

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

Financial Statements
and
Supplementary Financial Information
For the Year Ended June 30, 2015
and
Independent Auditors' Report Thereon



Dave Yost • Auditor of State

Board of Directors
Treasurer of State Lease Revenue Bonds
30 East Broad Street, 9th Floor
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Treasurer of State Lease Revenue Bonds, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 10, 2015

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STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Financial Report
As of and for the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Treasurer of State of Ohio
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Debt Service Funds as held in the name of the Treasurer of the State of Ohio (the Funds) of the Higher Education Capital Facilities, Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Department of Rehabilitation and Correction, Department of Administrative Services, Department of Youth Services, Department of Public Safety, and the Department of Transportation lease revenue bonds governed by the Ohio Revised Code Chapter 154 (the Obligations), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Funds' 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 Funds' internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Treasurer of State of Ohio (which is part of the reporting entity of the State of Ohio) as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Funds' 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 Funds' internal control over financial reporting and compliance.



KENNEDY COTTRELL RICHARDS LLC

September 30, 2015

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2015
(UNAUDITED)

This section of the annual financial report for the Chapter 154 Lease Revenue Obligations presents management's discussion and analysis of financial performance during the year ended June 30, 2015. The management's discussion and analysis section should be read in conjunction with the Chapter 154 Lease Revenue Obligations debt service funds' financial statements, which follow. Chapter 154 refers to a chapter in the Ohio Revised Code (Ohio's statutes) titled, *Financing for Certain Capital Facilities*.

FINANCIAL HIGHLIGHTS

- As of June 30, 2015, total debt service fund assets exceeded liabilities and deferred inflows of resources by \$11.3 million. The total combined ending fund balance, which is restricted for debt service, decreased by \$3.3 million during fiscal year 2015.
- For fiscal year 2015, other financing sources from lease principal payments from state agency-lessees totaled \$227.7 million, and lease interest revenue was reported at \$73.6 million.
- During fiscal year 2015, the Treasurer of State issued \$274.3 million in new bonds with a total premium of \$41.9 million and \$42.3 million in refunding bonds with a total premium of \$2.8 million. In addition, \$229.5 million in bond principal and \$75.3 million in bond interest were paid to bondholders.

OVERVIEW OF THE FUND FINANCIAL STATEMENTS

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

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

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

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

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

In addition, supplementary financial information follows the notes. Supplementary financial information, which can be found on Pages 19 to 32, provides additional information that is considered to be useful to certain users of the financial statements.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2015
(UNAUDITED)

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

A comparative balance sheet analysis follows:

Balance Sheet
Comparative Analysis
(Dollars in 000s)

| | As of 06/30/15 | As of 06/30/14 | Percentage Change |
|--|---------------------------------|---------------------------------|------------------------------------|
| ASSETS: | | | |
| Cash and Investments..... | \$ 469 | \$ 3,222 | -85.4% |
| Receivable from State Agencies: | | | |
| Lease Principal..... | 1,773,335 | 1,726,365 | 2.7% |
| Lease Interest..... | 21,275 | 16,459 | 29.3% |
| TOTAL ASSETS | 1,795,079 | 1,746,046 | |
| LIABILITIES AND DEFERRED INFLOW OF RESOURCES: | | | |
| Accounts Payable..... | - | 25 | -100.0% |
| Deferred Inflow of Resources-Unavailable Revenue | 1,783,738 | 1,731,331 | 3.0% |
| TOTAL LIABILITIES AND DEFERRED | | | |
| INFLOW OF RESOURCES | 1,783,738 | 1,731,356 | |
| FUND BALANCES: | | | |
| Restricted for Debt Service..... | 11,341 | 14,690 | -22.8% |
| TOTAL FUND BALANCES | 11,341 | 14,690 | |
| TOTAL LIABILITIES, DEFERRED INFLOW OF | | | |
| RESOURCES, AND FUND BALANCES | \$ 1,795,079 | \$ 1,746,046 | |

The increase in lease principal receivable and unavailable revenue at June 30, 2015 compared to June 30, 2014 is the result of the Treasurer issuing new bonds and refunding bonds for amounts that exceeded the continued payoff of outstanding bond principal and defeasances of bond principal. The decrease in cash and investments at June 30, 2015 is primarily the result of capitalized interest held as of June 30, 2014 from the Adult Correctional 2014A bond issue that was applied to debt service during fiscal year 2015.

The tables that follow compare debt service fund revenues, expenditures, and other financing sources/(uses) reported for fiscal year 2015 with fiscal year 2014 results.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2015
(UNAUDITED)

Revenue
Comparative Analysis
(Dollars in 000s)

| | Fiscal Year 2015 | Percent of Total 2015 Revenue | Fiscal Year 2014 | Percent Change |
|---|---------------------------------|--|---------------------------------|---------------------------|
| Lease Interest from State Agencies..... | \$ 73,566 | 98.7% | \$ 77,982 | -5.7% |
| Administrative Fees..... | 974 | 1.3% | 1,020 | -4.5% |
| TOTAL REVENUES..... | \$ 74,540 | 100.0% | \$ 79,002 | |

As the above table indicates, 98.7% of debt service fund revenues for fiscal year 2015 were comprised of lease interest from State Agencies. Lease interest decreased for fiscal year 2015 primarily due to a decline in debt service interest requirements due to bond refundings that occurred during the year. Although outstanding leases increased substantially during fiscal year 2015, the debt service requirements related to the new bonds were minimal during the year.

Expenditures
Comparative Analysis
(Dollars in 000s)

| | Fiscal Year 2015 | Percent of Total 2015 Expenditures | Fiscal Year 2014 | Percent Change |
|--------------------------------|---------------------------------|---|---------------------------------|---------------------------|
| Administrative Costs..... | \$ 847 | 0.3% | \$ 889 | -4.7% |
| Debt Service: | | | | |
| Principal..... | 229,470 | 74.4% | 226,810 | 1.2% |
| Interest..... | 75,311 | 24.4% | 81,642 | -7.8% |
| Bond Issue Costs..... | 2,637 | 0.9% | 1,274 | 107.0% |
| TOTAL EXPENDITURES..... | \$ 308,265 | 100.0% | \$ 310,615 | |

As the table above shows, 98.8% of total reported expenditures for fiscal year 2015 were for debt service payments (principal and interest). Interest expenditures for fiscal year 2015 were less than fiscal year 2014 by 7.8% due to the Treasurer issuing refunding bonds in fiscal year 2015 that refunded a portion of the interest that was due in fiscal year 2015. Principal expenditures for fiscal year 2015 were more than fiscal year 2014 by 1.2%. This increase is due to varying maturity schedules for the outstanding bonds. Though outstanding bonds increased substantially in fiscal year 2015, debt service requirements on the new bonds were minimal during the year. Bond issuance costs increased for fiscal year 2015 primarily because the costs associated with the two new money bond issuances and the one refunding bond issuance were more than the issuance costs associated with the prior year issuances.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2015
(UNAUDITED)

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

| | Fiscal Year 2015 | Fiscal Year 2014 | Percent Change |
|---|---------------------------------|---------------------------------|---------------------------|
| Lease Principal Payments from State Agencies..... | \$ 227,705 | \$ 224,770 | 1.3% |
| Bond Proceeds: | | | |
| Principal..... | 274,300 | 145,000 | 89.2% |
| Premium..... | 41,878 | 13,533 | 209.5% |
| Refunding Bond Proceeds: | | | |
| Principal..... | 42,315 | 3,815 | 1009.2% |
| Premium..... | 2,820 | 280 | 907.1% |
| Payments to Refunding Escrow Agent | (44,521) | (3,991) | 1015.5% |
| Financing Provided to State Agencies Under Leases..... | (314,121) | (150,082) | 109.3% |
| TOTAL OTHER FINANCING SOURCES/(USES)..... | <u>\$ 230,376</u> | <u>\$ 233,325</u> | |

The increase in new money bond proceeds (principal and premium) and financing provided to state agencies under leases are the result of two larger bond issuances, involving six new series of bonds, in fiscal year 2015 compared to three bond issuances in fiscal year 2014. The increase in refunding bond proceeds (principal and interest) and payments to refunding escrow agent are the result of one larger refunding issuance, involving four series of bonds, during the 2015 fiscal year compared to the one smaller refunding issuance during the 2014 fiscal year.

BUDGETARY HIGHLIGHTS

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

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STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Management's Discussion and Analysis (Continued)
As of and For the Year Ended June 30, 2015
(UNAUDITED)

ECONOMIC FACTORS

- Generally, interest rates affect the pricing of new bond issues. Currently the Federal Open Market Committee (FOMC) at the Federal Reserve has decided to keep its target for the federal funds rate 0% to 0.25%.
- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2015, were as follows (dollars in thousands):

| <u>Bond Type</u> | <u>Authorized, but Unissued</u> |
|----------------------------------|--|
| Higher Education Facilities | \$ - |
| Mental Health Facilities | 63,915 |
| Parks and Recreation Facilities | 150,000 |
| Cultural and Sports Facilities | 88,310 |
| Adult Correctional Facilities | 234,500 |
| Administrative Facilities | 55,000 |
| Juvenile Correctional Facilities | 19,000 |
| Highway Safety Facilities | 2,715 |
| Transportation Facilities | 15,700 |
| Total | <u>\$ 629,140</u> |

CONTACTING THE TREASURER OF STATE'S FINANCIAL MANAGEMENT

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

CHAPTER 154
LEASE REVENUE OBLIGATIONS
DEBT SERVICE FUNDS
FINANCIAL STATEMENTS

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Debt Service Funds
Balance Sheet
As of June 30, 2015
(Dollars in 000s)

| | Higher Education Facilities Bond Service | Mental Health Facilities Bond Service | Parks and Recreation Facilities Bond Service | Cultural and Sports Facilities Bond Service | Adult Correctional Facilities Bond Service | Administrative Facilities Bond Service | Juvenile Correctional Facilities Bond Service | Highway Safety Facilities Bond Service | Transportation Building Bond Service | Total Debt Service Funds |
|--|--|---|--|---|---|--|--|--|--|--------------------------------|
| ASSETS: | | | | | | | | | | |
| Cash..... | \$ 19 | \$ 2 | \$ 20 | \$ 23 | \$ 47 | \$ 9 | \$ 28 | \$ 17 | \$ 4 | \$ 169 |
| Investments..... | - | - | - | - | - | 300 | - | - | - | 300 |
| Receivable from State Agencies: | | | | | | | | | | |
| Lease Principal..... | - | 191,005 | 121,565 | 104,700 | 460,000 | 675,510 | 124,920 | 11,335 | 84,300 | 1,773,335 |
| Lease Interest..... | - | 2,233 | 1,225 | 1,095 | 5,530 | 8,129 | 1,260 | 101 | 1,702 | 21,275 |
| TOTAL ASSETS..... | 19 | 193,240 | 122,810 | 105,818 | 465,577 | 683,948 | 126,208 | 11,453 | 86,006 | 1,795,079 |
| LIABILITIES: | | | | | | | | | | |
| TOTAL LIABILITIES..... | - | - | - | - | - | - | - | - | - | - |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | | | | |
| Unavailable Revenue..... | - | 187,132 | 118,024 | 105,795 | 465,530 | 683,639 | 126,180 | 11,436 | 86,002 | 1,783,738 |
| TOTAL DEFERRED INFLOW OF RESOURCES..... | - | 187,132 | 118,024 | 105,795 | 465,530 | 683,639 | 126,180 | 11,436 | 86,002 | 1,783,738 |
| FUND BALANCES: | | | | | | | | | | |
| Restricted for Debt Service..... | 19 | 6,108 | 4,786 | 23 | 47 | 309 | 28 | 17 | 4 | 11,341 |
| TOTAL FUND BALANCES..... | 19 | 6,108 | 4,786 | 23 | 47 | 309 | 28 | 17 | 4 | 11,341 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES..... | \$ 19 | \$ 193,240 | \$ 122,810 | \$ 105,818 | \$ 465,577 | \$ 683,948 | \$ 126,208 | \$ 11,453 | \$ 86,006 | \$ 1,795,079 |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Debt Service Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015
(Dollars in 000s)

| | Higher Education Facilities Bond Service | Mental Health Facilities Bond Service | Parks and Recreation Facilities Bond Service | Cultural and Sports Facilities Bond Service | Adult Correctional Facilities Bond Service | Administrative Facilities Bond Service | Juvenile Correctional Facilities Bond Service | Highway Safety Facilities Bond Service | Transportation Building Bond Service | Total Debt Service Funds |
|---|--|---|--|---|---|--|--|--|--|--------------------------------|
| REVENUES: | | | | | | | | | | |
| Lease Interest from State Agencies..... | \$ - | \$ 7,158 | \$ 4,125 | \$ 5,132 | \$ 21,297 | \$ 30,611 | \$ 4,756 | \$ 487 | \$ - | \$ 73,566 |
| Administrative Fees..... | - | 40 | 40 | 594 | 100 | 100 | 70 | 30 | - | 974 |
| TOTAL REVENUES..... | - | 7,198 | 4,165 | 5,726 | 21,397 | 30,711 | 4,826 | 517 | - | 74,540 |
| EXPENDITURES: | | | | | | | | | | |
| Administrative Costs..... | 7 | 38 | 19 | 573 | 56 | 95 | 46 | 13 | - | 847 |
| Debt Service: | | | | | | | | | | |
| Principal..... | - | 27,925 | 17,715 | 23,215 | 74,935 | 61,385 | 22,390 | 1,905 | - | 229,470 |
| Interest..... | - | 6,630 | 3,731 | 5,146 | 24,206 | 30,315 | 4,779 | 504 | - | 75,311 |
| Bond Issue Costs..... | - | 369 | 307 | 144 | 146 | 754 | 339 | - | 578 | 2,637 |
| TOTAL EXPENDITURES..... | 7 | 34,962 | 21,772 | 29,078 | 99,343 | 92,549 | 27,554 | 2,422 | 578 | 308,265 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES..... | (7) | (27,764) | (17,607) | (23,352) | (77,946) | (61,838) | (22,728) | (1,905) | (578) | (233,725) |
| OTHER FINANCING SOURCES/(USES): | | | | | | | | | | |
| Lease Principal Payments from State Agencies..... | - | 28,075 | 15,800 | 23,215 | 74,935 | 61,385 | 22,390 | 1,905 | - | 227,705 |
| Bond Proceeds: | | | | | | | | | | |
| Principal..... | - | 50,000 | 40,000 | - | - | 80,000 | 20,000 | - | 84,300 | 274,300 |
| Premium..... | - | 8,111 | 6,794 | - | - | 8,593 | 2,004 | - | 16,376 | 41,878 |
| Refunding Bond Proceeds: | | | | | | | | | | |
| Principal..... | - | - | - | 9,920 | 10,030 | 11,185 | 11,180 | - | - | 42,315 |
| Premium..... | - | - | - | - | 1,932 | 888 | - | - | - | 2,820 |
| Payments to Refunding Escrow Agent | - | - | - | (9,768) | (11,812) | (11,918) | (11,023) | - | - | (44,521) |
| Financing Provided to State Agencies Under Leases: | | | | | | | | | | |
| Mental Health Capital Facilities..... | - | (57,739) | - | - | - | - | - | - | - | (57,739) |
| Parks and Recreation Capital Facilities..... | - | - | (46,486) | - | - | - | - | - | - | (46,486) |
| Administrative Facilities..... | - | - | - | - | - | (87,987) | - | - | - | (87,987) |
| Juvenile Correctional Capital Facilities..... | - | - | - | - | - | - | (21,815) | - | - | (21,815) |
| Transportation Building..... | - | - | - | - | - | - | - | - | (100,094) | (100,094) |
| TOTAL OTHER FINANCING SOURCES/(USES)..... | - | 28,447 | 16,108 | 23,367 | 75,085 | 62,146 | 22,736 | 1,905 | 582 | 230,376 |
| NET CHANGE IN FUND BALANCES..... | (7) | 683 | (1,499) | 15 | (2,861) | 308 | 8 | - | 4 | (3,349) |
| FUND BALANCE, JULY 1..... | 26 | 5,425 | 6,285 | 8 | 2,908 | 1 | 20 | 17 | - | 14,690 |
| FUND BALANCE, JUNE 30..... | \$ 19 | \$ 6,108 | \$ 4,786 | \$ 23 | \$ 47 | \$ 309 | \$ 28 | \$ 17 | \$ 4 | \$ 11,341 |

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Community College Intercept Program – In August 2010, the Authority issued \$20,145 of bonds at rates from 2.0% to 4.45%, with payments due through 2019 on behalf of Stark State College, and, in October 2010, the Authority issued \$9,525 of bonds at rates from 1.5% to 6.17%, with payments due through 2035 on behalf of Clark State Community College (collectively, the “Colleges”). In fiscal year 2013, the Treasurer of State issued \$4,125 of bonds at rates from 2.0% to 4.0%, with payments due through 2033 on behalf of Rhodes State College. Since the Colleges are a proprietary component unit of the State of Ohio, its financial statements report the assets and debt financed through the Authority or Treasurer. Accordingly, the Treasurer’s Debt Service Fund financial statements do not include the College’s activity. At June 30, 2015, \$16,685 of College bonds were outstanding.

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

B. Fund Accounting and Basis of Presentation

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

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

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Transportation Facilities Bond Service Fund — This fund accounts for the debt service activities of the Transportation Facilities Revenue Bonds authorized by Chapter 154, Ohio Revised Code. The transportation facilities bond program was established in House Bill 497 of the 130th General Assembly, and the fund is newly presented for fiscal year 2015 when the first bond issuance occurred.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget

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

E. Leases

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

F. Fund Balance

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

G. Use of Estimates

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

NOTE 2 — DEPOSITS AND INVESTMENTS

As of June 30, 2015, the total carrying amount of deposits was \$169. The entire bank balance of \$169 was insured or collateralized.

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

STAR Ohio is an investment pool managed by the Treasurer of State, which allows Ohio governments to pool funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are held in the State's name and are valued at the pool's share price, which is the price the investment could be sold for on June 30, 2015. Investment balances held, as of June 30, 2015, are as follows:

| | <u>Rating</u> | <u>Fair Value</u> | <u>Investment Maturity 12 Months or Less</u> |
|-----------|---------------|-------------------|--|
| Star Ohio | AAA | <u>\$ 300</u> | <u>\$ 300</u> |

NOTE 3 — LEASES

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

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

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

For the 2014-15 biennium, the 130th General Assembly appropriated the amounts necessary from the General Revenue Fund to meet the payments required under such leases. The appropriated amounts and the lease amounts paid during fiscal years 2014 and 2015 are detailed in the schedule, below. Such amounts were paid into the Treasurer's respective Bond Service Funds that are established to receive rental and other payments and to make payments of bond service charges (principal and interest).

| | <u>Appropriations</u> | <u>Rent Paid to Treasurer of State</u> |
|--|-----------------------|--|
| Ohio Board of Regents – Higher Education Facilities | \$ 5,805 | \$ 5,783 |
| Ohio Department of Mental Health and Addiction Services and Ohio Department of Developmental Disabilities – Mental Health Facilities | 63,840 | 63,985 |
| Ohio Department of Natural Resources – Parks and Recreation Facilities | 45,566 | 42,951 |
| Ohio Facilities Construction Commission – Cultural and Sports Facilities | 62,961 | 61,766 |
| Ohio Department of Rehabilitation and Correction – Adult Correctional Facilities | 203,634 | 199,330 |
| Ohio Department of Administrative Services – Administrative Facilities | 176,907 | 175,656 |
| Ohio Department of Youth Services – Juvenile Correctional Facilities | 53,865 | 53,250 |
| Ohio Department of Public Safety – Highway Safety Facilities | 4,945 | 4,876 |
| Ohio Department of Transportation – Transportation Facilities | - | - |

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

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

As of and for the Year Ended June 30, 2015

NOTE 3 — LEASES (Continued)

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

As of June 30, 2015, future payments to be received from the state agencies responsible for making the requisite payments under the lease agreements are detailed in the following schedule by debt service fund.

**Schedule of Future Payments
 Under Lease Agreements with State Agencies
 as of June 30, 2015**

| Year Ending June 30, | Mental Health Facilities Bond Service | Parks and Recreation Facilities Bond Service | Cultural and Sports Facilities Bond Service | Adult Correctional Facilities Bond Service |
|--|--|---|--|---|
| 2016..... | \$ 41,856 | \$ 23,286 | \$ 26,074 | \$ 81,162 |
| 2017..... | 35,097 | 20,998 | 21,209 | 74,056 |
| 2018..... | 32,451 | 18,690 | 21,197 | 65,134 |
| 2019..... | 25,835 | 15,055 | 19,374 | 56,729 |
| 2020..... | 23,601 | 12,910 | 15,665 | 44,286 |
| 2021-2025..... | 68,021 | 38,134 | 14,968 | 200,576 |
| 2026-2030..... | - | 22,128 | - | 46,617 |
| 2031-2035..... | - | - | - | 17,530 |
| | <u>226,861</u> | <u>151,201</u> | <u>118,487</u> | <u>586,090</u> |
| Amount Representing Interest..... | (35,856) | (29,636) | (13,787) | (126,090) |
| Leases Receivable, as of June 30, 2015..... | <u>\$ 191,005</u> | <u>\$ 121,565</u> | <u>\$ 104,700</u> | <u>\$ 460,000</u> |

| Year Ending June 30, | Administrative Facilities Bond Service | Juvenile Correctional Facilities Bond Service | Highway Safety Facilities Bond Service | Transportation Facilities Bond Service | Total |
|--|---|--|---|---|---------------------|
| 2016..... | \$ 97,169 | \$ 25,108 | \$ 2,389 | \$ 8,143 | \$ 305,187 |
| 2017..... | 92,779 | 19,541 | 2,403 | 8,146 | 274,229 |
| 2018..... | 93,195 | 16,970 | 2,407 | 8,147 | 258,191 |
| 2019..... | 82,479 | 14,217 | 2,411 | 8,146 | 224,246 |
| 2020..... | 75,080 | 10,508 | 1,566 | 8,142 | 191,758 |
| 2021-2025..... | 291,587 | 52,590 | 1,568 | 40,729 | 708,173 |
| 2026-2030..... | 98,080 | 11,806 | - | 40,715 | 219,346 |
| 2031-2035..... | 46,966 | - | - | - | 64,496 |
| | <u>877,335</u> | <u>150,740</u> | <u>12,744</u> | <u>122,168</u> | <u>2,245,626</u> |
| Amount Representing Interest..... | (201,825) | (25,820) | (1,409) | (37,868) | (472,291) |
| Leases Receivable, as of June 30, 2015..... | <u>\$ 675,510</u> | <u>\$ 124,920</u> | <u>\$ 11,335</u> | <u>\$ 84,300</u> | <u>\$ 1,773,335</u> |

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

As of and for the Year Ended June 30, 2015

NOTE 3 — LEASES (Continued)

A summary of the unavailable portion of leases receivable by debt service fund as of June 30, 2015 is presented in the table below:

| | Mental Health Facilities Bond Service | Parks & Recreation Facilities Bond Service | Cultural & Sports Facilities Bond Service | Adult Correctional Facilities Bond Service |
|---|--|---|--|---|
| Lease Principal | \$ 186,925 | \$ 117,855 | \$ 104,700 | \$ 460,000 |
| Lease Interest | 207 | 169 | 1,095 | 5,530 |
| Total Unavailable Revenue as of June 30, 2015..... | <u>\$ 187,132</u> | <u>\$ 118,024</u> | <u>\$ 105,795</u> | <u>\$ 465,530</u> |

| | Administrative Facilities Bond Service | Juvenile Correctional Facilities Bond Service | Highway Safety Facilities Bond Service | Transportation Facilities Bond Service | Total Debt Service Funds |
|---|---|--|---|---|---|
| Lease Principal | \$ 675,510 | \$ 124,920 | \$ 11,335 | \$ 84,300 | \$ 1,765,545 |
| Lease Interest | 8,129 | 1,260 | 101 | 1,702 | 18,193 |
| Total Unavailable Revenue as of June 30, 2015..... | <u>\$ 683,639</u> | <u>\$ 126,180</u> | <u>\$ 11,436</u> | <u>\$ 86,002</u> | <u>\$ 1,783,738</u> |

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

The Ohio Office of Budget and Management will consolidate the accompanying financial statements of the debt service funds in the financial statements presented in the State of Ohio's CAFR as of and for the year ended June 30, 2015.

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

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

SUPPLEMENTARY INFORMATION

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Net Position - Accrual Basis
As of June 30, 2015
(Dollars in 000s)

| | <u>Total Debt Service Funds</u> |
|---|---|
| ASSETS: | |
| Cash..... | \$ 169 |
| Investments..... | 300 |
| Receivables from State Agencies: | |
| Leases..... | 1,773,335 |
| Unamortized Lease Premium/Discount, Net..... | 105,605 |
| Interest..... | <u>21,275</u> |
| TOTAL ASSETS..... | <u>1,900,684</u> |
| DEFERRED OUTFLOW OF RESOURCES: | |
| Deferred Charge on Refunding..... | <u>27,905</u> |
| TOTAL DEFERRED OUTFLOW OF RESOURCES..... | <u>27,905</u> |
| LIABILITIES: | |
| Accounts Payable..... | 19 |
| Bond Interest Payable..... | 21,726 |
| Bonds Payable, net of premiums and discount: | |
| Due in One Year..... | 250,257 |
| Due in More Than One Year..... | <u>1,656,587</u> |
| TOTAL LIABILITIES..... | <u>1,928,589</u> |
| NET POSITION | |
| Restricted for Debt Service..... | <u>-</u> |
| TOTAL NET POSITION..... | <u><u>\$ -</u></u> |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Activities - Accrual Basis
For the Year Ended June 30, 2015

(Dollars in 000s)

| | Higher Education Facilities | Mental Health Facilities | Parks and Recreation Facilities | Cultural and Sports Facilities | Adult Correctional Facilities | Administrative Facilities | Juvenile Correctional Facilities | Highway Safety Facilities | Transportation Building Facilities | Total Debt Service Funds |
|---|-----------------------------------|--------------------------------|---------------------------------------|---|-------------------------------------|------------------------------|--|---------------------------------|--|--------------------------------|
| EXPENSES: | | | | | | | | | | |
| Administrative..... | \$ - | \$ 38 | \$ 19 | \$ 573 | \$ 56 | \$ 95 | \$ 46 | \$ 13 | \$ - | \$ 840 |
| Bond Issue Costs..... | - | 369 | 307 | 144 | 146 | 754 | 339 | - | 578 | 2,637 |
| Interest on Debt..... | - | 4,956 | 3,753 | 3,315 | 19,660 | 26,276 | 4,139 | 387 | 1,706 | 64,192 |
| TOTAL EXPENSES..... | - | 5,363 | 4,079 | 4,032 | 19,862 | 27,125 | 4,524 | 400 | 2,284 | 67,669 |
| PROGRAM REVENUES: | | | | | | | | | | |
| Charges for Services (1)..... | - | 5,363 | 4,079 | 4,032 | 19,862 | 27,125 | 4,524 | 400 | 2,284 | 67,669 |
| TOTAL PROGRAM REVENUES..... | - | 5,363 | 4,079 | 4,032 | 19,862 | 27,125 | 4,524 | 400 | 2,284 | 67,669 |
| NET EXPENSE AND CHANGES IN NET POSITION..... | - | - | - | - | - | - | - | - | - | - |
| NET POSITION, JULY 1..... | - | - | - | - | - | - | - | - | - | - |
| NET POSITION, JUNE 30..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Reconciliation Schedule Between the Balance Sheet
and the Schedule of Net Position
As of June 30, 2015
(Dollars in 000s)

| | |
|---|-------------------------|
| Fund Balance per Debt Service Funds' Balance Sheet | \$ <u>11,341</u> |
|---|-------------------------|

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

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

| | |
|--|------------------|
| Leases Receivable from State Agencies: | |
| Lease Principal | 1,765,545 |
| Lease Interest | 18,193 |
| | <u>1,783,738</u> |

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

| | |
|---|----------------|
| Unamortized Lease Premium/Discount, Net | 105,605 |
| | <u>105,605</u> |

| | |
|---|--------|
| The accounting loss reported as a deferred outflow of resources is applicable to future reporting periods and is not reported on the fund statements. | 27,905 |
|---|--------|

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

| | |
|-----------------------|--------------------|
| Accounts Payable | (19) |
| Bonds Payable | (1,906,844) |
| Bond Interest Payable | (21,726) |
| | <u>(1,928,589)</u> |

| | |
|--|--------------------|
| Net Position per Schedule of Net Position | \$ <u>-</u> |
|--|--------------------|

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Reconciliation Schedule Between
the Statement of Revenues, Expenditures and Changes in Fund Balances
and the Schedule of Activities
For the Fiscal Year Ended June 30, 2015
(Dollars in 000s)

| | |
|---|-------------------|
| Net Change in Fund Balance per Debt Service Funds' | |
| Statement of Revenues, Expenditures and Changes in Fund Balances | \$ (3,349) |

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

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

| | |
|-----------------|--------|
| Lease Principal | 48,735 |
| Lease Interest | 3,672 |
| | 52,407 |

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

| | |
|---|--------|
| Unamortized Lease Premium/Discount, Net | 27,137 |
| | 27,137 |

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

| | |
|------------------------------|-----------|
| Bonds | (274,300) |
| Refunding Bonds | (42,315) |
| Premiums | (44,698) |
| Deferred Amount on Refunding | 3,545 |
| | (357,768) |

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

| | |
|--------------------------------------|---------|
| Debt Principal Refundings | 40,175 |
| Scheduled Debt Principal Retirements | 229,470 |
| | 269,645 |

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

| | |
|--|---------|
| Decrease in Bond Interest Payable | (2,097) |
| Increase in Accounts Payable | 7 |
| Amortization of Bond Premiums/Accretion of Bond Discounts, Net | 20,958 |
| Amortization of Deferred Refunding Amount | (6,940) |
| | 11,928 |

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

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Payments
Under Lease Agreements with State Agencies
As of June 30, 2015
(Dollars in 000s)

| Year Ending June 30, | Mental Health Facilities | Parks and Recreation Facilities | Cultural and Sports Facilities | Adult Correctional Facilities | Administrative Facilities | Juvenile Correctional Facilities | Highway Safety Facilities | Transportation Facilities | Total |
|--|--------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|------------------------------|--|---------------------------------|------------------------------|---------------------|
| 2016..... | \$ 41,856 | \$ 23,286 | \$ 26,074 | \$ 81,162 | \$ 97,169 | \$ 25,108 | \$ 2,389 | \$ 8,143 | \$ 305,187 |
| 2017..... | 35,097 | 20,998 | 21,209 | 74,056 | 92,779 | 19,541 | 2,403 | 8,146 | 274,229 |
| 2018..... | 32,451 | 18,690 | 21,197 | 65,134 | 93,195 | 16,970 | 2,407 | 8,147 | 258,191 |
| 2019..... | 25,835 | 15,055 | 19,374 | 56,729 | 82,479 | 14,217 | 2,411 | 8,146 | 224,246 |
| 2020..... | 23,601 | 12,910 | 15,665 | 44,286 | 75,080 | 10,508 | 1,566 | 8,142 | 191,758 |
| 2021-2025..... | 68,021 | 38,134 | 14,968 | 200,576 | 291,587 | 52,590 | 1,568 | 40,729 | 708,173 |
| 2026-2030..... | - | 22,128 | - | 46,617 | 98,080 | 11,806 | - | 40,715 | 219,346 |
| 2031-2035..... | - | - | - | 17,530 | 46,966 | - | - | - | 64,496 |
| | 226,861 | 151,201 | 118,487 | 586,090 | 877,335 | 150,740 | 12,744 | 122,168 | 2,245,626 |
| Amount Representing Interest..... | (35,856) | (29,636) | (13,787) | (126,090) | (201,825) | (25,820) | (1,409) | (37,868) | (472,291) |
| | 191,005 | 121,565 | 104,700 | 460,000 | 675,510 | 124,920 | 11,335 | 84,300 | 1,773,335 |
| Premium/(Discount), Net..... | 16,429 | 7,995 | 4,482 | 23,563 | 31,994 | 4,443 | 323 | 16,376 | 105,605 |
| Leases Receivable, as of June 30, 2015..... | \$ 207,434 | \$ 129,560 | \$ 109,182 | \$ 483,563 | \$ 707,504 | \$ 129,363 | \$ 11,658 | \$ 100,676 | \$ 1,878,940 |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2015 (Continued)
(Dollars in 000s)

Outstanding Chapter 154 Lease Revenue Obligations as of June 30, 2015 are in the form of fully registered bonds that mature in various amounts and at various dates and bear interest payable semiannually at various interest rates. The bonds mature after specified dates and are subject to redemption prior to maturity, in whole or in part, in inverse order of maturity. The redemption price varies from 100% to 102%, dependent upon the terms of the particular series of the bonds and the redemption date.

As of June 30, 2015, the Chapter 154 Lease Revenue Obligations had the following credit ratings assigned by the major bond rating agencies:

| | Fitch | Moody's | Standard & Poor's |
|----------------------------------|-------|---------|----------------------|
| Higher Education Facilities | AA+ | Aa1 | AA+ |
| Mental Health Facilities | AA | Aa2 | AA |
| Parks and Recreation Facilities | AA | Aa2 | AA |
| Cultural and Sports Facilities | AA | Aa2 | AA |
| Adult Correctional Facilities | AA | Aa2 | AA |
| Administrative Facilities | AA | Aa2 | AA |
| Juvenile Correctional Facilities | AA | Aa2 | AA |
| Highway Safety Facilities | AA | Aa2 | AA |
| Transportation Facilities | AA | Aa2 | AA |

Through June 30, 2015, the Ohio General Assembly has authorized issuance of Chapter 154 Lease Revenue Obligations, including bonds and bond anticipation notes for capital facilities, in the following amounts:

| <u>Bond Program</u> | <u>Amount</u> |
|----------------------------------|-----------------------------|
| Higher Education Facilities* | \$ 4,817,590 |
| Mental Health Facilities | 1,581,000 |
| Parks and Recreation Facilities | 598,000 |
| Cultural and Sports Facilities | 593,000 |
| Adult Correctional Facilities | 2,119,000 |
| Administrative Facilities | 1,831,000 |
| Juvenile Correctional Facilities | 351,000 |
| Highway Safety Facilities | 143,000 |
| Transportation Facilities | 100,000 |
| Total Authorization | <u>\$ 12,133,590</u> |

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

Details on bonds issued through June 30, 2015 are displayed in the following tables. Bond amounts issued in accordance with the above authorizations amounts are listed under the "Original Issues at Par" column. Bond issue authorization limits do not apply to advance refunding issues. The final maturity dates and average effective interest rates reported on the following tables represent data valid at the time of the original issue; this data has not been adjusted for the effects of any advance refunding issues that occurred subsequent to the original bond series issue.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2015 (Continued)
(Dollars in 000s)

Higher Education Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$4,817,590 | \$1,746,385 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| None outstanding | | | | | | |
| Total | <u>\$4,817,590</u> | <u>\$1,746,385</u> | | | | <u>\$ —</u> |

Mental Health Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$1,292,085 | \$ 386,465 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| II-2005A | 30,000 | — | 8/31/2005 | 8/1/2019 | 4.37% | 300 |
| II-2006B | — | 26,775 | 12/14/2006 | 12/1/2016 | 4.75% | 7,840 |
| II-2008A | 30,000 | — | 11/19/2008 | 6/1/2018 | 3.72% | 10,280 |
| 2009A | 40,000 | — | 12/17/2009 | 12/1/2019 | 2.56% | 21,800 |
| 2012A | — | 24,175 | 5/17/2012 | 6/1/2019 | 4.56% | 17,720 |
| 2013A | 25,000 | — | 3/7/2013 | 2/1/2013 | 3.55% | 20,425 |
| 2013B | — | 15,375 | 3/7/2013 | 8/1/2019 | 4.59% | 13,640 |
| 2014A | 50,000 | — | 1/30/2014 | 2/1/2024 | 4.42% | 49,000 |
| 2015A | 50,000 | — | 5/5/2015 | 2/1/2025 | 4.95% | 50,000 |
| Total | <u>\$1,517,085</u> | <u>\$ 452,790</u> | | | | <u>\$ 191,005</u> |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2015 (Continued)
(Dollars in 000s)

Parks and Recreation Facilities Bonds

| Series | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 313,000 | \$ 84,125 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| II-2006A | — | 15,410 | 12/14/2006 | 12/1/2016 | 4.32% | 6,675 |
| II-2007A | 30,000 | — | 11/13/2007 | 12/1/2017 | 3.82% | 10,460 |
| II-2009A | 35,000 | — | 3/12/2009 | 12/1/2020 | 3.95% | 21,370 |
| II-2011A | 30,000 | — | 3/3/2011 | 8/1/2025 | 4.06% | 26,180 |
| II-2012A | — | 7,570 | 5/17/2012 | 12/1/2018 | 4.46% | 7,570 |
| 2013A | — | 11,200 | 4/11/2013 | 8/1/2019 | 3.43% | 9,310 |
| 2015A | 40,000 | — | 3/5/2015 | 2/1/1930 | 4.98% | 40,000 |
| Total | <u>\$ 448,000</u> | <u>\$ 118,305</u> | | | | <u>\$ 121,565</u> |

Cultural and Sports Facilities Bonds

| Series | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 373,690 | \$ 6,880 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| 2006A | 25,000 | — | 12/14/2006 | 4/1/2020 | 4.45% | 2,035 |
| 2006B | — | 28,295 | 12/14/2006 | 10/1/2015 | 4.83% | 4,760 |
| 2008B | 30,000 | — | 12/3/2008 | 10/1/2018 | 3.68% | 13,710 |
| 2010A | 30,000 | — | 2/10/2010 | 10/1/2020 | 3.73% | 20,175 |
| 2011A | 28,000 | — | 3/3/2011 | 10/1/2020 | 4.84% | 21,950 |
| 2013A | 18,000 | — | 3/7/2013 | 4/1/2023 | 1.88% | 14,970 |
| 2013B | — | 19,890 | 3/7/2013 | 4/1/2020 | 1.30% | 17,180 |
| 2015A | — | 9,920 | 2/26/2015 | 10/1/2019 | 1.40% | 9,920 |
| Total | <u>\$ 504,690</u> | <u>\$ 64,985</u> | | | | <u>\$ 104,700</u> |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2015 (Continued)
(Dollars in 000s)

Adult Correctional Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$1,734,500 | 958,420 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| 2002B | — | 90,560 | 10/8/02 | 4/1/17 | 4.38% | 23,215 |
| 2004C | — | 225,350 | 10/21/04 | 10/1/18 | 5.11% | 67,055 |
| 2008A | 25,000 | — | 3/6/08 | 4/1/23 | 4.77% | 5,055 |
| 2009A | 40,000 | — | 1/22/09 | 10/1/28 | 4.76% | 31,890 |
| 2009B | — | 75,790 | 9/17/09 | 10/1/24 | 3.46% | 63,130 |
| 2010A | — | 79,325 | 8/31/10 | 10/1/24 | 4.59% | 66,190 |
| 2011A | 40,000 | — | 2/1/11 | 4/1/31 | 4.91% | 36,050 |
| 2011B | — | 101,530 | 9/15/11 | 10/1/24 | 2.65% | 49,160 |
| 2012A | — | 17,360 | 5/17/12 | 4/1/23 | 5.00% | 17,360 |
| 2013A | — | 47,320 | 3/7/13 | 10/1/24 | 5.00% | 47,320 |
| 2014A | 45,000 | — | 5/7/14 | 4/1/34 | 4.85% | 43,545 |
| 2015A | — | 10,030 | 2/26/15 | 10/1/22 | 5.00% | 10,030 |
| Total | <u>\$1,884,500</u> | <u>\$1,605,685</u> | | | | <u>\$ 460,000</u> |

Administrative Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 1,328,300 | \$ 696,383 | Various | Various | Various | \$ — |
| <i>Outstanding Bonds:</i> | | | | | | |
| 2001A | 120,000 | — | 4/1/2001 | 10/1/2020 | 5.14% | 18,790 |
| 2004B | — | 130,750 | 10/21/2004 | 10/1/2018 | 4.94% | 36,740 |
| 2006A | 40,000 | — | 10/3/2006 | 4/1/2016 | 4.40% | 4,465 |
| 2006B | — | 70,335 | 10/3/2006 | 4/1/2018 | 3.93% | 50,840 |
| 2008A | 25,000 | — | 3/6/2008 | 4/1/2023 | 4.85% | 5,060 |
| 2009A | 60,000 | — | 1/22/2009 | 10/1/2028 | 4.24% | 48,420 |
| 2009B | — | 86,590 | 9/17/2009 | 10/1/2024 | 4.93% | 71,645 |
| 2010A | 9,005 | — | 4/1/2010 | 10/1/2016 | 3.99% | 3,235 |
| 2010B | 30,995 | — | 4/1/2010 | 10/1/2029 | 5.58% | 30,995 |
| 2010C | — | 148,865 | 8/31/2010 | 10/1/2024 | 4.84% | 124,090 |
| 2011A | — | 38,595 | 9/15/2011 | 10/1/2024 | 2.65% | 35,810 |
| 2012A | 32,700 | — | 3/8/2012 | 4/1/2032 | 4.13% | 29,240 |
| 2012B | — | 28,055 | 3/8/2012 | 4/1/2024 | 5.00% | 28,055 |
| 2013A | — | 48,660 | 4/11/2013 | 4/1/2025 | 4.95% | 48,660 |
| 2013B | 50,000 | — | 7/31/2013 | 4/1/1933 | 4.80% | 48,280 |
| 2015A | 61,930 | — | 1/28/2015 | 4/1/1935 | 4.31% | 61,930 |
| 2015B | 18,070 | — | 1/28/2015 | 4/1/2025 | 2.59% | 18,070 |
| 2015C | — | 11,185 | 2/26/2015 | 10/1/2022 | 2.95% | 11,185 |
| Total | <u>\$ 1,776,000</u> | <u>\$ 1,259,418</u> | | | | <u>\$ 675,510</u> |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Credit Ratings and Bonds Authorized, Issued and Outstanding
As of June 30, 2015 (Continued)
(Dollars in 000s)

Juvenile Correctional Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 232,000 | \$ 108,615 | Various | Various | Various | \$ — |
| <i>Outstanding Bonds:</i> | | | | | | |
| 2005A | 15,000 | — | 10/6/2005 | 10/1/2015 | 4.68% | 1,755 |
| 2005B | — | 27,445 | 10/6/2005 | 10/1/2018 | 4.01% | 3,180 |
| 2007A | 20,000 | — | 5/2/2007 | 4/1/2017 | 1.85% | 4,760 |
| 2007B | — | 16,410 | 5/2/2007 | 4/1/2016 | 3.94% | 3,610 |
| 2009B | — | 16,820 | 9/17/2009 | 10/1/2024 | 3.67% | 14,475 |
| 2010A | 5,445 | — | 4/1/2010 | 10/1/2016 | 2.77% | 1,920 |
| 2010B | — | 11,450 | 4/1/2010 | 10/1/2017 | 5.00% | 7,630 |
| 2010C | 9,555 | — | 4/1/2010 | 10/1/2024 | 4.97% | 9,555 |
| 2010D | — | 15,005 | 8/31/2010 | 10/1/2024 | 4.11% | 12,890 |
| 2011A | 15,000 | — | 5/3/2011 | 4/1/2025 | 4.13% | 12,225 |
| 2011B | — | 9,215 | 9/15/2011 | 10/1/2024 | 2.90% | 8,505 |
| 2013A | 15,000 | — | 1/30/2013 | 10/1/2026 | 4.24% | 13,235 |
| 2015A | — | 11,180 | 2/26/2015 | 10/1/2018 | 1.18% | 11,180 |
| 2015B | 20,000 | — | 3/5/2015 | 4/1/2030 | 3.90% | 20,000 |
| Total | <u>\$ 332,000</u> | <u>\$ 216,140</u> | | | | <u>\$ 124,920</u> |

Highway Safety Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 140,285 | \$ 41,695 | Various | Various | Various | \$ — |
| <i>Outstanding Bonds:</i> | | | | | | |
| 2010A | — | 10,860 | 4/1/2010 | 10/1/2020 | 4.49% | 8,260 |
| 2014A | — | 3,815 | 5/7/2014 | 4/1/2019 | 3.59% | 3,075 |
| Total | <u>\$ 140,285</u> | <u>\$ 56,370</u> | | | | <u>\$ 11,335</u> |

Transportation Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2015 |
|---------------------------|------------------------------|--|---------------|---------------------------|--|--|
| <i>Outstanding Bonds:</i> | | | | | | |
| 2015A | 84,300 | \$ — | 1/28/2015 | 4/1/1930 | 4.93% | 84,300 |
| Total | <u>\$ 84,300</u> | <u>\$ -</u> | | | | <u>\$ 84,300</u> |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Changes in Bonds Payable Balance
For the Year Ended June 30, 2015
(Dollars in 000s)

| | Mental Health Facilities | Parks and Recreation Facilities | Cultural and Sports Facilities | Adult Correctional Facilities | Administrative Facilities | Juvenile Correctional Facilities | Highway Safety Facilities | Transportation Facilities | Total |
|---|--------------------------------|--|---|-------------------------------------|------------------------------|--|---------------------------------|------------------------------|--------------------|
| Outstanding Balance, July 1, 2014 | \$ 181,187 | \$ 101,890 | \$ 134,915 | \$ 573,113 | \$ 699,808 | \$ 131,191 | \$ 14,032 | \$ - | \$1,836,136 |
| Additions: | | | | | | | | | |
| New Issuances: | | | | | | | | | |
| Bond Principal | 50,000 | 40,000 | - | - | 80,000 | 20,000 | - | 84,300 | 274,300 |
| Bond Premium | 8,110 | 6,794 | - | - | 8,593 | 2,004 | - | 16,376 | 41,877 |
| Advance Refunding Issuances: | | | | | | | | | |
| Bond Principal | - | - | 9,920 | 10,030 | 11,185 | 11,180 | - | - | 42,315 |
| Bond Premium | - | - | - | 1,932 | 888 | - | - | - | 2,820 |
| Total Additions | 58,110 | 46,794 | 9,920 | 11,962 | 100,666 | 33,184 | - | 100,676 | 361,312 |
| Deductions: | | | | | | | | | |
| Bond Principal Repayments | 27,925 | 17,715 | 23,215 | 74,935 | 61,385 | 22,390 | 1,905 | - | 229,470 |
| Refunded Bonds: | | | | | | | | | |
| Bond Principal | - | - | 9,110 | 10,255 | 10,270 | 10,540 | - | - | 40,175 |
| Bond Premium | - | - | 204 | 165 | 245 | 189 | - | - | 803 |
| Amortization of Premium | 2,740 | 722 | 1,886 | 6,313 | 7,389 | 899 | 207 | - | 20,156 |
| Total Deductions | 30,665 | 18,437 | 34,415 | 91,668 | 79,289 | 34,018 | 2,112 | - | 290,604 |
| Outstanding Balance, June 30, 2015 | \$ 208,632 | \$ 130,247 | \$ 110,420 | \$ 493,407 | \$ 721,185 | \$ 130,357 | \$ 11,920 | \$ 100,676 | \$1,906,844 |
| Amount Due in One Year | 37,852 | 19,798 | 23,594 | 65,745 | 74,150 | 21,499 | 2,149 | 5,470 | 250,257 |
| Amount Due in More Than One Year | 170,780 | 110,449 | 86,826 | 427,662 | 647,035 | 108,858 | 9,771 | 95,206 | 1,656,587 |
| Outstanding Balance, June 30, 2015 | \$ 208,632 | \$ 130,247 | \$ 110,420 | \$ 493,407 | \$ 721,185 | \$ 130,357 | \$ 11,920 | \$ 100,676 | \$1,906,844 |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Debt Service Funding Requirements
As of June 30, 2015
(Dollars in 000s)

| Fiscal Year Ending June 30, | Mental Health Facilities | | | Parks & Recreation Facilities | | | Cultural Facilities | | |
|-----------------------------------|--------------------------|------------------|-------------------|-------------------------------|------------------|-------------------|---------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 34,220 | \$ 7,639 | \$ 41,859 | \$ 18,515 | \$ 4,791 | \$ 23,306 | \$ 21,965 | \$ 4,132 | \$ 26,097 |
| 2017 | 28,400 | 6,697 | 35,097 | 16,665 | 4,333 | 20,998 | 17,905 | 3,304 | 21,209 |
| 2018 | 26,945 | 5,505 | 32,450 | 15,025 | 3,665 | 18,690 | 18,625 | 2,572 | 21,197 |
| 2019 | 21,410 | 4,425 | 25,835 | 11,935 | 3,120 | 15,055 | 17,555 | 1,819 | 19,374 |
| 2020 | 20,040 | 3,561 | 23,601 | 10,250 | 2,660 | 12,910 | 14,515 | 1,149 | 15,664 |
| 2021-2025 | 59,990 | 8,031 | 68,021 | 29,685 | 8,449 | 38,134 | 14,135 | 834 | 14,969 |
| 2026-2030 | - | - | - | 19,490 | 2,638 | 22,128 | - | - | - |
| 2031-2035 | - | - | - | - | - | - | - | - | - |
| | 191,005 | 35,858 | 226,863 | 121,565 | 29,656 | 151,221 | 104,700 | 13,810 | 118,510 |
| Premium/Discount, Net | 17,627 | - | 17,627 | 8,682 | - | 8,682 | 5,720 | - | 5,720 |
| Total, as of June 30, 2015 | \$ 208,632 | \$ 35,858 | \$ 244,490 | \$ 130,247 | \$ 29,656 | \$ 159,903 | \$ 110,420 | \$ 13,810 | \$ 124,230 |

| Fiscal Year Ending June 30, | Adult Correctional Facilities | | | Administrative Facilities | | | Juvenile Correctional Facilities | | |
|-----------------------------------|-------------------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|----------------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 59,840 | \$ 21,369 | \$ 81,209 | \$ 66,565 | \$ 30,914 | \$ 97,479 | \$ 20,540 | \$ 4,596 | \$ 25,136 |
| 2017 | 55,580 | 18,476 | 74,056 | 65,445 | 27,334 | 92,779 | 15,760 | 3,781 | 19,541 |
| 2018 | 49,350 | 15,783 | 65,133 | 68,970 | 24,225 | 93,195 | 13,705 | 3,265 | 16,970 |
| 2019 | 43,085 | 13,645 | 56,730 | 61,280 | 21,199 | 82,479 | 11,335 | 2,881 | 14,216 |
| 2020 | 32,455 | 11,830 | 44,285 | 56,605 | 18,475 | 75,080 | 7,910 | 2,598 | 10,508 |
| 2021-2025 | 166,520 | 34,056 | 200,576 | 236,225 | 55,362 | 291,587 | 44,860 | 7,730 | 52,590 |
| 2026-2030 | 37,420 | 9,197 | 46,617 | 78,105 | 19,975 | 98,080 | 10,810 | 996 | 11,806 |
| 2031-2035 | 15,750 | 1,781 | 17,531 | 42,315 | 4,651 | 46,966 | - | - | - |
| | 460,000 | 126,137 | 586,137 | 675,510 | 202,135 | 877,645 | 124,920 | 25,847 | 150,767 |
| Premium/Discount, Net | 33,407 | - | 33,407 | 45,675 | - | 45,675 | 5,437 | - | 5,437 |
| Total, as of June 30, 2015 | \$ 493,407 | \$ 126,137 | \$ 619,544 | \$ 721,185 | \$ 202,135 | \$ 923,320 | \$ 130,357 | \$ 25,847 | \$ 156,204 |

| Fiscal Year Ending June 30, | Highway Safety Facilities | | | Transportation Facilities | | | Total Chapter 154 Bonds | | |
|-----------------------------------|---------------------------|-----------------|------------------|---------------------------|------------------|-------------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 1,965 | \$ 441 | \$ 2,406 | \$ 3,430 | \$ 4,717 | \$ 8,147 | \$ 227,040 | \$ 78,599 | \$ 305,639 |
| 2017 | 2,040 | 363 | 2,403 | 4,235 | 3,911 | 8,146 | 206,030 | 68,199 | 274,229 |
| 2018 | 2,125 | 282 | 2,407 | 4,405 | 3,742 | 8,147 | 199,150 | 59,039 | 258,189 |
| 2019 | 2,215 | 196 | 2,411 | 4,580 | 3,566 | 8,146 | 173,395 | 50,851 | 224,246 |
| 2020 | 1,460 | 106 | 1,566 | 4,760 | 3,382 | 8,142 | 147,995 | 43,761 | 191,756 |
| 2021-2025 | 1,530 | 38 | 1,568 | 27,635 | 13,094 | 40,729 | 580,580 | 127,594 | 708,174 |
| 2026-2030 | - | - | - | 35,255 | 5,460 | 40,715 | 181,080 | 38,266 | 219,346 |
| 2031-2035 | - | - | - | - | - | - | 58,065 | 6,432 | 64,497 |
| | 11,335 | 1,426 | 12,761 | 84,300 | 37,872 | 122,172 | 1,773,335 | 472,741 | 2,246,076 |
| Premium/Discount, Net | 585 | - | 585 | 16,376 | - | 16,376 | 133,509 | - | 133,509 |
| Total, as of June 30, 2015 | \$ 11,920 | \$ 1,426 | \$ 13,346 | \$ 100,676 | \$ 37,872 | \$ 138,548 | \$ 1,906,844 | \$ 472,741 | \$ 2,379,585 |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Current and Advance Refunding Issues and Prior Years' Defeasances
As of and For the Year Ended June 30, 2015
(Dollars in 000s)

Current and Advance Refunding Issues

During fiscal year 2015, four current refunding issues were transacted whereby the Treasurer refunded lease revenue bond issues. The net proceeds of the refunding bonds, after payment of underwriting fees and bond issue costs, were deposited in escrow with a trustee pending the bond's maturity or call date. A resulting economic gain or loss from the refundings represents the difference between the present values of the debt service payments on the old and new debt. Detail on the current refunding bond transactions are discussed below.

- A. On February 26, 2015, the Treasurer refunded portions of four series of previously issued bonds to reduce the State's total debt service payments by issuing \$9,920 of 2015A Cultural Facilities refunding bonds, \$10,030 of 2015A Adult Correctional refunding bonds, \$11,185 of 2015C Administrative refunding bonds, and \$11,180 of 2015A Juvenile Correctional refunding bonds. The overall transaction resulted in an economic gain of \$2,702 and total issuance costs and underwriter's discount of \$602. The refunding resulted in the Treasurer decreasing its total debt service payments over the life of the bonds by \$3,018.

2015A Cultural Facilities Bonds – The 2015A Cultural Facilities Bonds, with an average interest rate of 1.40%, refunded \$9,110 in principal, plus interest of the 2006A Cultural Facilities Bonds due on April 1, 2015-2020. The refunded bonds had an average interest rate of 5.00%.

2015A Adult Correctional Facilities Bonds – The 2015A Adult Correctional Facilities Bonds, with an average interest rate of 5.00%, refunded \$10,255 in principal, plus interest of the 2008A Adult Correctional Facilities Bonds due on April 1, 2015-2023. The refunded bonds had an average interest rate of 5.25%.

2015C Administrative Facilities Bonds – The 2015C Administrative Facilities Bonds, with an average interest rate of 2.95%, refunded \$10,270 in principal, plus interest of the 2008A Administrative Facilities Bonds due on April 1, 2015-2023. The refunded bonds had an average interest rate of 5.50%.

2015A Juvenile Correctional Facilities Bonds – The 2015A Juvenile Correctional Facilities Bonds, with an average interest rate of 1.18%, refunded \$10,540 in principal, plus interest of the 2005B Juvenile Correctional Facilities Bonds due on April 1, 2015 – October 1, 2018. The refunded bonds had an average interest rate of 4.52%.

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Current and Advance Refunding Issues and Prior Years' Defeasances
As of and For the Year Ended June 30, 2015 (continued)
(Dollars in 000s)

Prior Years' Defeasances

The Treasurer has defeased certain Chapter 154 Lease Revenue Obligations by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements of the Chapter 154 Lease Revenue Obligations. The following table details advance refunded bonds, which are considered to be defeased and no longer outstanding as of June 30, 2015 that were refunded in fiscal year 2015 and prior.

| <u>Refunded Issue</u> | <u>Principal Yet to be Paid as of June 30, 2015</u> | <u>Scheduled Redemption Date</u> |
|--|---|--|
| Cultural & Sports Facilities: 2006A | 9,110 <hr/> 9,110 | April 1, 2016 |
| Adult Correctional Facilities: 2008A | 10,255 <hr/> 10,255 | April 1, 2018 |
| Administrative Facilities: 2008A | 10,270 <hr/> 10,270 | April 1, 2018 |
| Juvenile Correctional Facilities: 2005B | 10,540 <hr/> 10,540 | October 1, 2015 |
| Total | <u>\$ 40,175</u> | |

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

Treasurer of State of Ohio
Columbus, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Debt Service Funds as held in the name of the Treasurer of State of Ohio (the Funds) of the Higher Education Capital Facilities, Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Department of Rehabilitation and Correction, Department of Administrative Services, Department of Youth Services, Department of Public Safety, and the Department of Transportation lease revenue bonds governed by the Ohio Revised Code Chapter 154 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

KENNEDY COTTRELL RICHARDS LLC

September 30, 2015

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Dave Yost • Auditor of State

TREASURER OF STATE LEASE REVENUE BONDS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2015**