 59 line item restructuring resulted in increases to Public Assistance and Medicaid expenditures and decreases to Health and Human Services expenditures.

Revenues, expenditures, and other financing sources (uses) have been restated for prior period adjustments, corrections, and reclassifications, when practical or material.

2014	2013	2012	2011	2010
\$ 1,347,005	\$ 712,470	\$ 1,357,640	\$ 1,332,425	\$ 1,008,029
407,540	470,520	1,374,660	544,775	1,154,210
(479,249)	(1,465,468)	(1,604,658)	(621,223)	(1,319,366)
207,372	209,381	379,506	123,831	162,697
2,196	108	560	915	708
3,426,036	4,448,253	2,803,070	3,030,096	3,497,705
(2,470,315)	(3,365,366)	(1,853,118)	(2,084,545)	(2,519,378)
2,440,585	1,009,898	2,457,660	2,326,274	1,984,605
-	1,463,506	-	-	-
<u>\$ 488,799</u>	<u>\$ 2,761,408</u>	<u>\$ 578,302</u>	<u>\$ 1,048,145</u>	<u>\$ (209,345)</u>
3.6%	3.7%	3.0%	2.9%	2.9%
\$ 14,593	\$ (21,245)	\$ 14,982	\$ 126	\$ (1,699)

STATE OF OHIO
FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

	2019	2018	2017	2016	2015
GENERAL FUND:					
Nonspendable.....	\$ 55,497	\$ 52,267	\$ 43,576	\$ 45,953	\$ 49,655
Restricted.....	1,592,716	1,465,460	1,370,010	1,270,315	1,153,828
Committed.....	728,698	772,528	739,749	820,878	803,551
Assigned.....	2,885,896	2,539,407	2,995,792	2,653,290	2,585,575
Unassigned.....	2,455,345	667,887	239,478	863,925	411,190
TOTAL GENERAL FUND.....	7,718,152	5,497,549	5,388,605	5,654,361	5,003,799
ALL OTHER GOVERNMENTAL FUNDS:					
Nonspendable, reported in:					
Special Revenue Funds.....	92,572	84,330	94,241	109,665	80,141
Restricted, reported in:					
Special Revenue Funds.....	2,257,872	2,277,693	2,348,843	2,326,231	2,197,584
Debt Service Funds.....	4,435,344	4,524,129	4,634,898	4,764,200	4,869,269
Capital Projects Funds.....	564,484	910,048	512,771	528,827	672,113
Committed, reported in:					
Special Revenue Funds.....	738,669	777,030	864,815	746,685	606,055
Unassigned, reported in:					
Special Revenue Funds.....	(1,079)	(1,937)	(1,318)	(428)	(306)
Capital Projects Funds.....	(5,163)	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS.....	8,082,699	8,571,293	8,454,250	8,475,180	8,424,856
TOTAL GOVERNMENTAL FUNDS.....	\$ 15,800,851	\$ 14,068,842	\$ 13,842,855	\$ 14,129,541	\$ 13,428,655

	2010
GENERAL FUND:	
Reserved	\$ 634,254
Unreserved.....	(141,212)
TOTAL GENERAL FUND.....	493,042
ALL OTHER GOVERNMENTAL FUNDS:	
Reserved.....	12,975,477
Unreserved, reported in:	
Special Revenue Funds.....	(3,599,509)
Capital Projects Funds.....	(194,099)
TOTAL ALL OTHER GOVERNMENTAL FUNDS.....	9,181,869
TOTAL GOVERNMENTAL FUNDS.....	\$ 9,674,911

Source:
Ohio Office of Budget and Management

Note:

As a result of implementing GASB Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances have been classified in new categories beginning in fiscal year 2011.

When practical or material, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications; however, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances for Governmental Funds" table and the "Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

2014	2013	2012	2011
\$ 69,787	\$ 59,896	\$ 86,982	\$ 65,080
1,462,971	1,126,686	1,027,885	1,078,652
773,730	751,615	824,607	671,210
2,366,979	2,042,246	1,666,177	1,616,695
1,255,489	1,259,670	(415,658)	(1,208,029)
5,928,956	5,240,113	3,189,993	2,223,608
76,987	59,902	86,691	99,806
2,460,777	2,671,751	2,039,390	2,091,135
4,989,278	5,087,771	5,216,312	5,295,937
474,897	387,874	222,778	490,806
631,086	613,984	561,849	521,915
(163)	(395)	(547)	(25)
-	(5,388)	—	—
8,632,862	8,815,499	8,126,473	8,499,574
\$ 14,561,818	\$ 14,055,612	\$ 11,316,466	\$ 10,723,182

STATE OF OHIO

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)

	2019	2018	2017	2016	2015
REVENUES:					
Income Taxes.....	\$ 9,503,588	\$ 8,463,620	\$ 8,034,901	\$ 7,995,959	\$ 8,895,192
Sales Taxes.....	10,791,460	10,358,501	10,804,340	10,547,926	10,166,332
Corporate and Public Utility Taxes	2,984,810	2,776,908	2,697,003	2,670,854	2,597,993
Motor Vehicle Fuel Tax.....	1,153,540	1,139,218	1,175,285	1,109,241	1,114,542
Cigarette Taxes	917,278	939,953	979,973	1,008,677	808,270
Other Taxes	722,801	694,845	706,841	691,250	648,099
Licenses, Permits and Fees	1,200,753	1,186,458	748,344	706,064	734,839
Sales, Services and Charges	115,337	121,708	93,120	85,579	76,208
Federal Government	9,404,643	9,239,529	11,593,813	11,309,010	8,942,561
Tobacco Settlement.....	386	117	449	2,953	94
Escheat Property	147,736	158,770	159,585	161,904	220,486
Investment Income	416,878	111,458	41,986	93,014	47,438
Other	294,125	309,746	270,734	354,151	244,296
TOTAL REVENUES	37,653,335	35,500,831	37,306,374	36,736,582	34,496,350
EXPENDITURES:					
Current Operating	34,554,711	34,908,401	36,730,447	34,842,685	33,941,965
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	34,554,711	34,908,401	36,730,447	34,842,685	33,941,965
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	3,098,624	592,430	575,927	1,893,897	554,385
OTHER FINANCING SOURCES (USES):					
Bonds, Notes and COPs Issued.....	617,435	855,000	849,941	530,000	460,000
Premiums	89,878	93,912	71,161	56,696	48,536
Capital Leases	792	198	540	-	-
Transfers-in	531,759	629,232	292,078	286,624	321,156
Transfers-out	(2,119,050)	(2,062,561)	(2,054,788)	(2,116,780)	(2,072,234)
TOTAL OTHER FINANCING SOURCES (USES).....	(879,186)	(484,219)	(841,068)	(1,243,460)	(1,242,542)
SPECIAL ITEMS.....	-	-	-	-	-
NET CHANGE IN FUND BALANCES.....	2,219,438	108,211	(265,141)	650,437	(688,157)
FUND BALANCES, JULY 1 (as restated).....	5,497,549	5,388,605	5,654,361	5,004,435	5,695,511
Increase (Decrease) for Changes in Inventories	1,165	733	(615)	(511)	(3,555)
FUND BALANCES, JUNE 30	\$ 7,718,152	\$ 5,497,549	\$ 5,388,605	\$ 5,654,361	\$ 5,003,799

Source:

Ohio Office of Budget and Management

Note:

As a result of implementing GASB Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, the General Fund is reporting balances and activities previously reported within special revenue funds beginning in fiscal year 2011.

The July 1 fund balances, revenues, and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical or material.

	2014	2013	2012	2011	2010
\$	8,398,840	\$ 9,798,658	\$ 9,063,827	\$ 8,771,965	\$ 7,172,356
	9,380,762	8,637,501	8,297,544	7,785,452	7,108,573
	2,680,923	2,554,965	2,499,601	2,462,363	549,596
	1,091,123	1,087,748	1,104,127	1,070,014	-
	813,056	828,812	843,180	855,610	886,875
	661,870	747,882	670,831	682,637	589,121
	722,403	816,564	781,717	657,629	237,690
	68,918	59,839	64,025	63,323	51,811
	8,313,226	7,225,992	7,131,978	8,122,729	6,753,767
	38,620	-	-	-	-
	208,508	175,284	151,601	124,026	113,131
	8,662	26,454	19,654	20,997	(12,331)
	246,632	283,339	300,150	297,932	498,261
	32,633,543	32,243,038	30,928,235	30,914,677	23,948,850
	30,970,485	29,451,874	29,972,837	29,837,914	23,719,349
	734	42	-	-	-
	30,971,219	29,451,916	29,972,837	29,837,914	23,719,349
	1,662,324	2,791,122	955,398	1,076,763	229,501
	800,000	178,000	1,109,228	624,890	97,739
	28,310	7,911	60,983	1,200	3,560
	2,196	108	560	915	708
	221,697	545,356	314,048	477,418	373,807
	(2,026,789)	(2,928,231)	(1,472,254)	(1,574,293)	(990,195)
	(974,586)	(2,196,856)	12,565	(469,870)	(514,381)
	-	1,463,506	-	-	-
	687,738	2,057,772	967,963	606,893	(284,880)
	5,240,486	3,188,956	2,223,608	1,612,899	773,816
	732	(6,615)	(1,578)	3,816	4,106
	\$ 5,928,956	\$ 5,240,113	\$ 3,189,993	\$ 2,223,608	\$ 493,042

STATE OF OHIO

TAX REVENUES OF GOVERNMENTAL FUNDS BY MAJOR SOURCE AND EFFECTIVE STATE INCOME TAX RATE FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in millions)

INCOME TAX	2019	2018	2017	2016	2015
Personal Income Tax Revenue.....	\$9,504	\$8,464	\$8,035	\$7,996	\$8,906
Personal Income(A).....	\$569,727	\$544,828	\$517,918	\$505,950	\$489,695
Average Effective State Income Tax Rate.....	<u>1.67%</u>	<u>1.55%</u>	<u>1.55%</u>	<u>1.58%</u>	<u>1.82%</u>
SALES TAX	2019	2018	2017	2016	2015
State Sales Tax Revenue.....	\$10,791	\$10,359	\$10,804	\$10,548	\$10,171

Source:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Office of Budget and Management

Note:

(A) Data presented is as of December 31 of the given fiscal year.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$8,412	\$9,812	\$9,076	\$8,785	\$7,818
<u>\$472,846</u>	<u>\$462,424</u>	<u>\$436,818</u>	<u>\$417,376</u>	<u>\$408,395</u>
<u>1.78%</u>	<u>2.12%</u>	<u>2.08%</u>	<u>2.10%</u>	<u>1.91%</u>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$9,387	\$8,643	\$8,305	\$7,791	\$7,299

STATE OF OHIO

PERSONAL INCOME BY INDUSTRY, EFFECTIVE TAX RATE, EXEMPTIONS, AND INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS

STATE INCOME TAX BY INDUSTRY

(dollars in millions)

	2018	2017	2016	2015	2014
Services.....	\$ 162,998	\$ 157,563	\$ 149,264	\$ 147,288	\$ 142,532
Manufacturing.....	58,528	55,478	54,677	54,536	52,490
Government.....	59,721	58,272	57,702	56,281	54,715
Wholesale and Retail Trade.....	44,369	43,680	42,530	42,141	40,997
Finance, Insurance, and Real Estate.....	31,650	30,219	27,024	26,349	28,766
Construction.....	24,072	23,727	20,997	19,967	18,837
Transportation and Public Utilities.....	20,990	19,090	19,605	17,363	15,129
Other	167,399	156,799	146,119	142,025	136,229
Total Personal Income.....	<u>\$ 569,727</u>	<u>\$ 544,828</u>	<u>\$ 517,918</u>	<u>\$ 505,950</u>	<u>\$ 489,695</u>
Average Effective State Income Tax Rate.....	<u>1.67%</u>	<u>1.55%</u>	<u>1.55%</u>	<u>1.58%</u>	<u>1.82%</u>

EXEMPTIONS BY CALENDAR YEAR

Exemptions	2018	2017	2016	2015	2014
Personal/Dependent Exemption:					
\$0-\$40,000.....	2,350	2,300	2,250	2,200	2,200
\$40,001-80,000.....	2,100	2,050	2,000	1,950	1,950
\$80,001 and above.....	1,850	1,800	1,750	1,700	1,700
Exemption Credit per Taxpayer, Spouse, and Dependent(A).....	20	20	20	20	20

Source:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Office of Budget and Management
Ohio Department of Taxation

Note:

(A) The \$20 personal and dependent exemption credit is only available to taxpayers with Ohio taxable income of less than \$30,000.

2013	2012	2011	2010	2009
\$ 137,541	\$ 132,344	\$ 123,939	\$ 118,820	\$ 115,300
50,541	50,024	48,612	47,291	43,948
53,485	53,886	49,969	49,452	49,779
39,565	38,687	37,048	35,684	35,015
27,397	25,873	24,116	22,307	21,526
17,523	16,341	15,473	14,244	14,279
15,207	14,837	13,813	13,229	13,558
131,587	130,432	123,848	116,349	114,990
<u>\$ 472,846</u>	<u>\$ 462,424</u>	<u>\$ 436,818</u>	<u>\$ 417,376</u>	<u>\$ 408,395</u>
<u>1.78%</u>	<u>2.12%</u>	<u>2.08%</u>	<u>2.10%</u>	<u>1.91%</u>

2013	2012	2011	2010	2009
1,700	1,700	1,650	1,600	1,550
1,700	1,700	1,650	1,600	1,550
1,700	1,700	1,650	1,600	1,550
20	20	20	20	20

(continued)

STATE OF OHIO

PERSONAL INCOME BY INDUSTRY, EFFECTIVE TAX RATE, EXEMPTIONS, AND INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS

(continued)

INCREMENTAL TAX RATES BY CALENDAR YEAR

Ohio Income Tax Brackets (A)	2018 (B)	2017	2016	2015
Tax Bracket 1.....	0.000%	0.000%	0.495%	0.495%
Tax Bracket 2.....	1.980%	1.980%	0.990%	0.990%
Tax Bracket 3.....	2.476%	2.476%	1.980%	1.980%
Tax Bracket 4.....	2.969%	2.969%	2.476%	2.476%
Tax Bracket 5.....	3.465%	3.465%	2.969%	2.969%
Tax Bracket 6.....	3.960%	3.960%	3.465%	3.465%
Tax Bracket 7.....	4.597%	4.597%	3.960%	3.960%
Tax Bracket 8.....	4.997%	4.997%	4.597%	4.597%
Tax Bracket 9.....	(C)	(C)	4.997%	4.997%

TAX BRACKETS BY CALENDAR YEAR

Ohio Income Tax Brackets (A)	2018 (B)	2017	2016	2015
Tax Bracket 1.....	\$0- \$10,850	\$0- \$10,650	\$0- \$5,250	\$0- \$5,200
Tax Bracket 2.....	10,851- 16,300	10,651- 16,000	5,250- 10,500	5,200- 10,400
Tax Bracket 3.....	16,300- 21,750	16,000- 21,350	10,500- 15,800	10,400- 15,650
Tax Bracket 4.....	21,750- 43,450	21,350- 42,650	15,800- 21,100	15,650- 20,900
Tax Bracket 5.....	43,450- 86,900	42,650- 85,300	21,100- 42,100	20,900- 41,700
Tax Bracket 6.....	86,900- 108,700	85,300- 106,650	42,100- 84,200	41,700- 83,350
Tax Bracket 7.....	108,700- 217,400	106,650- 213,350	84,200- 105,300	83,350- 104,250
Tax Bracket 8.....	217,400 & above	213,350 & above	105,300- 210,600	104,250- 208,500
Tax Bracket 9.....	(C)	(C)	210,600 & above	208,500 & above

Source:

Ohio Department of Taxation

Note:

(A) O.R.C. 5747.02 (A) directs that the Tax Commission will adjust the income brackets for inflation.

(B) Calendar year 2018 is most recent year for which data available.

(C) Starting in calendar year 2017, there are only eight tax brackets.

2014	2013	2012	2011	2010	2009
0.528%	0.537%	0.587%	0.587%	0.618%	0.618%
1.057%	1.074%	1.174%	1.174%	1.236%	1.236%
2.113%	2.148%	2.348%	2.348%	2.473%	2.473%
2.642%	2.686%	2.935%	2.935%	3.091%	3.091%
3.169%	3.222%	3.521%	3.521%	3.708%	3.708%
3.698%	3.760%	4.109%	4.109%	4.327%	4.327%
4.226%	4.296%	4.695%	4.695%	4.945%	4.945%
4.906%	4.988%	5.451%	5.451%	5.741%	5.741%
5.333%	5.421%	5.925%	5.925%	6.240%	6.240%

2014	2013	2012	2011	2010	2009
\$0- \$5,200	\$0- \$5,200	\$0- \$5,200	\$0- \$5,100	\$0- \$5,050	\$0 - \$5,000
5,200- 10,400	5,200- 10,400	5,200- 10,400	5,101- 10,200	5,050- 10,100	5,001 - 10,000
10,400- 15,650	10,400- 15,650	10,400- 15,650	10,201- 15,350	10,100- 15,150	10,001 - 15,000
15,650- 20,900	15,650- 20,900	15,650- 20,900	15,351- 20,450	15,150- 20,200	15,001 - 20,000
20,900- 41,700	20,900- 41,700	20,900- 41,700	20,451- 40,850	20,200- 40,350	20,001 - 40,000
41,700- 83,350	41,700- 83,350	41,700- 83,350	40,851- 81,650	40,350- 80,700	40,001 - 80,000
83,350- 104,250	83,350- 104,250	83,350- 104,250	81,651- 102,100	80,700- 100,900	80,001 - 100,000
104,250- 208,500	104,250- 208,500	104,250- 208,500	102,101- 204,200	100,900- 201,800	100,001 - 200,000
208,500 & above	208,500 & above	208,500 & above	204,200 & above	201,800 & above	200,001 & above

STATE OF OHIO

STATE INDIVIDUAL INCOME TAX RETURNS AND LIABILITY BY INCOME LEVEL FOR TAX YEAR 2017 WITH COMPARATIVES FOR TAX YEAR 2008 (NINE YEARS PRIOR)

2017 TAX YEAR (most recent information available)			
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns	
		Number	Percentage of Total Returns
\$200,001 & Above	\$208,442,460	240,587	4.35%
\$100,001-\$200,000	89,495,361	672,039	12.16%
\$80,001-\$100,000	36,201,668	404,738	7.32%
\$40,001-\$80,000	83,447,726	1,458,016	26.38%
\$20,001-\$40,000	37,884,546	1,281,921	23.19%
\$15,001-\$20,000	6,335,595	362,798	6.56%
\$10,001-\$15,000	4,792,183	382,785	6.92%
\$5,001-\$10,000	2,806,528	374,289	6.77%
\$5,000 & Under	927,804	350,583	6.34%
	<u>\$470,333,871</u>	<u>5,527,756</u>	<u>100.00%</u>

2008 TAX YEAR			
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns	
		Number	Percentage of Total Returns
\$200,001 & Above	\$105,627,306	132,364	2.46%
\$100,001-\$200,000	57,143,634	437,315	8.14%
\$80,001-\$100,000	30,997,452	347,720	6.47%
\$40,001-\$80,000	80,062,100	1,404,208	26.13%
\$20,001-\$40,000	39,555,826	1,344,980	25.02%
\$15,001-\$20,000	7,138,855	408,594	7.60%
\$10,001-\$15,000	5,372,208	429,921	8.00%
\$5,001-\$10,000	3,323,616	445,098	8.28%
\$5,000 & Under	1,152,237	424,436	7.90%
	<u>\$330,373,234</u>	<u>5,374,636</u>	<u>100.00%</u>

Source:

Ohio Department of Taxation

Note:

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$2,946,308	37.69%	1.41%
2,193,591	28.07%	2.45%
766,423	9.81%	2.12%
1,491,414	19.08%	1.79%
382,888	4.90%	1.01%
26,538	0.34%	0.42%
8,843	0.11%	0.18%
131	0.00%	0.00%
167	0.00%	0.02%
<u>\$7,816,303</u>	<u>100.00%</u>	1.66%

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$2,759,163	33.09%	2.61%
1,981,220	23.76%	3.47%
913,562	10.96%	2.95%
1,956,914	23.47%	2.44%
652,597	7.83%	1.65%
56,588	0.68%	0.79%
17,682	0.21%	0.33%
224	0.00%	0.01%
194	0.00%	0.02%
<u>\$8,338,144</u>	<u>100.00%</u>	2.52%

STATE OF OHIO

SALES TAX REVENUE BY TYPE, TAX REVENUES OF GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(cash basis of accounting)

(dollars in thousands)

	2019	2018	2017	2016
Vendors' Sales.....	\$ 9,234,581	\$ 8,865,860	\$ 9,370,739	\$ 9,128,017
Motor Vehicles and Watercraft.....	1,524,842	1,461,660	1,413,448	1,363,324
Alcoholic Beverages.....	67,565	61,751	58,688	55,005
Delinquencies and Assessments.....	60,900	64,119	65,500	90,158
Permissive Taxes:				
County Levies.....	21,554	20,862	21,288	20,848
Transit Authorities.....	4,686	4,592	4,789	4,691
Total Sales Tax Revenue.....	<u>\$ 10,914,128</u>	<u>\$ 10,478,844</u>	<u>\$ 10,934,452</u>	<u>\$ 10,662,043</u>
Base State Sales Tax Rates.....	<u>5.75%</u>	<u>5.75%</u>	<u>5.75%</u>	<u>5.75%</u>

Source:

Ohio Department of Taxation

Ohio Office of Budget and Management

2015	2014	2013	2012	2011	2010
\$ 8,816,637	\$ 8,132,482	\$ 7,485,702	\$ 7,190,870	\$ 6,752,244	\$ 6,349,058
1,332,239	1,224,236	1,110,055	1,066,141	988,447	894,332
50,285	46,087	41,683	38,814	36,218	35,051
60,793	62,726	63,708	74,956	63,582	62,046
19,221	17,163	16,046	14,970	14,249	13,644
4,474	4,180	4,008	3,845	3,635	3,383
<u>\$ 10,283,649</u>	<u>\$ 9,486,874</u>	<u>\$ 8,721,202</u>	<u>\$ 8,389,596</u>	<u>\$ 7,858,375</u>	<u>\$ 7,357,514</u>
<u>5.75%</u>	<u>5.75%</u>	<u>5.75%</u>	<u>5.50%</u>	<u>5.50%</u>	<u>5.50%</u>

STATE OF OHIO

WORKERS' COMPENSATION ENTERPRISE FUND ACTIVE EMPLOYERS, PREMIUM AND ASSESSMENT INCOME AND ACTUAL AVERAGE COLLECTED PREMIUM RATE FOR THE LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015
Active Employers by Type					
Private.....	244,247	236,591	237,249	239,331	247,829
Public (Local).....	3,796	3,784	3,796	3,796	3,807
Public (State).....	115	115	121	121	121
Self-Insured.....	1,160	1,173	1,166	1,178	1,180
Black Lung.....	26	28	28	31	34
Marine Fund.....	128	121	114	138	135
Total.....	<u>249,472</u>	<u>241,812</u>	<u>242,474</u>	<u>244,595</u>	<u>253,106</u>
Premium & Assessment Income <i>(dollars in thousands)</i>					
Premium & Assessment Income.....	\$ 1,322,274	\$ 1,202,517	\$ 1,574,212	\$ 1,456,855	\$ 1,993,706
Provision for Uncollectibles.....	<u>(31,775)</u>	<u>(39,577)</u>	<u>(29,662)</u>	<u>(17,712)</u>	<u>(39,532)</u>
Total Premium & Assessment Income.....	<u>\$ 1,290,499</u>	<u>\$ 1,162,940</u>	<u>\$ 1,544,550</u>	<u>\$ 1,439,143</u>	<u>\$ 1,954,174</u>
Average Published Rate per \$100 of Payroll:					
Private Employers.....	\$0.95	\$0.95	\$1.10	\$1.07	\$1.17
Public Employers-Taxing Districts.....	0.85	0.97	1.03	1.03	1.12

Source:

Ohio Bureau of Workers' Compensation Year-End Statistics Report

2014	2013	2012	2011	2010
249,602	249,085	249,668	250,432	251,009
3,815	3,794	3,801	3,802	3,790
121	129	122	125	124
1,197	1,205	1,196	1,203	1,202
36	36	35	39	37
146	139	132	120	106
<u>254,917</u>	<u>254,388</u>	<u>254,954</u>	<u>255,721</u>	<u>256,268</u>

\$ 2,142,549	\$ 1,533,153	\$ 1,992,018	\$ 1,983,255	\$ 2,148,280
(56,728)	(40,764)	(47,540)	(48,075)	(29,859)
<u>\$ 2,085,821</u>	<u>\$ 1,492,389</u>	<u>\$ 1,944,478</u>	<u>\$ 1,935,180</u>	<u>\$ 2,118,421</u>

\$1.30	\$1.43	\$1.43	\$1.49	\$1.49
1.23	1.24	1.31	1.38	1.46

STATE OF OHIO
LOTTERY COMMISSION ENTERPRISE FUND
TICKET SALES BY MAJOR GAME TYPE
FOR THE LAST TEN FISCAL YEARS
(dollars in millions)

	2019	2018	2017	2016	2015
Online Games:					
Pick 3.....	\$ 354.0	\$ 340.1	\$ 340.0	\$ 343.0	\$ 338.0
Pick 4.....	216.9	205.1	201.0	200.3	192.8
Pick 5 (B).....	44.5	40.8	38.1	36.4	33.3
Rolling Cash 5.....	52.1	53.0	55.5	60.3	62.6
Classic Lotto/Kicker(A).....	31.4	34.4	30.9	35.8	31.0
Raffle.....	-	-	3.6	-	7.0
Kicker(A).....	-	-	-	-	4.7
Mega Millions/Megaplier(A).....	192.7	120.1	93.3	102.2	113.3
EZPLAY.....	100.4	113.2	120.2	115.2	99.8
Ten-OH!(B).....	-	-	-	-	-
Keno.....	453.9	421.1	396.3	365.9	329.5
Power Ball/Power Play.....	143.3	148.1	129.8	193.5	105.0
EZPLAY TAP(C).....	40.8	31.8	30.0	31.5	24.0
EZPLAY Touch & Win(D)(E).....	30.4	19.5	16.0	0.7	-
Lucky for Life(D).....	20.4	20.7	19.9	14.1	-
The Lucky One(F).....	16.9	11.6	-	-	-
Total Online Games.....	1,697.7	1,559.5	1,474.6	1,498.9	1,341.0
Instant Games.....	1,663.0	1,600.6	1,527.1	1,560.7	1,551.0
Total Ticket Sales.....	<u>\$ 3,360.7</u>	<u>\$ 3,160.1</u>	<u>\$ 3,001.7</u>	<u>\$ 3,059.6</u>	<u>\$ 2,892.0</u>

Source:
Ohio Lottery Commission

Note:

- (A) In fiscal year 2011, the Kicker was retired and the Megaplier was added. Kicker was reintroduced in 2012 as an add-on to Classic Lotto.
- (B) August 2012, the Ten-Oh game was replaced by Pick 5.
- (C) In fiscal year 2015, the EZPLAY TAP game was introduced.
- (D) In fiscal year 2016, the EZPLAY QUICKENO and Lucky for Life was introduced.
- (E) In fiscal year 2018, EZPLAY QUICKENO was rebranded to EZPLAY Touch & Win.
- (F) In fiscal year 2018, the Lucky One was introduced.

	2014	2013	2012	2011	2010
\$	339.0	\$ 345.2	\$ 357.4	\$ 364.4	\$ 366.7
	185.8	189.8	207.9	209.0	201.3
	27.9	28.0	-	-	-
	63.4	61.5	63.8	62.4	67.1
	54.1	41.5	42.3	42.7	42.8
	1.0	9.1	10.0	10.0	9.1
	6.0	5.1	0.9	10.3	24.1
	133.4	102.8	179.3	165.0	215.8
	84.8	68.0	46.5	30.9	30.4
	-	0.8	8.3	9.2	9.7
	298.1	251.5	209.8	157.9	120.6
	122.8	166.6	105.3	76.4	23.6
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	1,316.3	1,269.9	1,231.5	1,138.2	1,111.2
	1,426.8	1,428.0	1,507.5	1,462.8	1,379.0
\$	<u>2,743.1</u>	<u>2,697.9</u>	<u>2,739.0</u>	<u>2,601.0</u>	<u>2,490.2</u>

STATE OF OHIO
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

Governmental Activities					
As of June 30,	General Obligation Bonds	Revenue Bonds and Notes	Special Obligation Bonds	Certificates of Participation	Capital Leases
2019	\$ 9,570,682	\$ 6,570,318	\$ 2,213,180	\$ 277,452	\$ 21,044
2018	9,734,361	6,689,337	2,237,096	204,620	19,632
2017	9,297,641	6,394,647	2,016,991	241,627	17,361
2016	9,283,156	6,261,882	1,930,592	194,899	8,806
2015	9,149,055	6,409,774	1,906,844	231,837	2,072
2014	9,366,348	6,355,222	1,836,136	173,603	3,055
2013	8,812,499	6,486,884	1,925,252	198,266	2,294
2012	8,888,085	7,129,786	2,090,889	156,664	4,199
2011	7,872,276	7,156,025	2,260,853	179,935	6,530
2010	7,343,289	6,891,331	2,338,094	200,428	8,624

Source:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Office of Budget and Management

Note:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

(dollars in thousands)

Business-Type Activities

Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
\$ -	\$ 4,654	\$ 18,657,330	3.27%	1,596
-	3,164	18,888,210	3.47%	1,620
-	6,277	17,974,544	3.47%	1,548
-	10,077	17,689,412	3.50%	1,523
-	13,094	17,712,676	3.62%	1,528
-	15,357	17,749,721	3.75%	1,534
15,422	33,009	17,473,626	3.78%	1,514
31,633	45,289	18,346,545	4.21%	1,589
47,889	58,007	17,581,515	4.21%	1,524
64,200	66,757	16,912,723	4.12%	1,465

STATE OF OHIO

RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING FOR THE LAST TEN FISCAL YEARS

Bonded Debt (dollars in thousands)					
As of June 30,	General Obligation Bonds	Special Obligation Bonds	Total Bonded Debt	Percentage of Personal Income	Per Capita Total Bonded Debt
2019	\$9,570,682	\$2,213,180	\$11,783,862	2.07%	1,008
2018	9,734,361	2,237,096	11,971,457	2.20%	1,027
2017	9,297,641	2,016,991	11,314,632	2.18%	974
2016	9,283,156	1,930,592	11,213,748	2.22%	966
2015	9,149,055	1,906,844	11,055,899	2.26%	954
2014	9,366,348	1,836,136	11,202,484	2.37%	968
2013	8,812,499	1,925,252	10,737,751	2.32%	930
2012	8,888,085	2,090,889	10,978,974	2.52%	951
2011	7,872,276	2,260,853	10,133,129	2.43%	878
2010	7,343,289	2,338,094	9,681,383	2.36%	839

Source:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Office of Budget and Management

Note:

This table includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service and Capital Projects Funds. Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

In fiscal year 2018, the table was restated to reflect Total Bonded Debt rather than Net Bonded Debt for the ten year period. The Total Bonded Debt, Percentage of Personal Income, and Per Capita Total Bonded Debt were restated accordingly.

Debt Service Fund:

- Coal Research/Development General Obligations
- Local Infrastructure Improvements General Obligations
- State Projects General Obligations
- Highway Capital Improvements General Obligations
- Higher Education Capital Facilities General Obligations
- Common Schools Capital Facilities General Obligations
- Conservation Projects General Obligations
- Third Frontier Research/Development General Obligations
- Job Ready Site Development General Obligations
- Persian Golf Conflict Compensation General Obligations
- Lease Rental Special Obligations*

Capital Projects Fund:

- Mental Health/Developmental Disabilities Facilities Improvements
- Adult Correctional Building Improvements

* As of fiscal year 2012, Lease Rental Special Obligations encompasses Chapter 154 Special Obligations, Higher Education Facilities Special Obligations, Mental Health Facilities Special Obligations, Parks and Recreation Facilities Special Obligations, and Ohio Building Authority Special Obligations.

STATE OF OHIO

ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS) FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

	2019	2018	2017	2016	2015
Debt Service Expenditures.....	\$ 1,402,757	\$ 1,338,396	\$ 1,328,277	\$ 1,314,513	\$ 1,278,259
General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund.....	\$ 34,921,508	\$ 33,642,813	\$ 35,218,700	\$ 34,997,700	\$ 32,463,100
Calculation of Annual 5% Debt Service Cap.....	\$ 1,746,075	\$ 1,682,141	\$ 1,760,935	\$ 1,749,885	\$ 1,623,155
Amount Under the Debt Service Expenditure Cap.....	\$ 343,318	\$ 343,745	\$ 432,658	\$ 435,372	\$ 344,896
Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers.....	4.02%	3.98%	3.77%	3.76%	3.94%

Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

Source:

Ohio Office of Budget and Management

Note:

- (A) Debt Service Expenditures reflect the restructuring of net debt service payments into later fiscal years.
- (B) Revenues and Transfers from the Lottery enterprise Fund excludes federal funds from the American Recovery Act of 2009.

<u>2014</u>	<u>2013</u>	<u>2012(A)</u>	<u>2011(A)(B)</u>	<u>2010(A)(B)</u>
\$ 1,237,701	\$ 1,204,776	\$ 692,776	\$ 755,023	\$ 710,284
\$ 30,137,140	\$ 30,362,815	\$ 27,956,513	\$ 26,777,100	\$ 24,108,466
\$ 1,506,857	\$ 1,518,141	\$ 1,397,826	\$ 1,338,855	\$ 1,205,423
\$ 269,156	\$ 313,365	\$ 705,050	\$ 583,832	\$ 495,139
4.11%	3.97%	2.48%	2.82%	2.95%

STATE OF OHIO
REVENUE BOND AND NOTE COVERAGE
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)

Buckeye Tobacco Settlement Financing Authority Revenue Bonds

Fiscal Year	Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund			Debt Service Requirements			Coverage
	Gross Revenues (A)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	
2019	\$307,169	N/A	\$307,169	\$11,890	\$288,351	\$300,241	1.02
2018	337,774	N/A	337,774	44,590	290,659	335,249	1.01
2017	282,512	N/A	282,512	38,995	292,609	331,604	0.85
2016	299,239	N/A	299,239	35,000	294,359	329,359	0.91
2015	286,914	N/A	286,914	26,640	295,691	322,331	0.89
2014	293,573	N/A	293,573	23,995	296,892	320,887	0.91
2013	296,261	N/A	296,261	12,320	285,700	298,020	0.99
2012	295,259	N/A	295,259	20,295	274,874	295,169	1.00
2011	291,908	N/A	291,908	23,760	275,967	299,727	0.97
2010	305,096	N/A	305,096	28,695	277,323	306,018	1.00

Infrastructure Bank Revenue Bonds

Issuer: Treasurer of State

Fiscal Year	Highway Operating Fund			Debt Service Requirements			Coverage
	Gross Revenues (B)	Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	
2019	\$185,013	N/A	\$185,013	\$139,380	\$48,461	\$187,841	0.98
2018	149,213	N/A	149,213	117,555	34,154	151,709	0.98
2017	151,170	N/A	151,170	124,280	38,571	162,851	0.93
2016	176,933	N/A	176,933	144,405	35,414	179,819	0.98
2015	170,368	N/A	170,368	200,801	38,699	239,500	0.71
2014	167,653	N/A	167,653	136,415	41,511	177,926	0.94
2013	160,339	N/A	160,339	123,685	44,357	168,042	0.95
2012	152,561	N/A	152,561	123,235	50,338	173,573	0.88
2011	147,045	N/A	147,045	114,095	40,395	154,490	0.95
2010	145,094	N/A	145,094	111,080	36,632	147,712	0.98

(continued)

Notes:

- (A) The Buckeye Tobacco Settlement Financing Authority revenue bonds were first issued in fiscal year 2008. Gross revenues consist of tobacco settlement receipts (TSRs) and investment income.
- (B) The gross revenue for Infrastructure Bank Revenue Bonds includes GARVEE receipts, which stands for Grant Anticipation Revenue Vehicles, and other revenue. GARVEE receipts are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

STATE OF OHIO
REVENUE BOND AND NOTE COVERAGE
FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)
(continued)

Economic Development and Revitalization Project Revenue Bonds and Notes
Issuer: Treasurer of State

Fiscal Year	Liquor Control Enterprise Fund			Debt Service Requirements			Coverage
	Gross Liquor Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	
2013 (C)	\$485,607	\$310,209	\$175,398	\$26,440	\$15,168	\$41,608	4.22
2012 (D)	791,454	543,375	248,079	119,625	31,613	151,238	1.64
2011	733,573	507,417	226,156	24,710	31,682	56,392	4.01
2010	706,736	488,730	218,006	21,940	25,447	47,387	4.60

Bureau of Workers' Compensation Revenue Bonds
Issuer: Ohio Building Authority

Fiscal Year	Workers' Compensation Enterprise Fund			Debt Service Requirements			Coverage
	Gross Revenues (E)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	
2014 (F)	\$5,107,570	\$2,408,977	\$2,698,593	\$15,200	\$751	\$15,951	169.18
2013 (G)	2,404,966	3,419,204	(1,014,238)	15,915	1,543	17,458	N/A
2012	4,002,237	1,934,524	2,067,713	15,890	2,326	18,216	113.51
2011	4,314,528	2,343,117	1,971,411	15,865	3,110	18,975	103.90
2010 (H)	4,183,060	2,849,661	1,333,399	15,930	3,866	19,796	67.36

Source:

Ohio Office of Budget and Management

Note (continued):

- (C) On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system. Activity of the Liquor Control Enterprise Fund ceased as of January 31, 2013. The final debt service payments on the Economic Development and Revitalization Project Revenue Bonds and Notes were made during fiscal year 2013.
- (D) Fiscal year 2012 debt service requirements includes payments for Bond Anticipation Notes (BANS), the term of which is no longer than one year.
- (E) Gross revenues consist of operating revenues and investment income.
- (F) The final debt service payments on the Bureau of Workers' Compensation Revenue Bonds were made during fiscal year 2014.
- (G) During fiscal year 2013, the Bureau of Workers' Compensation (BWC) adjusted its premium rates and recorded a premium rebate.
- (H) Investment income for fiscal year 2010 increased by approximately \$2 billion as a result of the implementation of a strategy to diversify fixed and equity investments, a comprehensive update to BWC's investment policy, and the selection of investment managers to execute its passive investment strategy.

STATE OF OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year	Population (in thousands)				Per Capita Personal Income		
	U.S.	Change from Prior Period	Ohio	Change from Prior Period	U.S.	Ohio	Ohio as a Percentage of U.S.
2018	327,167	1,448	11,689	30	\$54,446	\$48,739	89.5%
2017	325,719	2,591	11,659	45	51,640	46,732	90.5%
2016	323,128	1,709	11,614	1	49,246	44,593	90.6%
2015	321,419	2,562	11,613	19	48,112	43,566	90.6%
2014	318,857	2,728	11,594	23	46,049	42,236	91.7%
2013	316,129	2,215	11,571	27	44,543	40,865	91.7%
2012	313,914	2,322	11,544	(1)	42,693	40,057	93.8%
2011	311,592	2,242	11,545	9	41,663	37,791	90.7%
2010	309,350	2,343	11,536	(7)	39,945	36,180	90.6%
2009	307,007	2,947	11,543	57	39,138	35,381	90.4%

Source:

U.S. Department of Commerce, Bureau of Economic Analysis for Population, Income, and Employment
Ohio Department of Job and Family Services for unemployment rates
Ohio Department of Education for school enrollment
Ohio Department of Public Safety for motor vehicle registrations

Civilian Labor Force
(in thousands)

Ohioans Employed	Ohio's Unemployment Rate	Public School Enrollment in Ohio (in thousands)	Motor Vehicles Registered in Ohio (in thousands)
7,093	4.6%	1,783	13,232
6,995	5.0%	1,791	13,127
6,958	4.9%	1,790	13,157
6,886	4.9%	1,784	13,039
6,753	5.7%	1,799	11,443
6,663	7.4%	1,845	11,998
6,617	7.2%	1,850	11,840
6,521	8.6%	1,860	11,788
6,454	10.1%	1,872	12,027
6,469	10.2%	1,893	11,792

STATE OF OHIO
PRINCIPAL EMPLOYERS
FOR CALENDAR YEARS 2018 AND 2009

Employer	2018			2009		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
United States Government	78,786	1	1.11%	79,422	1	1.23%
Wal-Mart	50,200	2	0.71%	54,200	3	0.84%
Cleveland Clinic	49,800	3	0.70%	37,800	5	0.59%
State of Ohio	48,196	4	0.68%	55,007	2	0.85%
Kroger Company	45,150	5	0.64%	38,000	4	0.59%
The Ohio State University	33,300	6	0.47%	26,800	7	0.42%
Mercy Health	32,200	7	0.45%			0.00%
University Hospitals Health System	26,000	8	0.37%	21,800	8	0.34%
OhioHealth	21,100	9	0.30%			0.00%
JP Morgan Chase & Co	21,000	10	0.30%	17,500	9	0.27%
Catholic Healthcare Partners				28,200	6	0.44%
Giant Eagle				17,000	10	0.26%

Source:
 U.S. Department of Commerce, Bureau of Economic Analysis
 Ohio Development Services Agency, Office of Strategic Research
 State of Ohio Comprehensive Annual Report for Fiscal Year 2018 and 2009

STATE OF OHIO

FULL-TIME AND PART-TIME PERMANENT STATE EMPLOYEES DURING THE MONTH OF JUNE BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	Number of Employees			
	2019	2018	2017	2016
Primary, Secondary and Other Education.....	998	982	997	1,014
Higher Education Support.....	67	68	69	72
Public Assistance and Medicaid.....	2,176	2,209	2,229	2,202
Health and Human Services.....	8,244	8,195	8,273	8,303
Justice and Public Protection.....	20,102	20,189	20,285	20,194
Environmental Protection and Natural Resources.....	2,620	2,630	2,662	2,606
Transportation.....	4,925	4,874	4,917	4,873
General Government.....	4,643	4,635	4,705	4,705
Community and Economic Development.....	866	861	990	870
Workers' Compensation.....	1,721	1,721	1,744	1,778
Lottery Commission.....	387	375	378	378
Unemployment Compensation.....	581	636	703	744
Other.....	808	821	817	818
Total.....	<u>48,138</u>	<u>48,196</u>	<u>48,769</u>	<u>48,557</u>

Source:

Ohio Department of Administrative Services
Ohio Department of Job and Family Services

2015	2014	2013	2012	2011	2010
950	971	971	970	1,034	1,045
71	73	70	70	77	76
2,259	2,638	2,621	2,769	2,811	2,880
8,128	8,290	8,301	8,604	9,018	9,401
20,114	19,827	19,974	20,196	21,477	21,906
2,651	2,700	2,712	2,745	2,796	2,900
4,884	4,913	4,964	5,218	5,507	5,562
4,739	4,826	4,839	4,984	5,183	5,305
853	870	860	820	852	902
1,784	1,842	1,847	1,882	2,019	2,231
376	355	335	326	330	353
786	524	587	611	599	622
805	806	799	818	896	922
<u>48,400</u>	<u>48,635</u>	<u>48,880</u>	<u>50,013</u>	<u>52,599</u>	<u>54,105</u>

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

Function/Program	2019	2018	2017	2016	2015
<i>Primary, Secondary and Other Education</i>					
Ohio Department of Education:					
Fall Student Enrollment (Public Schools).....	1,782,974	1,791,218	1,790,089	1,784,397	1,799,107
Public School Districts (A).....	610	610	610	611	612
Community School Districts (A).....	320	340	362	372	382
Vocational School Districts.....	49	49	49	49	49
High School Graduation Rate (by School year).....	(B)	85.3%	84.1%	83.5%	83.0%
<i>Higher Education Support</i>					
Ohio Department of Higher Education (I):					
Student Enrollment at State-Assisted Institutions.....	490,082	490,243	491,402	492,555	498,276
State-Assisted Institutions.....	37	37	37	37	37
Ohio College Opportunity Grant Recipients.....	60,756	69,454	68,495	76,171	80,344
<i>Public Assistance and Medicaid</i>					
Ohio Department of Job and Family Services:					
Individuals with Medicaid Coverage (G)(J).....	—	—	—	—	—
Individuals Receiving Cash Assistance (OWF).....	90,247	101,602	103,900	108,262	114,913
Individuals on Medicaid Waiver (G)(J).....	—	—	—	—	—
Ohio Department of Medicaid:					
Individuals with Medicaid Coverage (G).....	2,866,000	3,007,745	3,083,568	3,024,213	2,960,279
Individuals on Medicaid Waiver (G).....	5,854	5,819	5,503	5,630	6,896
Ohio Department of Aging:					
Individuals on PASSPORT Waiver (J).....	24,014	25,083	23,111	23,106	21,492
Ohio Department of Developmental Disabilities:					
Individuals on DDD Waiver.....	40,349	39,627	38,487	36,627	35,119
<i>Health and Human Services</i>					
Ohio Department of Aging:					
Clients Served-PASSPORT (H).....	28,007	28,215	28,048	28,064	27,513
Clients Served-Congregate Meals (E).....	44,263	45,085	45,435	46,473	47,225
Clients Served-Home Delivered Meals.....	40,269	39,546	38,781	38,130	37,441
Clients Served-Transportation Provided.....	20,004	18,968	19,691	20,818	20,058
Ohio Department of Health:					
Average Monthly Caseload-Women, Infants, & Children.....					
	195,897	212,420	224,816	237,987	246,142
Ohio Department of Mental Health & Addiction Services:					
Clients Served (Addiction Services) (F).....	127,641	139,464	154,870	112,777	97,673
Facilities' Admissions.....	5,932	5,948	6,542	6,933	7,282
Facilities' Average Daily Residence Population.....	1,070	1,068	1,050	1,028	1,027
Individuals Served-Community Facilities (D).....	448,391	535,022	415,639	417,963	—
Ohio Department of Developmental Disabilities:					
Individuals Served-Community Facilities (D).....	94,768	92,980	93,892	94,056	514,579
Facilities' Average Daily Residence Population.....	640	661	701	806	926
<i>Justice and Public Protection</i>					
Ohio Department of Public Safety:					
Crashes Investigated.....	63,773	66,485	65,726	66,027	68,967
Total Arrests.....	570,520	634,084	578,579	642,268	606,888
Ohio Department of Rehabilitation and Correction:					
Inmate Population.....	49,031	49,379	50,174	51,001	50,407
<i>Environmental Protection and Natural Resources</i>					
Ohio Department of Natural Resources:					
Licenses and Registrations (C).....	2,232,201	2,299,572	2,308,438	2,346,769	2,345,788

2014	2013	2012	2011	2010
1,845,441	1,850,281	1,859,821	1,872,370	1,895,768
612	612	612	612	612
393	369	341	295	310
49	49	49	49	49
82.2%	82.2%	81.3%	79.7%	84.3%
510,794	521,368	539,058	543,468	522,913
37	37	37	37	37
86,435	94,479	98,751	78,334	66,779
—	2,382,381	2,213,104	2,151,760	2,035,693
124,033	140,368	181,934	224,647	227,657
—	10,941	13,410	13,146	12,897
2,509,360	—	—	—	—
10,715	—	—	—	—
38,771	38,379	42,060	41,443	38,185
34,411	29,066	28,077	26,416	24,023
43,593	42,521	42,060	41,443	38,188
47,384	48,541	50,347	63,453	60,264
35,298	35,960	36,056	39,037	44,735
20,095	20,273	21,702	20,144	27,413
252,253	267,011	277,379	283,997	301,587
94,685	104,058	99,605	103,763	107,547
7,761	7,089	6,756	5,753	5,756
1,021	1,013	1,008	977	989
—	—	—	—	—
546,041	466,634	451,907	446,939	429,132
942	1,000	1,184	1,228	1,335
70,170	63,599	64,519	69,113	68,222
603,094	576,700	554,794	508,418	497,915
50,420	50,153	49,774	50,561	50,807
2,426,968	2,387,225	2,506,036	2,434,183	2,520,192

(continued)

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS
(continued)

Function/Program	2019	2018	2017	2016	2015
<i>Transportation</i>					
Ohio Department of Transportation:					
Pavement Resurfacing (in miles):					
Two-Lane.....	2,854	3,103	4,029	3,347	2,843
Four-Lane.....	625	1,236	1,112	1,018	1,048
Interstate.....	1,014	980	1,145	1,147	680
<i>Workers' Compensation</i>					
Ohio Bureau of Workers' Compensation:					
Claims Filed.....	96,604	97,185	97,931	99,082	104,997
Open Claims.....	646,379	672,188	704,756	752,312	791,638
<i>Lottery</i>					
Ohio Lottery Commission:					
Prize Awards Paid (in billions).....	\$ 2.14	\$ 2.00	\$ 1.91	\$ 1.93	\$ 1.88
Bonuses and Commissions Paid (in millions).....	\$ 223.4	\$ 206.1	\$ 185.7	\$ 188.6	\$ 179.2
Transfers to					
Lottery Profits Education Fund (in millions).....	\$ 810.1	\$ 794.7	\$ 739.4	\$ 784.1	\$ 990.0
<i>Unemployment Compensation</i>					
Ohio Department of Job and Family Services:					
Initial Claims.....	354,259	384,578	414,766	440,484	472,813
Continuing Claims.....	2,715,458	3,009,916	3,250,737	3,400,000	3,647,400

Source:

Various state agencies, as noted above.

Note:

- (A) The number of school districts include only those with enrollment.
- (B) Data for the year indicated was not readily available.
- (C) Data includes hunting licenses, fishing licenses, permits, and boating licenses.
- (D) Prior to fiscal year 2016, the clients served by both the Department of Mental Health & Addiction Services and Department of Developmental Disabilities were reported as one total.
- (E) Department of Aging began using a new reporting system in fiscal year 2012, resulting in lower count for Congregate Meals served.
- (F) Beginning in fiscal year 2014, the Department of Mental Health and the Department of Alcohol & Drug Addiction Services merged to form the Department of Mental Health & Addiction Services (MHAS).
- (G) In fiscal year 2014, the Ohio Department of Medicaid was formed and the Medicaid and Medicaid Waiver operations were transferred to the new agency from the Ohio Department of Job and Family Services.
- (H) In fiscal year 2015, a number of clients transferred from the PASSPORT program to the MyCare Ohio program.
- (I) In fiscal year 2016, the Ohio Board of Regents was renamed the Ohio Department of Higher Education.
- (J) Average total.

2014	2013	2012	2011	2010
2,362	2,296	2,683	2,237	3,551
892	624	1,098	942	1,220
1,024	1,589	1,417	703	897
108,549	108,090	112,613	116,378	116,042
858,773	958,625	1,070,056	1,129,873	1,221,302
\$ 1.70	\$ 1.67	\$ 1.68	\$ 1.60	\$ 1.51
\$ 169.9	\$ 166.9	\$ 172.0	\$ 161.3	\$ 153.4
\$ 904.3	\$ 803.1	\$ 771.0	\$ 738.8	\$ 728.6
548,361	629,525	635,733	717,775	877,640
4,492,364	4,942,305	5,388,767	6,784,230	9,682,672

STATE OF OHIO
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 FOR THE LAST TEN FISCAL YEARS

Function/Program	2019	2018	2017	2016	2015
<i>Primary, Secondary and Other Education</i>					
Historical Sites Owned by the State.....	38	38	33	32	33
Historical Sites Jointly Owned by the State and the Ohio Historical Society.....	9	9	12	12	11
<i>Health and Human Services</i>					
Developmental Disabilities Institutions.....	8	10	10	10	10
Mental Health Institutions.....	6	6	6	6	6
<i>Justice and Public Protection</i>					
Rehabilitation and Correction Institutions.....	25	25	25	25	25
Youth Services Institutions.....	3	3	3	3	3
State Highway Patrol Structures.....	75	75	75	75	75
Number of Readiness Centers (B).....	48	48	48	48	49
<i>Environmental Protection and Natural Resources</i>					
Number of State Parks.....	75	74	74	74	74
Area of State Parks, Natural & Wildlife Lands (in acres).....	345,539	342,795	333,727	333,525	333,196
Area of State Forest Lands (in acres).....	200,690	200,183	200,185	199,344	204,247
<i>Transportation</i>					
Buildings.....	836	805	819	809	818
Number of Rest Stops.....	85	88	89	91	96
Licensed Vehicles.....	5,107	4,987	4,265	4,247	4,029
Infrastructure Assets(A):					
Pavement (in lane-miles):					
Priority Subsystem.....	13,724	13,849	13,720	13,748	13,737
General Subsystem.....	29,637	29,487	29,473	29,470	29,461
Bridges:					
Number of Bridges.....	14,344	14,305	14,276	14,266	14,229
Deck Area (in thousand square feet).....	108,195	107,372	107,489	106,580	106,206
<i>General Government</i>					
State Office Buildings (C).....	9	10	5	5	5
<i>Community and Economic Development</i>					
Permanent Agricultural Easement Land (in acres).....	75,996	71,420	65,860	62,942	56,761

Source:

- Ohio Department of Developmental Disabilities
- Ohio Department of Mental Health and Addiction Services
- Ohio Department of Rehabilitation and Correction
- Ohio Department of Youth Services
- Ohio Department of Natural Resources
- Ohio Department of Transportation
- Ohio Department of Agriculture
- Ohio Department of Administrative Services
- Ohio Department of Public Safety
- Ohio Historical Society
- Ohio Adjutant General's Department

Note:

- (A) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.
- (B) Three buildings were previously classified as armories/readiness centers.
In 2013 changes in federal regulation have changed the classifications of the three buildings.
- (C) Prior to fiscal year 2018, State Office Buildings consisted of state owned office towers.
Starting in fiscal year 2018, State Office Buildings include state owned office towers and buildings.

2014	2013	2012	2011	2010
34	35	35	35	35
9	8	8	8	8
10	10	10	10	10
6	6	6	9	9
25	26	26	29	29
3	4	4	4	5
76	76	77	81	79
48	51	50	50	50
74	74	74	74	74
332,903	332,754	332,106	327,906	324,421
204,054	203,736	203,078	191,155	191,143
828	830	830	825	830
96	96	116	109	110
4,428	4,475	4,604	4,530	4,524
13,650	13,499	13,109	13,059	12,932
29,512	29,591	29,918	29,932	29,959
14,236	14,223	14,182	14,234	14,253
106,474	105,690	105,309	105,721	105,413
5	5	5	5	5
54,214	52,452	47,424	40,726	36,124

Ohio

Office of Budget
and Management



Prepared by the Ohio Office of Budget and Management
State Accounting and Reporting

OHIO AUDITOR OF STATE KEITH FABER



STATE OF OHIO

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
APRIL 14, 2020